

# 合肥美菱股份有限公司

HEFEI MEILING CO., LTD.



**Annual Report 2014**

## Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

The Company did not have directors, supervisors and senior executives of the Company could not guarantee the reality, accuracy and completion of the whole contents or have objections.

Except for the follow directors, other directors are attending the Meeting for Report deliberation on way of on-site meeting

Absent directors	Title	Reasons	Attorney
Gao Jian	Director	Due to works	Li Wei

The profit distribution plan for year of 2014 was deliberated and approved in 6th meeting of 8th session of the Board: take total shares of 763,739,205 shares as base dated 31 December 2014, distributed 0.6 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, no shares bonus issued and no capitalizing of common reserves carried out either.

Mr. Liu Tibin, Chairman of the Company, President Mr. Li Wei, Mr. Yu Zhang Xiaolong, person in charge of accounting work and Mr. Tang Bin, person in charger of accounting organ hereby confirm that the Financial Report of 2014 Annual Report is authentic, accurate and complete.

Shine Wing Certified Public Accountants Co., Ltd. issued standard unqualified Auditors' Report for the Company's Financial Report of 2014.

Directors and senior executives of the Company respectively signed Written Confirmation Opinions for 2014 Annual Report.

Supervisory Committee of the Company formed Written Examination Opinions for 2014 Annual Report.

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## Paraphrase

Items	Refers to	Contents
Company, the Company or Meiling Electric	Refers to	HEFEI MEILING CO., LTD
Sichuan Changhong or controlling shareholder	Refers to	Sichuan Changhong Electric Co., LTD
Changhong Group	Refers to	Sichuan Changhong Electronics Group Co., Ltd.
Hong Kong Changhong	Refers to	Changhong (Hong Kong) Trading Company Limited
Meiling Group	Refers to	Hefei Meiling Group Holdings Limited
Xingtai Holding	Refers to	Hefei Xingtai Holding Group Co., Ltd.
Shine Wing	Refers to	Shine Wing Certified Public Accountants Co., Ltd.
Changhong Air-conditioner	Refers to	Sichuan Changhong Air-conditioner Co., Ltd.
Jiangxi Meiling Electric	Refers to	Jiangxi Meiling Electrical Co., Ltd.
Mianyang Meiling	Refers to	Mianyang Meiling Refrigeration Co., Ltd.
Zhongshan Changhong	Refers to	Zhongshan Changhong Electric Co., LTD
Huayi Compressor	Refers to	Huayi Compressor Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Anhui Securities Bureau	Refers to	China Securities Regulatory Commission, Anhui Province Securities Regulatory Bureau
SSE	Refers to	Shenzhen Stock Exchange

## **Major Risk Warning**

1. Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Investors are advised to exercise caution of investment risks.

2. Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) are the media for information disclosure for year of 2015 that appointed by the Company. All public information under the name of the Company disclosed on the above said media and website shall prevail, and investors are advised to exercise caution.

## Section II. Company Profile

### I. Company information

Short form of the stock	MEILINGDIANQI, WANMEILING-B	Stock code	000521, 200521
Short form of the Stock after changed (if applicable)	—		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	合肥美菱股份有限公司		
Short form of the Company (in Chinese)	美菱电器		
Foreign name of the Company	HEFEI MEILING CO.,LTD.		
Abbr. of English name of the Company(if applicable)	—		
Legal representative	Liu Tabin		
Registrations add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei		
Code for registrations add	230601		
Offices add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei		
Codes for office add.	230601		
website	<a href="http://www.meiling.com">http://www.meiling.com</a>		
e-mail	info@meiling.com		

### II. Person/Way to contact

	Secretary of the Board
Name	Li Xia
Contact add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei
Tel.	0551-62219021
Fax.	0551-62219021

e-mail	lixia@meiling.com
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### III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times, China Securities Journal, Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	Juchao website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Preparation place for annual report	Room of secretary of the Board, 2/F , administrative center, Office building of the Company

### IV. Registration changes of the Company

-	Date for registration	Place for registration	Registration NO. for enterprise legal license	No. of taxation registration	Organization code
Initial registration	1992-12-31	Hefei Administration For Industry&Commerce	14908430-2	GSWZi No.:340104520113014	14918555-X
Registration at end of report period	2013-01-31	Anhui Administration For Industry&Commerce	340000400001278	GSWZi No.:34011114918555X;WDHZi No.:34011114918555X	14918555-X
Changes of main business since listing	No changes				
Previous changes for controlling shareholders	1. In October 1993, after initial listing, controlling shareholder of the Company-- Hefei Meiling Industrial Corp. (named Hefei Meiling Group Co., dated 23 May 1994), executing controlling rights of the Company and management right of the state-owned assets on behalf of Hefei State-owned Assets Management Office, named at that time; 2. From November 1997 to May 2003, controlling shareholder of the Company was Hefei Meiling Group Holding Co., Ltd. (established base on former Meiling Group Co., "Meiling Group" for short), an enterprise solely owned by the State; mainly operating the state-owned capital in authorized from State-owned Assets Management Commission of Hefei City, ensuring the maintenance and appreciation of state-owned assets; 3. On 29 May 2003, Meiling Group entered into "Equity Transfer Agreement" with Shunde GreenKel Enterprise Development Co., ltd.				

(“GreenKel”), the 82,852,683 state-owned shares held by the Company was transfer to GreenKel. After transferring, GreenKel comes to the first largest shareholder of the Company.

4. According to the spirit of “Bulletin of Treatment Opinions on GreenKel Company purchasing State-owned Assets Shares of Listed Company” (GZFCQ[2006] No.: 44) jointly issued from SASAC and Ministry of Finance in April 2006, Meiling Group took back the Meiling Electric 82,852,683 shares from GreenKel by procedures, which has been transferred. In September 2006, relevant equity transfer agreement signed between the Meiling Group and GreenKel is invalid, which was confirmed by the “Award” ((2006) HZZ No.: 104) issued from arbitration commission of Hefei; the state-owned legal person’s 82,852,683 shares, held by GreenKel, should return to Meiling Electric, and relevant equity consideration will pay to GreenKel by Meiling Group . On 29 December 2006, the 82,852,683 shares of Meiling Electric were transfer to Meiling Group by GreenKel, and Meiling Group becomes the controlling shareholder of Meiling Electric again.

5. On 18 May 2006 and 11 January 2007, Meiling Group entered into “Equity Transfer Agreement of Meiling Electric” and “Supplementary Agreement of Equity Transfer of Meiling Electric” respectively with Sichuan Changhong and Changhong Group, among the 123,396,375 shares held by Meiling Group, 82,852,683 shares were transferred respectively to Sichuan Changhong and Changhong Group according to the transfer way regulated in agreement; of this transferring, 45,000,000 shares (10.88% of total share capital of the Company) were transferred to Sichuan Changhong, the first largest shareholder of the Company while 37,852,683 shares (9.15% of total share capital of the Company) were transferred to Changhong Group, the third largest shareholder of the Company.

6. On 29 October 2008, Changhong Group and Sichuan Changhong entered into “Equity Transfer Agreement of Hefei Meiling Co., Ltd.”, the 32078846 restricted circulations A shares of Meiling Electric held by Changhong Group were transferred by agreement to Sichuan Changhong. On 23 December 2008, the aforesaid equity transfer was approved by “Reply on Matters of Equity held by State-owned Shareholders of Hefei Meiling Co., Ltd.” (GZCQ(2008) No.: 1413) from SASAC; on 21 January 2009, the aforesaid transfer was registered for ownership transfer in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

7. Ended as 31 December 2014, Sichuan Changhong and its concerted action Changhong HK totally holds 189,994,153 shares of the Company, a 24.88% in total share capital of the Company; Sichuan Changhong directly holds 164,828,330 A-share of the Company, a 21.58% in total share capital of the Company while Changhong HK holds circulation B-share of the



	Company amounting as 25,165,823 shares, a 3.30% in total share capital of the Company.
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## V. Other relevant information

### (I) CPA engaged by the Company

Name of CPA	Shine Wing Certified Public Accountants Co., Ltd. (LLP)
Offices add. for CPA	9/F, Block A, Fu Hua Mansion No.8 Chao Yang Men Bei da jie, Dong Cheng District, Beijing, P.R.C
Signing Accountants	He Yong, Fan Dayang

(II) Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable     Not applicable

(III) Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable     Not applicable

## VI. Registration file

(I) Initial registration date:

1. date: 31 December 1992
2. Registration address: Hefei Administration For Industry&Commerce
3. Legal representative: Zhang Jusheng
4. Register serials: 14908430-2
5. Register capital: RMB 127,270,000

(II) First changes in registration

1. date: 9 October 1993
2. Register serials: 14908430-2
3. Legal representative: Zhang Jusheng
4. Register capital: RMB 120,000,000

(III) Second changes in registration

1. date: 18 November 1996
2. Legal representative: Zhang Jusheng
3. Legal Person Business License Registration No.: 14908430-2
4. Register capital: RMB 297,871,300

(IV) Third changes in registration

1. Date: 17 December 1997
2. Legal representative: Zhang Jusheng
3. Legal Person Business License Registration No.: 340000400001278
4. Register capital: RMB 413,642,949

5. Registration address: Anhui Administration For Industry&Commerce

(V) Fourth changes in registration

1. Date: 14 October 2002
2. Legal representative: Wang Jiazhang
3. Legal Person Business License Registration No.: QGWZF Zi No.: 001684
4. Register capital: RMB 413,642,949
5. Registration address: Anhui Administration For Industry&Commerce

(VI) Fifth changes in registration

1. Date: 28 July 2004
2. Legal representative: Gu Zhoujun
3. Legal Person Business License Registration No.: QGWZF Zi No.: 001684
4. Register capital: RMB 413,642,949
5. Registration address: Anhui Administration For Industry&Commerce

(VII) Sixth changes in registration

1. Date: 19 May 2008
2. Legal representative: Zhao Yong
3. Legal Person Business License Registration No.: 340000400001278
4. Register capital: RMB 413,642,949
5. Registration address: Anhui Administration For Industry&Commerce

(VIII) Seventh changes in registration

1. Date: 23 February 2012
2. Legal representative: Liu Tibin
3. Legal Person Business License Registration No.: 340000400001278
4. Register capital: RMB 636,449,338
5. Registration address: Anhui Administration For Industry&Commerce

(IX) Eighth changes in registration

1. Date: 31 January 2013
2. Legal representative: Liu Tibin
3. Legal Person Business License Registration No.: 340000400001278
4. Register capital: RMB 763,739,205
5. Registration address: Anhui Administration For Industry&Commerce

## Section III. Accounting data and summary of financial indexes

### I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes  No

	2014	2013	Changes over last year	2012
Operating income (RMB)	10,764,808,259.00	10,538,933,941.29	2.14%	9,306,878,164.07
Net profit attributable to shareholders of the listed company(RMB)	294,508,518.37	274,068,195.60	7.46%	192,197,887.93
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	245,759,705.69	250,520,460.41	-1.90%	168,980,124.76
Net cash flow arising from operating activities(RMB)	165,462,930.48	538,992,153.64	-69.30%	419,564,087.27
Basic earnings per share (RMB/Share)	0.3856	0.3589	7.44%	0.2517
Diluted earnings per share (RMB/Share)	0.3856	0.3589	7.44%	0.2517
Weighted average ROE (%)	8.88%	8.91%	-0.03%	6.67%
	End of 2014	End of 2013	Changes over end of last year	End of 2012
Total assets (RMB)	9,009,014,201.70	8,522,171,841.34	5.71%	7,886,140,432.47
Net assets attributable to shareholder of listed company (RMB)	3,422,746,664.67	3,187,330,516.90	7.39%	2,955,787,652.31

Total share capital of the Company up to a trading day before disclosure:

Total share capital of the Company up to a trading day before disclosure (Share)	763,739,205
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Whether share capital of the Company, from period-end to the disclosure date of semi-annual report, has changed and has influenced on amount of owners' equity due to the new shares issuing, increase issues in stocks, allotment, stock ownership incentive exercise and buy-back etc. or not

Yes  No

Whether have corporate bonds or not

Yes  No

## II. Difference of the accounting data under accounting rules in and out of China

(I) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company has no difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles) in reporting period.

(II) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

In RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount in this period	Amount in last period	Amount at period-end	Amount at period-begin
Chinese GAAP	294,508,518.37	274,068,195.60	3,422,746,664.67	3,187,330,516.90
Items and amount adjusted by foreign accounting rules				
Foreign accounting rules	294,508,518.37	274,068,195.60	3,422,746,664.67	3,187,330,516.90

(III) Reasons for the differences of accounting data under accounting rules in and out of China

Applicable  Not applicable

The “Notice of Relevant Issues of Audit for Company with Domestically Foreign Shares Offering” was issued from CSRC dated 12 September 2007, since the day issuing, cancel the previous “dual audit” requirement for companies who offering domestically listed foreign shares (B-share enterprise) while engaging securities practice qualification CPA for auditing. The Company did not compile financial report under foreign accounting rules since 2007, the financial report of the Company is complying on the “Accounting Standard for Business Enterprise” in China, and therefore, there are no differences of accounting data under accounting rules in and out of China at period-end.

## III. Items and amounts of extraordinary profit (gains)/loss

√ Applicable   □ Not applicable

In RMB

Item	2014	2013	2012	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-431,173.22	-2,823,805.23	-4,855,733.76	Found in “Non-operating income and expenditure” of Notes of Financial accounting report
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise’s business)	41,165,417.52	29,142,603.41	30,053,406.27	Found in “Non-operating income and expenditure” of Notes of Financial accounting report
Gain/loss from debt restructure	955,413.10	1,496,798.34	0	Without payment
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	378,330.00	0	0	Found in “Investment income” and “Changes in fair value gains/losses” of Notes of Financial accounting report
Other non-operating income and expenditure except for the aforementioned items	10,535,869.24	2,225,794.55	2,491,512.50	Found in “Non-operating income and expenditure” of Notes of Financial accounting report
Less: impact on income tax	3,576,592.95	5,796,449.34	4,321,883.37	
Impact on minority shareholders’ equity (post-tax)	278,451.01	697,206.54	149,538.47	
Total	48,748,812.68	23,547,735.19	23,217,763.17	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable  Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

## Section IV. Report of the Board of Directors

### I. Brief introduction

A slowing-down growth rate crashed China economy in 2014 with y-o-y growth rate of 7.4% in GDP, which are reflected respectively in shrinking export and import volume, fixed asset investment and retail. Investment in real estate decreases as well. As regard, the depression extends to equipment manufacturing, building materials from upstream and home electric appliance from downstream. In addition, ego of internet is sweeping the world with surging new commercial models and new products. All these factors lead to a more intense competition.

Sales volume in home appliance market declines obviously resulting from falling-down macro economy, depressed real estate and stepping-out stimulus package policy as well as pro-consumption of demands. Overall decline happens to refrigerator industry and fiercer battle becomes usual in brands competition. Trend of transforming is getting its way. Products with frequency and large volume take the lead in market. Wave of internet constantly crashes the traditional home appliance industry. E-commerce is becoming the major competitor of the market.

In reporting period, we set guidance of Meiling Dream and Double Three and One Heart, we persist in principle of Emphasis on Products, Improving Efficiency, Firming Foundation and Building Capacity. All staff work hard thus we got through the hardness of all the unfavorable factors namely depressed macro economy, fiercer competition, lacking labor and going-up staff cost. We boost comprehensive competitiveness and obtained stable growth. For In 2014, the Company achieved operation revenue of RMB 10.765 billion, a y-o-y growth of 2.14%; net profit attributable to parent company approximately amounted as RMB 295 million (including accrual 2014 performance incentive fund RMB 32.1867 million), a y-o-y increase of 7.46%. The net profit attributable to parent company before 2014 performance incentive fund withdrawal approximately amounted as RMB 322 million, a y-o-y growth of 17.44%.

### II. Main Business Analysis

#### (I) Overview

Shows no difference with the summary disclosed in Report of the Board of Director

Yes  No

In reporting period, export volume of refrigerator and sales of washing machine achieved growth of 20%; AC sales in and out of China goes to 13% up; While the structure of domestic sales varies a lot as volume of products with 3 doors and multiple doors goes up. It is the same with refrigerator with 0.1-degree accurate frequency. Portion of high-end products and structure upgrading accelerates.

In 2014, refrigerator and freezer business achieved revenue of approximately about RMB 6.04 billion. According to the Yee data: in 2014, Meiling took 9.2% shares of domestic retail market in refrigerator, decreased by 0.55% compared with the same period last year; while freezer shares took 9.22%, ranking fifth as a single

brand in market share.

In 2014, air-conditioning business achieve revenue approximately about RMB 3.713 billion with growth of 13.29% year-on-year. While washing machine business achieve revenue around about RMB 301 million, with year-on-year growth of 15.84% for 2014.

1. Summary on the progress of the development strategy and operation plan as disclosed previously by the Company during the reporting period

During the Period, the Company formulated an operation plans for year of 2014 by closely around the established development strategy and business policy of 2014, main works are as:

#### (1) Products Priority

The Company significantly promoted strategy of products of “intelligence” and “frequency”. 2014 is the year of outbreak of smart appliance in China, major home appliance giant transformed in succession, and intelligent comes to the first transition point. The Company respectively issued CHiQ refrigerator “taking Cloud image discern” technology as the core and CHiQ conditioner based on “perception of the human body condition” in February and March 2014. In reporting period, couples of CHiQ were marketed. Cloud image discern platform as well as database of menu and price has been formally applied. In aspect of frequency technology and products research, we promoted 0.1-degree frequency products, which achieved a precisely temperature control for 0.1°C, high sensitivity temperature control system can efficiently stable the temperature within the area, minor the impact for food storage from temperature fluctuation in order to extended longer food preservation time. In addition, the Company valued the improvement of products quality, strengthened quality management system, constantly perfected quality appraisal system and quality data system, intensified quality appraisal. Thus quality improved during reporting period.

#### (2) Improving Efficiency

In reporting period, the Company continues to improve the efficiency in aspect of staff, materials and capital, enhancing the operation efficiency for the enterprise. As for the staff efficiency, manufacturing system of the Company improve efficiency by means of technology and management, sales system by means of actively explore market and control the personnel allocation while management department by means of strengthen human resources integrated planning, and achieved a y-o-y growth of staff efficiency in the Period. As for the material and capital efficiency, the Company reinforce the efficiency management on assets, evaluated the major overdue receivables and bad inventory with some achievements obtained.

#### (3) Solid the Foundation

The Company set performance appraisal system with clear goal, countable standards and performance orientation. Surrounding the value chain management, we conducted overall budget management. In the Period, we comprehensively carried out value creation, optimized value chain thus reduce delay. We perfected talent and team building system and constantly improved competitiveness of the Company.



## (4) Building Capacity

In aspect of domestic sale, the Company improved product, terminal and operation construction. In aspect of export, we improved rapid payment with international level. In aspect of internal control, the Company carried out sample management activity, conducted strategic innovation and transition. We strived to improve competitiveness surrounding intelligence.

2. Reasons for any 20% difference between the actual operating results and the annual profit forecast disclosed previously in a public manner

Applicable  Not applicable

3. Changes of main operation mode

Applicable  Not applicable

**(II) Revenue**

1. Introduction

Item	2014	2013	Increase/decrease y-o-y (%)
Operating revenue from main business	10,235,295,432.94	10,070,381,834.02	1.64%
Other operating revenue from business	529,512,826.06	468,552,107.27	13.01%
Total operating revenue	10,764,808,259.00	10,538,933,941.29	2.14%

2. Whether income from physical sales larger than income from labors or not

Yes  No

10 thousand pieces/set

Industries	Item	2014	2013	Increase/decrease y-o-y (%)
Manufacture of household appliances industry	Sales volume	729.86	690.23	5.74
	Production	724.23	696.66	3.96
	Inventory	119.73	125.36	-4.49

Reasons for y-o-y relevant data with over 30% changes

Applicable  Not applicable

3. Material orders in hands

Applicable  Not applicable

4. Material changes or adjustment for products or services of the Company in reporting period

Applicable  Not applicable

5. Major sales of the Company

Total top five clients in sales (RMB)	3,159,626,586.65
Proportion in total annual sales volume for top five clients (%)	29.35%

## 6. Information of top five clients of the Company

Applicable  Not applicable

## 7. Other situation of main clients

Applicable  Not applicable

**(III) Cost**

## 1. Industry classification

In RMB

Industry classification	Item	2014		2013		Y-o-y changes (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Manufacture of household appliances	—	7,627,803,116.20	98.06%	7,450,038,102.06	98.49%	-0.43%

## 2. Product classification

In RMB

Industry classification	Item	2014		2013		Y-o-y changes (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Refrigerator, freezer	—	4,570,710,308.05	58.76%	4,854,879,637.13	64.18%	-5.42%
Air-conditioning	—	2,815,201,211.17	36.19%	2,386,868,401.02	31.56%	4.63%
Wash machine	—	241,891,596.98	3.11%	208,290,063.91	2.75%	0.36%
Other	—	150,756,115.89	1.94%	113,954,321.56	1.51%	0.43%

## 3. Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,213,061,306.38
Proportion in total annual purchase amount for top five suppliers (%)	16.41%

## 4. Information of top five suppliers of the Company

Applicable  Not applicable

## 5. Other situation of main suppliers

Applicable  Not applicable

**(IV)Expense**

Financial data	2014	2013	Y-o-y changes
Sales expenses	1, 770, 150, 215. 75	1, 829, 094, 848. 49	-3. 22%
Administrative expenses	468, 258, 865. 37	401, 591, 306. 97	16. 60%
Financial expenses	-100, 881, 397. 01	-81, 041, 860. 90	-24. 48%
Income tax expenses	66, 998, 094. 57	29, 972, 625. 12	123. 53%

Cause analysis of expenses changes:

Income tax expenses: the payable income tax from parent company increased in the Period

**(V)Research and development expenditure**

In 2014, the Company vigorously implements the strategy of CHiQ series intelligent refrigerator and intelligent air conditioning. In aspect of refrigerator, we build the core competitiveness around the core technology (smartness, frequency, energy saving and air cooling). 0.1 °C frequency series refrigerators are promoted along with variable frequency spreading action. All these significantly enhance market share of frequency conversion refrigerator. Technology development mainly focus on three years of technology planning and core technology of the Company, carrying out research on cloud image recognition technology, preservation technology, odor detection technology, intelligent fault diagnosis technology, 0.1 degree precise frequency conversion technology, integration of frequency conversion technology, and air duct design technology. In terms of air conditioning, we redefine the intelligent air conditioning in core technology of human form perception which gets high attention and recognition from the whole industry. In air conditioning inverter technology, we accelerate development of integrated board with low cost single chip and preliminarily completed technical platform layout, of energy-saving leading various specification. Overall series of columnar ark and S platform hang machine batch are listed in succession, where we have perfected the layout of high-end air conditioning products. In cryogenic technology, the Company independently designs and develops the ultra-low temperature cold storage, with single stage mixed working medium oil lubrication cooling technology whose performance leads the level; Cryogenic refrigerator with touch screen control system are fully recognized in the market. Spending on research and development is detailed in section XI. of this report: Notes of financial report.

**(VI) Cash flow**

In RMB

Item	2014	2013	Y-o-y changes (%)
Subtotal of cash in-flow from operation activity	8, 041, 286, 720. 01	8, 005, 926, 981. 57	0. 44%
Subtotal of cash out-flow from	7, 875, 823, 789. 53	7, 466, 934, 827. 93	5. 48%

operation activity			
Net cash flow from operation activity	165,462,930.48	538,992,153.64	-69.30%
Subtotal of cash in-flow from investment activity	165,376,855.85	110,292,998.48	49.94%
Subtotal of cash out-flow from investment activity	91,611,075.62	87,530,272.59	4.66%
Net cash flow from investment activity	73,765,780.23	22,762,725.89	224.06%
Subtotal of cash in-flow from financing activity	1,762,197,368.33	594,148,968.88	196.59%
Subtotal of cash out-flow from financing activity	1,606,163,820.80	638,191,357.96	151.67%
Net cash flow from financing activity	156,033,547.53	-44,042,389.08	454.28%
Net increased amount of cash and cash equivalent	406,994,880.38	537,576,559.37	-24.29%

1. Reasons for y-o-y relevant data with over 30% changes

Applicable    Not applicable

(1) Net cash flow arising from operation activities decreased 69.30% y-o-y, mainly because parent company received energy-saving people-benefit subsidy last year while no such amount occurred in the Year.

(2) Net cash flow arising from investment activities increased 49.94% y-o-y, mainly because the remove loss arising from early release of "House Lease Contract" was paid to Mianyang Meiling Refrigeration by Sichuan Changhong Minsheng Logistics and the compensation received due to early termination option

(3) Net cash flow arising from financing activities increased 196.59% y-o-y, mainly because short-term loans of the parent company increased in the period.

(4) Cash out-flow from financing activity increased 151.67% y-o-y, mainly because short-term loans of the parent company paid increased in the period.

2. Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable    Not applicable

### III. Constitution of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio (%)	Increase or decrease of operating revenue over same period of last year (%)	Increase or decrease of operating cost over same period of last year (%)	Increase or decrease of gross profit ratio over same period of last year (%)
According to industries						
Manufacture of household appliances	10,235,295,432.94	7,778,559,232.09	24.00%	1.64%	2.84%	-0.89%
According to products						
Refrigerators, freezers	6,040,444,418.68	4,570,710,308.05	24.33%	-5.45%	-5.85%	0.32%
Air conditioning	3,713,322,713.63	2,815,201,211.17	24.19%	13.29%	17.95%	-2.99%
Washing machine	300,842,410.21	241,891,596.98	19.60%	15.84%	16.13%	-0.20%
Others	180,685,890.42	150,756,115.89	16.56%	25.10%	32.30%	-4.54%
According to region						
Domestic	8,357,078,580.03	6,090,036,935.91	27.13%	-2.06%	-0.76%	-0.96%
Foreign	1,878,216,852.91	1,688,522,296.18	10.10%	22.18%	18.28%	2.96%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable     Not applicable

#### IV. Assets and liability analysis

##### (I) Major changes of assets

In RMB

	End of 2014		End of 2013		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Monetary fund	2,665,219,013.80	29.58%	2,266,192,804.16	26.59%	2.99%	

Account receivable	1,160,192,277.00	12.88%	855,264,087.13	10.04%	2.84%	The sales ratio of credit customers increased in the period
Inventory	1,765,761,407.86	19.60%	1,593,865,312.94	18.70%	0.90%	No major changes
Investment real estate	14,892,795.62	0.17%	15,701,377.73	0.18%	-0.01%	No major changes
Long-term equity investment	14,211,004.21	0.16%	22,995,387.39	0.27%	-0.11%	No major changes
Fix assets	1,223,763,920.86	13.58%	1,138,750,631.37	13.36%	0.22%	No major changes
Construction in progress	62,766,707.57	0.70%	52,514,642.10	0.62%	0.08%	No major changes

## (II) Major changes of liability

In RMB

	2014		2013		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Short-term loans	407,508,739.07	4.52%	66,433,079.86	0.78%	3.74%	Short-term loans of the parent company increased in the period.
Long-term loans	18,947,000.00	0.21%	9,523,700.00	0.11%	0.10%	Long-term loans of the subsidiary Zhongshan Changhong increased in the period.

## (III) Assets and liability measure by fair value

 Applicable    Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount in the end of period
Financial assets							

1. Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)							
2. Derivative financial assets							
3. Financial assets available for sales							
Subtotal of financial assets							
Investment real estate							
Productive biological assets							
Other							
Aforementioned total							
Financial liabilities							
1. Financial liabilities measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	-	81,170.00					81,170.00

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

Yes  No

#### (IV) Main overseas assets

Applicable  Not applicable

### V. Core competence analysis

#### (I) Brand capacity

The Company is one of the famous home appliances manufacturers in the PRC, owns several product lines such as refrigerator, freezing box and air conditioner. Meiling refrigerator, the leading products of the Company falls within the national inspection-free products and the first batch of national famous products. Meiling trademark is listed as one of the most valuable brands in the PRC. The trademark "Athena" in refrigerator, freezer

(services) of the Company was recognized as the famous mark in Anhui Province. In 2014, the Company publishing the CHiQ intelligent refrigerator and air-conditioner in succession create a high-end brand image, ushered in a period of White goods intelligent. Meanwhile, re-shape brand image under the help of internet.

## (II) Product capacity

The Company has been focusing on refrigerator industry for 30 years, launching hundreds of refrigerator products of different types, including Athena series superior refrigerators, the coldest refrigerator across the world with the record of  $-192^{\circ}\text{C}$  and top superior energy-saving refrigerator with daily electricity consumption of 0.21 degree and other products which represented the industrial development trend. As for product quality, the Company owned advanced development and quality assurance systems, and received certification of ISO9001 and ISO14000 from domestic and overseas authorities. The products of the Company have good quality and reliable capacities. As for technology development, the Company owned national technology centers, and advanced core technologies in energy-saving, air cooling, intelligence, frequency conversion and copious cooling. As for product development, combine with technology development trend and characteristics of demand from upgrades in consumers, the Company will focus on development of CHiQ intelligent products; the Company has many kinds of intelligent refrigerators and AC in market. At the same time, put more efforts on converter technique and products research; actively promote 0.1 degree frequency conversion products, which occupied a lot continuously in market, the upgrade for product structure turns obviously. In addition, the Company will continue to improve the product line of white appliance, create a comprehensive white appliance enterprise.

## (III) Operation capacity

The Company carried out superior management activity and enhanced its fundamental management. The Company established healthy internal control system, strengthened management control, promoted standardized management through information and prevented operation risks. In 2014, the Company carried out enhancements in personnel, capital and materials; continues to hoisting capacity of internal management, and enhance the competitiveness of enterprises.

## (IV) Marketing capacity

The Company established healthy sales network and service system. Meanwhile, it established its business marketing model by means of joint ventures. The Company continued to intensify construction of marketing team, and realized balanced development in various channels including chain, wholesale and e-business, etc. also, construction of Changhong-Meiling outlet is being progressed well, promote establishment of the experience store for intelligent products, more eyes on emerging electrical business channel. Meanwhile, the Company expanded into overseas markets with products exported to more than 100 countries and regions around the world.

## VI. Investment analysis

### (I) Situation of foreign equity investment

#### 1. Situation of foreign investment

√ Applicable    □ Not applicable

Situation of foreign investment		
Investment in the reporting (RMB)	Investment in the same period of last year's (RMB)	Changes (%)



40,950,000	0	-
Situation of the invested company		
Name	Main business	Equity proportion in invested company for Listed company (%)
Mianyang Meiling Software Technology Co., Ltd.	Air-conditioner, washing machine, refrigerator, freezer etc. household appliances control, intelligent software R&D sales	Direct and indirect 100% shareholding
Zhongshan Changhong Electronic Co., Ltd.	Production of air-conditioner, refrigerator freezer, heat pump, heater, air-conditioner fans, electric fans, humidifier, electric heater and accessories of the above products, domestic and foreign sales of the products	Direct and indirect 100% shareholding
Sichuan Zhiyijia Network Technology Co., Ltd.	Computer software and hardware development, computer networking sales and undertakes, import and export of cargo and technology (projects are prohibited by law and regulations excluded, restrained items should run with the permit), advertisement design and production, design, production and sales of pattern, development and sales of household products, use the internet to sell general merchandise, cloth, leatherwear, shoes and hats, washing products, cosmetics, photographic equipment, toys, stereo system and equipment, household appliances, electronics, communication equipment and device, instrument, lamps, electro-mechanical equipments and accessories, machinery equipment and accessories, prepackaged food, stationery, sports goods, hotel facilities, travel and cultural goods, gold and silver, jewelry, value-added telecom service (entrusted operation), chemical materials and products (hazardous chemical substance excluded), solar equipment and class-I medical devices.	Direct 30% shareholding

## 2. Holding equity of financial enterprise

Name	Type	Initial investment capital (RMB)	Shares held at period-begin (Share)	Proportion of shares held at period-begin (%)	Shares held at period-end (Share)	Proportion of shares held at period-end (%)	Book value at period-end (RMB)	Gains/losses in report period (RMB)	Accounting items	Resources
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Huishang Bank Co., Ltd.	Commercial bank	5,000,000.00	10,737,573	0.0972%	10,737,573	0.0972%	5,000,000.00	1,675,061.39	Available for sale financial assets	Initial investment
Total		5,000,000.00	10,737,573	--	10,737,573	--	5,000,000.00	1,675,061.39	--	--

### 3. Security investment

Applicable  Not applicable

No security investment in Period.

### 4. Explanation on equity of other listed company held

Applicable  Not applicable

The Company had no equity of other listed company held in Period.

## (II) Trust financing, derivative investment and trust loans

### 1. Trust financing

Applicable  Not applicable

No trust financing in Period.

### 2. Derivative investment

Applicable  Not applicable

In 10 thousand Yuan

Operator	Related relationship	Whether related trade or not	Type	Initial investment	Start date	End date	Investment amount at period-begin	Amount of reserve for devaluation of withdrawal (if applicable)	Investment amount at period-end	Ratio of investment amount at period-end in net assets of the Company at period-end (%)	Actual gains/losses in period
Financial institution	N/A	No	Forward foreign exchange contract	5,019.93	2014-7-1	2015-12-31	0	N/A	13,319.93	3.87%	37.833
Total				5,019.93	--	--	0		13,319.93	3.87%	37.833

Capital resource(if applicable)	Self-owned capital
Lawsuit involved (if applicable)	Not applicable
Disclosure date for approval from the Board for investment of derivatives (if applicable)	2014-4-19
Disclosure date for approval from board of shareholders for investment of derivatives (if applicable)	2014-6-6
Risk analysis and controlling measures for derivatives holdings in the Period (including but not limited to market risk, liquidity risk, credit risks, operation risk and law risks etc.)	<p>Risk analysis:</p> <ol style="list-style-type: none"> <li>1. Market risk: domestic and international economic situation changes may lead to exchange rate fluctuations, forward foreign exchange transactions are under certain market risk. Forward foreign exchange business is aiming to reducing impact on corporate profits by foreign exchange settlement and sale prices, exchange rate fluctuations. The Company will follow up the exchange fluctuation, on the basis of target rate determined from the business, relying on the research of the foreign currency exchange rates, combined with prediction of consignments, and burdening ability to price variations due to exchange rate fluctuations, then determine the plan of forward foreign exchange contracts, and make dynamic management to the business, to ensure reasonable profit level.</li> <li>2. Liquidity risk: all foreign exchange transactions are based on a reasonable estimate of the future import and export business, to meet the requirements of the trade authenticity. In addition, forward foreign exchange transactions are processed with bank credit, will not affect liquidity of company funds.</li> <li>3. Bank default risk: if cooperative banks collapse within the contract time, the Company will not be able to transact the original foreign exchange contracts with contract price, which leads the risk of income uncertainty. So the Company chose Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank and other Chinese Banks and part of the larger foreign Banks (such as Deutsche Bank, UOB, Overseas Chinese Bank, HSBC, etc.) to conduct the trading of foreign exchange capital. These banks share a solid strength and management whose failure and the risk of loss may bring to the Company is very low.</li> <li>4. Operational risk: improper operation of the person in charge of forward foreign exchange transactions may cause related risk also. The Company has formulated related management system which defines the operation process and responsibility to prevent and control risks.</li> <li>5. The legal risks: unclear terms based in contract signed with banks for related transactions may lead legal risks when forward foreign exchange transactions are processing. The Company will strengthen legal review, and choose good bank to carry out this kind of business as to risk control.</li> </ol> <p>Control measures:</p> <p>The 35<sup>th</sup> meeting of the 7<sup>th</sup> session of Board of Directors approved the "Forward Foreign Exchange Trading System of Business Management of Meiling Co., LTD., Hefei. The system clearly defines the main types of forward foreign exchange trading business, operating principle, approval authority, management and internal operation process, etc., and raise request to the information isolation measures, internal risk system and risk</p>

	<p>treatment process, as well as information disclosure. At the same time, the system limits the actual business as the background and risk avoiding as main purpose, also bans speculation and arbitrage. The Company is in strict accordance with the system in the actual business to strengthen the management of forward foreign exchange trading, prevent investment risks, and ensure the security of assets.</p>
<p>Invested derivative products have changes in market price or fair value in the Period, as for analysis of the fair value of derivatives, disclosed specific applied methods and correlation assumption and parameter setting</p>	<p>The Company determines fair value in accordance with the Chapter VII “Determination of Fair Value” carried in the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments. Fair-value is basically obtained according to prices offered by bank and other pricing services. While fair-value of derivatives is mainly obtained according to the balance between prices given by outstanding contracts and forward prices given by contracts signed during the reporting period with bank. The differences are identified as trading financial assets and liabilities. During the reporting period, forward foreign exchange contracts and losses of the Company is RMB378, 330.</p>
<p>Specific principle of the accounting policy and calculation for derivatives in the Period compared with last period in aspect of major changes</p>	<p>Not applicable</p>
<p>Special opinion on derivative investment and risk control by independent directors</p>	<p>After verification, independent directors considers that, during the period, within the authorization from the general meeting and the Board, future exchange business of the Company are strictly in line with the Memorandum No.26 in respect of Information Disclosure Business – Derivative Investment issued by Shenzhen Stock Exchange, Article of Association, Management Measures of Authorization, Management Method of Forward Foreign Exchange Fund Transaction of Hefei Meiling Co., Ltd and relevant regulations. On the background of actual business, locking revenue and costs, to avoiding and preventing risks of exchange rate fluctuation. Aims at keeping a stable operation, the future exchange business have closely related with the daily operation needs and benefit a lot in avoiding the risks of exchange rate in front of the exportation and importation business, meet requirement of operation development of the Company. There are no any speculative operation and condition of relevant laws and regulations being violated, relevant business implemented corresponding decision-making procedures, and interest of the Company and whole shareholders are not being violated, minority shareholders in particular.</p>

### 3. Trust loans

Applicable     Not applicable

No trust loans in Period.

### (III) Actual utilization of raised capitals

#### 1. General utilization of raised capital

Applicable     Not applicable

In 10 thousand Yuan

Total raised capitals	117,795.4320
Total raised capital invested in reporting period	2,906.1652
Total accumulative raised capital invested	87,711.0809
Total raised fund for changes its usage area in report period	0
Total accumulative raised fund for changes its usage area	0
Proportion of total transferred raised capitals (%)	0
<b>Explanation on General usage of raised capital</b>	
<p>In 2010, the Company implemented private placement of A-share, fund-raising amounting as 1199.99982 million Yuan in total, net amount of fund-raising was 1177.95432 million Yuan after issuance cost 22.0455 million Yuan (underwriting and sponsor fee 20.5 million Yuan included) deducted.</p> <p>In 2013, the three construction projects with fund-raising investment have completed and reaching the design capacity, that is “Athena Luxury refrigerator production base”, “Freezer expansion project” and “Expansion project of environmental and energy-saving refrigerators”, meanwhile, “working capital supplementation” project implemented and recently, the Company has no other projects that suitable for investment by fund-raising. According to the operation requirement of the Company, being deliberated and approved by the Board, the supervisory committee and general meeting, balance of raising funds 284.440959 million Yuan (including interest 34.832977 million Yuan) up to 30 September 2013 and later interest are supplying the working capital of the Company permanently. The Company actually withdrawal 289.091987 million Yuan for working capital supplementation permanently up to 31 December 2014.</p> <p>Up to the 31<sup>st</sup> of December 2014, the Company actually used 877,110,809 Yuan accumulatively in fund-raising, balance of fund-raising accounting as 54,480,489 Yuan (including 314.0136 Yuan undrawn used for working capital supplementation, and totally 5,134.0353 Yuan ready for contract payment and quality assurance). More details are:</p> <p>Athena Luxury refrigerator production base project: total investment amounting to 528508471 Yuan in total after savings deducted. Up to 31<sup>st</sup> of December 2014, the project accumulatively invested 503,274,202 Yuan, balance of fund-raising was 27,059,032 Yuan, including 25,234,269 Yuan ready for contract payment and quality assurance and 1,824,763 Yuan undrawn used for working capital supplementation permanently.</p> <p>Capacity expansion project for freezer: the project owns total investment of 251.883547 million Yuan after savings deducted. Up to 31 December 2014, the project have accumulative investment of 225,777,463 Yuan, balance at fund-raising account was 27,421,457 Yuan, including amount ready for payment and quality assurance 26,106,084 Yuan and 1,315,373 Yuan without extract used for supply current capital permanently.</p>	

## 2. Commitments of raised capital

Applicable     Not applicable

Up to 30 September 2013, the three construction projects with fund-raising from private placement of A-share in 2010 have completed and reaching the design capacity, that is “Athena Luxury refrigerator production base”, “Freezer expansion project” and “Expansion project of environmental and energy-saving refrigerators”, meanwhile, “working capital supplementation” project implemented.

## 3. Changes of raise capital projects

Applicable     Not applicable

The Company had no changes of raise capital projects.

**(IV) Main subsidiary of the Company and stock jointly company analysis**

Applicable     Not applicable

1. Subsidiary and stock jointly enterprise of the Company

In RMB

Name	Type	Industry	Main products or service	Registered capital (10 thousand Yuan)	Total assets (RMB)	Net assets (RMB)	Operation income (RMB)	Operation profit (RMB)	Net profit (RMB)
Zhongke Meiling Low-temperature Technology Co., Ltd.	Subsidiary	Manufacturing	Deep-freeze refrigerator, icebox	6,000	133,798,267.40	94,111,288.37	85,502,644.66	10,419,569.42	9,750,150.99
Jiangxi Meiling Electric Co., Ltd.	Subsidiary	Manufacturing	Sales and production of refrigerator	5,000	184,552,766.34	85,933,770.35	379,739,475.09	479,005.32	2,627,420.10
Mianyang Meiling Refrigeration Co., Ltd.	Subsidiary	Manufacturing	Sales and production of refrigerator	10,000	132,675,425.27	98,095,915.17	236,444,799.18	-609,444.25	1,921,378.85
Sichuan Changhong Air-conditioner Co., Ltd.	Subsidiary	Manufacturing	Sales and production of air-conditioner	20,000	1,587,626,586.10	571,845,934.26	3,165,177,421.56	108,315,011.61	94,573,038.52
Zhongshan Changhong Electronic Co., Ltd.	Subsidiary	Manufacturing	Sales and production of air-conditioner	12,000	545,102,328.51	152,877,471.52	835,760,752.72	7,667,342.42	8,497,470.08
Hefei Meiling Electronic Appliance	Subsidiary	Manufacturing	Sales of refrigeration appliance, air-conditioner, washing machine and	5,500	658,222,535.67	-236,075,870.73	3,970,131,399.18	-105,014,009.04	-107,685,426.39

Marketing Co., Ltd.			general merchandise						
Hefei Meiling Group Holding Co., Ltd.	Subsidiary	Manufacturing	Manufacture of washing machine, plastic products, fine welded pipe, cooling parts, package products and decoration; sales of self-production products and raw materials, machinery equipment, instruments and general merchandise	8,000	167,615,936.26	55,235,984.30	386,240,986.98	10,528,250.94	12,009,718.78



## 2. Explanation on subsidiary and stock jointly enterprise of the Company

More details of subsidiary and stock jointly enterprise of the Company found in Section XI. Note of financial report.

## 3. Subsidiary obtained and disposed in reporting period

Applicable  Not applicable

Name of company	Purpose of getting and treating subsidiary in the reporting	The way of getting and treating subsidiary in the reporting	Influence on overall product and performance
Guangxi Huidian Household Appliance Co., Ltd.	Strengthen the marketing channel management and adjust equity of joint-venture marketing company.	Purchasing equity from other shareholders, and comes to the controlling shareholder	No significant impact
Xinxiang Meiling Appliance Marketing Co., Ltd.	Strengthen the marketing channel management and integrated sales channel in area	Cancel for liquidation	No significant impact
Liu An Meiling Appliance Marketing Co., Ltd.	Strengthen the marketing channel management and integrated sales channel in area	Cancel for liquidation	No significant impact
Hefei Meiling Environmental Packaging Materials Co., Ltd.	According to the need of industrial distribution and equity management, integrated Company's management resources, improving management efficiency and saving management costs	Cancel for liquidation	No significant impact
Hefei Meiling Precision Pipe Co., Ltd.	According to the need of industrial distribution and equity management, integrated Company's management resources, improving management efficiency and saving management costs	Cancel due to merger	No significant impact

### (V) Major project with non raised fund

Applicable  Not applicable

The company had no major projects invested by non-raised fund in the reporting period.

## VII. Prediction of business performance from January –March 2015

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and

explanation on reason

Applicable  Not applicable

## VIII. Special purpose vehicle controlled by the Company

Applicable  Not applicable

## IX. Prospect of future development

### (I) Competition pattern and development trend

#### 1. Industry competitiveness

Griming from the refrigerator industry, domestic sales of refrigerator has slipped in 2014, is expected to slide a weak recovery in 2015. Regarding the scale is no longer growing, upgrading products remain the backbone of industry; Refrigerator export steps into fiercer competition as chasing orders with lower price become normalized strategy. While the market price war leads domestic air conditioning industry in a worsening competition situation where stocks remain high, brands competition enhance, energy-saving, healthy, intelligent products gradually lead the trend.

#### 2. Intelligent home appliance era

With advent of the era of intelligence, specialization, household, network (Materials Network) intelligence and co-ordination will lead popularity in electrical appliances products. The basic function of each household appliances are required to be professional, high efficient, energy-saving and environmental; each home appliance is required to harmonious and unified with household environment. The users prefer products performing better in shape, material and color when choosing home appliance. In the tide of household Materials Network, Materials Network is applied more and more in home appliance equipment; At the same time, all sorts of perception technology development and application of pattern recognition (such as scene recognition), make the home appliance equipment more humanized-service. Application based on the environmental trigger, application based on situation trigger, and application based on user interactive is increasingly enriched; each intelligent electrical appliances product is a set of capabilities carrier. In the proximal network, friends- finding, terminal operation service identifying, all kinds of transmission management, interoperability across different operating systems, exchanging information and services have become the development of the intelligent home appliance as a new challenge.

#### 3. Technical cooperation and integration become the norm

Competition in Intelligence era is not only single products' competition, is not only the manufacturers' competition, but competition between ecological. Therefore, participation in the development of related standards, joining corresponding industry alliance, carrying out corresponding technical integration, have become important future development ability.

### (II) Development strategy

## 1. Strategic thinking

During the reporting period, the Company implements the strategy innovation, transformation and upgrading. On guidance of thought of intelligence, we upgraded the original strategy of "Double Three" to "Double Three and One Heart". One Heart refers the intelligent products while Double Three refers core strategies in product, talent and cost leadership, as well as important strategies in market, brand and internationalization. By stages of the "Ability to Release", "Build Key Ability", "Brand", we strive to build four abilities in brand, product, operation and marketing, promoting the comprehensive competition, finally realize "Meiling Dream".

## 2. Implement path

Ability to release: we are going on by arranging management idea, optimizing organization structure, building performance culture to release capacity fully. In aspect of marketing, we are keeping the strong-arm reaction and preparedness to work hard, emphasizing the standardization of the business and process. In aspect of technology, we are resuming combing technology strategy and product planning and technical ability layout thus releases the product competitiveness. Operations management follows up performance culture set-up, organization and business processes streamline, strengthen basic management thus release efficiency.

Rebuild core ability: we have to speed up improvement on ability in promoting terminal marketing, product competition ability, and comprehensive operation ability to do matting for the branding ability.

Branding ability: we must be an enterprise with strong branding first if Meiling wants to become China's leading, world-class, respected home appliance enterprise. Brand construction have to go through more relatively longer cycle and element which requires osmosis of products and operations management supported by tension from inside to outside, and the social impact of the enterprise.

## (III) Business plan

### 1. Management goal

In 2015, the Company will strive for a breakthrough in operating income under the leadership of the Board of Directors of 12 billion Yuan, achieving a year-on-year growth of no less than 15% in net profit attributable to the parent company.

### 2. Operation policy

"Product Leadership, Sales Transformation, Management Efficiency" are management policies for 2015.

Products Leadership: products must be transformed to high-end products. We must continue to adhere to intelligence and frequency conversion, establish leading edge in intelligent product market, further promote research and development, promotion and technical updates on intelligent product. Increase research and development and marketing of 0.1 degrees precision frequency conversion technology, keep the leading position. Strengthen product planning target, insist on differentiation to high-end, series to mid-range, and generalization to low-end.

Sales transformation: we must promote terminal retail to promote sales, enhance marketing, operating and terminal sales ability, emphasis on market position for refrigerator, steady growth for freezer and fast growth for washing machine; Air conditioning will focus on markets and resources, exploring new business growth point, grasping the development trend, innovating business mode; Continue to build core customers overseas, try to station overseas institutions, increase the independent brand sales overseas. The Company will actively explore cooperation with electric business platform.

Management Efficiency: we must adhere to the performance culture, the three-way to ascend, promote the existing projects, and improve internal capabilities.

### 3. Marketing strategy

First of all, we must introduce market innovation of "Seeking Size for Overseas, Seeking Profit for Domestic"; secondly, attach great importance to the emerging business channels on basis of solid domestic traditional channels.

#### (1) Refrigerators, freezers, washing machines

Domestic market: we must adhere to principle of "Fine Products, Active Channels, Strong Operation, Extraordinary Team" to improve product competition ability, operation management and terminal sales ability, emphasizes the market position for refrigerators, moderate growth for freezers, and rapid growth for washing machine.

Overseas market: we must adhere to dual-core strategy for export products (cost leadership strategy for mainstream homogeneity product and differentiation strategy for inadequate competition product), to improve performance for homogeneity, improve technology and process design for differentiation product. We have marketing idea of never wasting an opportunity to rapid growth, gathering the mainstream market, and improving customer satisfaction.

#### (2) Air conditioning

We must adhere to principle of "Build Market, Adjust Structure, Strengthen Ability" to improve sales structure, to lay solid foundation for air-conditioning market, to improve marketing ability, and to support the Company's 2015 transformation and upgrading.

The above business plan, management goal does not mean earnings forecast for 2015. All the realization depends on market conditions, management team effort level and other factors. There are a lot of uncertainties. Investors pay special attention, please.

#### (IV) Risks and countermeasures the Company may face

In future, the Company will face a grim situation of macroeconomic growth, cold industry, increased competition, labor tension, human resources costs rising sharply, and crashes from new business models and internet.

### 1. Cross-boundary impact from internet

With the arrival of the Internet era and the smart times, the new business models and new product form emerge in endlessly, the Internet era pursues the user experience and rapid response, the traditional industries and even the emerging industries which cannot keep up with the trend of times may easily be replaced or even to be overturned. The new game rules have brought strong senses of crisis and urgency.

### 2. Industry competition further aggravates, impact by the cline of whole industry

In recent years, the brand pattern of both the domestic and abroad appliances industry has been undergoing major upheaval and adjustment, the brands and enterprises do not take the initiative to keep up with the changing situations would be eliminated. The era of rapid growth in the whole industry has gone, and now it has entered the era of micro-growth or decline, the industry has entered a phase of aggressive growth. The severe industry competition may result in the irrational market competition and bring business risks to the enterprises.

### 3. Labor shortage in workman, soaring labor cost

The demographic advantage of China is gradually weakening, the shortage of labor resources becomes more and more severe, and the insufficient front-line operatives has brought great challenges to the labor-intensive enterprises like the home appliance industry, increased the difficulty of production organization, increased the manufacturing costs, and reduced the Company's profit margins. The labor resources are becoming a major bottleneck to restrict the development of the industry.

Faced with the above risks, on the one hand, the Company will improve the risk awareness, overall arrange the products, technologies, and markets in advance, transform the products to be high-end and intelligent, adhere to two product strategies - intelligence and frequency conversion, enrich the product line, and create a comprehensive white enterprise; promote the technological innovation, strengthen the research and development to intelligence, frequency conversion, air-cooling and copious cooling technologies; attach importance to the development of overseas markets which have great potential for the future development, and actively explore the construction of own brand in overseas markets; improve the human resource planning. On the other hand, the company will carry out the management principle of "product leader, sales transformation, management efficiency" under the leadership of the Board and the guidelines of "Meiling Dream", take globalization as a platform, take intelligence and frequency transformation as a breakthrough, constantly improve the management and technological innovation, and strengthen the cooperation with others to achieve the healthy and sustainable development of the Company.

## **X. Explanation on “Modified Auditor’s Report” from the Board and Supervisory Committee**

Applicable  Not applicable

## **XI. Explanation on changes in aspect of accounting policy, accounting estimation and calculation method, compare with last year’s financial report**

(I) Changes of accounting policies

## 1. The reasons and basis for the changes

In order to improve the transparency of the quality of enterprise financial statements and the accounting information, since January 26, 2014, the Ministry of Finance has revised and newly issued "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments", "Accounting Standards for Business Enterprises No. 9 - Employee Remuneration", "Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements", "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements", "Accounting Standards for Business Enterprises No. 39 - Fair Value Measurements", "Accounting Standards for Business Enterprises No. 40 - Joint Venture Arrangement" and "Accounting Standards for Business Enterprises No. 41 - Disclosure of Interests in Other Entities", and requires all the enterprises implementing the accounting standards to execute since July 1, 2014.

On June 20, 2014, the Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments", which requires the enterprises implementing the accounting standards to present the financial instruments in the financial reports of 2014 and the subsequent periods in accordance with the requirements of the accounting standards.

On July 23, 2014, the Ministry of Finance released the decision of revising "Accounting Standards for Business Enterprises - Basic Standards", which requires the enterprises implementing the accounting standards to execute since the release date.

According to the regulations and requirements of the Ministry of Finance, the company needs to change the original accounting policies accordingly and carry out the above-mentioned new accounting standards since 1 July 2014.

## 2. The accounting policies adopted before change and adopts after change

### (1) The accounting policies before change

Before the change, the Company implemented "Accounting Standards for Business Enterprises - Basic Standards", 38 specific accounting standards, accounting standards application guide, accounting standards interpretations and other relevant provisions issued by the Ministry of Finance on February 15, 2006. Meanwhile, the Company established its own accounting policies and accounting system in accordance with the relevant regulations and requirements of the Ministry of Finance.

### (2) The accounting policies after change

After the change, the company has implemented the above-mentioned eight new accounting standards since July 1, 2014 according to the relevant regulations and requirements of the Ministry of Finance, and the company has revised the existing accounting policies and accounting system in accordance with the provisions and requirements. As for the standards not covered by the revision, the company still implements the relevant accounting standards, accounting standards application guide, accounting standards interpretations and other relevant provisions issued by the Ministry of Finance on February 15, 2006.

## 3. The specific circumstances of the accounting policy change and the impact on the company

(1)The relevant circumstances of carrying out "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments"

According to the provisions of "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments", the company does not take the equity investments that don't have control, joint control or significant influence and are not quoted in an active market and the fair value cannot be reliably measured as the long-term equity investments to apply to "Accounting Standards for Business Enterprises No. 22 - Financial Instruments Recognition and Measurement", but calculates it as the available-for-sale financial assets measured by the cost, and adjusts it by the retroactive adjustment method. The specific adjustment items are as follows:

①Consolidated statement

Item of balance sheet	2013-12-31		
	Unit (Yuan)		
	Before the adjustment	Adjustment amount	After the adjustment
Available for sale financial assets	-	6,500,000.00	6,500,000.00
Long-term equity investment	29,495,387.39	-6,500,000.00	22,995,387.39

② Parent statement

Item of balance sheet	2013-12-31		
	Unit (Yuan)		
	Before the adjustment	Adjustment amount	After the adjustment
Available for sale financial assets	-	5,000,000.00	5,000,000.00
Long-term equity investment	796,879,895.59	-5,000,000.00	791,879,895.59

The above-mentioned accounting policy changes only have an effect on the amount in the report forms of "available-for-sale financial assets" and "long-term equity investments", but have no impact on the Company's total assets, total indebtedness, net assets and net profits in 2013 and the current period.

(2)The relevant circumstances of carrying out "Accounting Standards for Business Enterprises No. 9 - Employee Remuneration"

According to the provision of "Accounting Standards for Business Enterprises No. 9 - Employee Remuneration" revised by the Ministry of Finance, the short-term profit-sharing plan should be regarded as a part of the short-term remuneration, the liabilities should be confirmed according to the amount actually incurred and reckoned in the current profits and losses in the accounting period that the employee provides services when satisfying the obligation of payment caused by the past events and the amount can be reliably measured. The Company's annual performance incentive funds belong to the short-term profit-sharing plan, the company's former accounting policies allow to draw the performance incentive funds of the current year from the pre-tax expenses of the next year in advance according to "The Annual Performance Incentive Fund Implementation

Programs of Hefei Meiling Co. Ltd." (Hereinafter referred to as "Incentive Plan") approved in the second general meeting of shareholders in 2012. In accordance with the revised "Accounting Standards for Business Enterprises No. 9 - Employee Remuneration", it is changed to be that the performance incentive funds of the current year are drawn from the pre-tax expenses of the current year. The relevant clauses of the former "Incentive Plan" are needed to be supplemented on account of the accounting policy changes.

The payment cycle of the annual performance incentive funds involved in "Incentive Plan" of the Company is less than 12 months which belongs to "short-term profit-sharing plan" and is not applicable for retroactive adjustment method. Therefore, this accounting policy will not affect the company's annual financial statements in/before 2013 after the change; as the first year for adjustment, the pre-tax expenses in 2014 should bear 2013 annual performance incentive funds of 26,357,500 Yuan paid in 2014 (According to the former accounting policy) and 2014 annual performance incentive funds of 32,186,723.32 Yuan (according to the new accounting policy), total two periods of incentive funds.

(3) The implementation of " Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements ", " Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements ", "Accounting Standards for Business Enterprises No. 39 - Fair Value Measurements ", "Accounting Standards for Business Enterprises No. 40 - Joint Venture Arrangement" and "Accounting Standards for Business Enterprises No. 41 - Disclosure of Interests in Other Entities".

The financial statement presentation, the consolidated financial statements, the fair value measurement, the joint venture arrangement, and the matters related to the rights and interests of other entities in the financial statements of 2013 and the current period have been checked and disclosed according to the provisions of the above standards, the above accounting policy changes have no effect on the company's annual financial situation, business performance and cash flows of 2013.

(II) Changes of accounting estimate

Main accounting estimate of the Company has no change in the Period

## **XII. Explanation on major accounting error correction that needs retroactive re-statement in reporting period**

Applicable  Not applicable

No particular about major accounting errors correction that needs retroactive re-statement for the Company in the reporting.

## **XIII. Explanation on changes of consolidation range, compare with last year's financial report**

Applicable  Not applicable

During the reporting period, the thirty-second meeting of the seventh board of directors convoked on January 20, 2014 agreed the Company and the Company's subsidiary - Mianyang Meiling Refrigeration Co., Ltd. to jointly invest and establish Mianyang Meiling Software Technology Co. Ltd. (hereinafter referred to as "Meiling Software Company"), which has completed the business registration on January 24, 2014, the Company directly



and indirectly holds 100% stock rights of Meiling Software Company, so it is incorporated into the Company's consolidated financial statements.

Also, Xinxiang Meiling Appliance Marketing Co., Ltd. and Lu'an Hefei Meiling Appliance Marketing Co., Ltd. invested and held by the Company's subsidiary - Hefei Meiling Marketing Co., Ltd. has completed the liquidation and cancellation of registration, they are no longer included in the consolidated financial statements. Refer to "(c) Changes in the consolidation scope of the current consolidated financial statements" in "V. Business combination and consolidated financial statements" of "Section XI Financial Report" in this report for the details.

#### XIV. Profit distribution and dividend payout

(I) Formulation, implementation or adjustment of profit distribution plan, cash dividend in particular, in reporting period

√ Applicable    □ Not applicable

In reporting period, in line with relevant laws, regulations and the Company Law, Securities Laws, the "Further Strengthening the Protection of Legal Interest for Small Investors in Capital Market" (Guo Ban Fa [2013] No. 110 issued by General Office of the State Council and "Regulatory Guidelines for Listed Companies No.3 – Cash bonus" (CSRC Announcement [2013] No, 43 issued by CSRC, combined with real condition of the Company, further to standardized cash bonus for listed company and enhance transparency of the cash bonus, better to protect the interest of the investors, minority investors in particular, being approved by 36th meeting of 7th session of the Board and Annual General Meeting of 2013, content of the profit distribution policy clauses in Article of Association are been revised and improved on June 5th 2014. The revised profit distribution policy is better for achieving the reasonable investment return for investors and for the sustainable development of the Company. All content of the whole Article of Association of Hefei Meiling Co., Ltd. revised are released on appointed medial Juchao Website <http://www.cninfo.com.cn> dated June 6th 2014.

The Company exercise profit distribution policy by strictly in line with the Article of Association, formulation and execution for the cash bonus policy are compliance with regulation of Article of Association and requirement of the resolution by general meeting. Bonus standards and proportion are clear, relevant decision-making procedures are perfected, obligations for independent directors are well-defined and plays a corresponding role in it, the minority shareholders owes opportunity for expressing an opinions and demands, and legal interest of the minority are protected greatly.

The Company implemented profit distribution plan for year of 2013 in the Period, that is based on total 763,739,205 shares dated December 31st 2013, distribute RMB 0.6 (tax included) to all shareholders for every 10-share held, amounting RMB 45,824,352.30 distributed in total.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Y
Well-defined and clearly dividend standards and proportion (Y/N):	Y

Completed relevant decision-making process and mechanism (Y/N):	Y
Independent directors perform duties completely and play a proper role (Y/N):	Y
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N):	Y
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	Y

(II) Profit distribution pre-plan/plan and Capitalizing of common reserve pre-plan/plan of the Company in latest three year (including reporting period)

1. Profit distribution plan for year of 2012

Distribute 0.5 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2012, cash dividend of 38,186,960.25 Yuan was distributed in total.

2. Profit distribution plan for year of 2013

Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2013, cash dividend of 45,824,352.30 Yuan was distributed in total.

3. Profit distribution plan for year of 2014

Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2013, cash dividend of 45,824,352.30 Yuan was distributed in total.

The pre-plan had been deliberated and approved by the board of directors, and it need to be submitted the annual shareholders' general meeting of 2014 for its consideration.

(III)Cash dividend in latest three years

In RMB

Years for distribution	Amount for cash dividend distributed (tax included)	Net profit attributable to shareholder of listed company in consolidation statement for year of distribution	Ratio in net profit attributable to shareholder of listed company in consolidation statement (%)	Cash repurchase reckoned into cash bonus	Proportion of cash repurchase reckoned into cash bonus
2014	45,824,352.30	294,508,518.37	15.56%	—	—

2013	45,824,352.30	274,068,195.60	16.72%	—	—
2012	38,186,960.25	192,197,887.93	19.87%	—	—

(IV) The Company earns in reporting period, and parent company has no cash dividend plan proposed thought retained profit is positive

Applicable  Not applicable

## XV. Profit distribution plan and capitalizing of common reserves plan for the Period

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	0.6
Shares added for every 10-share base (Share)	0
Equity base of distribution plan (Share)	763,739,205
Total cash dividend(RMB) (Tax included)	45,824,352.30
Distributable profits (RMB)	197,589,333.51
Ratio of cash dividend in total profit distribution (%)	100%

Cash dividend policy:

Other

Detail explanation on profit distribution or capitalization from capital public reserve

In accordance with the auditing of ShineWing Certified Public Accountants (LLP), the individual statements of the parent company have achieved net profits of 219,543,703.90 Yuan in 2014. According to the relevant regulations, after the parent company's statements withdrawing the statutory surplus reserve of 21,954,370.39 Yuan, adding the undistributed profits of 615,672,089.65 Yuan in the beginning of the year, and deducting the annual profits of 45,824,352.30 Yuan distributed in 2013, the parent company's individual statements has accumulated the undistributed profits of 767,437,070.86 Yuan in 2014. In 2014, the parent company's individual statements have accomplished the profits available for distribution of 197,589,333.51 Yuan

According to the relevant laws and regulations and the provisions of "Articles of Association" and considering the interests of the shareholders and the company's long-term development needs, the board of directors approved the company to distribute the cash bonus of 0.6 Yuan per 10 stocks (including tax) to all shareholders on the basis of the general capital of 763,739,205 stocks of December 31, 2014, totally the cash bonus 45,824,352.30 Yuan has been distributed (Including tax, the cash bonus accounts for 23.19% of the profit available for distribution in the individual statements of the parent company in the current year). After the distribution, the total share capital of the company keeps the same, accumulates the remaining undistributed profits of 721,612,718.56 Yuan which is to be distributed annually after carry-over.

This plan has been considered and passed by the board of directors, and needs to be submitted to 2014 annual general meeting of the company for deliberation.

## XVI. Social responsibility

Applicable  Not applicable

(I) The listed company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments

Yes  No

(II) The listed company and subsidiaries owes other major social safety issues

Yes  No

(III) Administrative penalty occurred in reporting period

Yes  No

## XVII. Registration of research, communication and interview in reporting period

Date	Place	Way	Type	objects	Main information discussed and material provided
2014-1-17	Conference room of the Company	Field research	Institute	E&B Assets Management Co., Ltd.	Operation of the Company, no materials provided
2014-1-21	Conference room of the Company	Field research	Institute	Changjiang Securities, Caitong Securities, ICBC Credit Suisse Asset Management	Operation of the Company, no materials provided
2014-1-24	Conference room of the Company	Field research	Institute	CITIC Securities	Operation of the Company, no materials provided
2014-2-11	Conference room of the Company	Field research	Institute	Minsen Investment, SWS Research, Orient Securities Asset Management, Changsheng Fund Management	Operation of the Company, no materials provided
2014-2-14	Conference room of the Company	Field research	Institute	Changjiang Securities, China Southern Asset Management, ABC-CA Fund Management, BOCAM Schrodgers Fund Management, HFT Investment Management	Operation of the Company, no materials provided

2014-2-18	Conference room of the Company	Field research	Institute	China Investment Securities, Guotai Junan Securities, China Merchants Fund Management, Taikang Asset Management, Sinolink Securities, Haitong Securities, Shanghai Entertainment Holding Co., Ltd., GTJA Allianz Funds Management, Anbang Asset Management	Operation of the Company, no materials provided
2014-5-13	Conference room of the Company	Field research	Institute	Bohai Securities, SMC China Fund	Operation of the Company, no materials provided
2014-5-15	Conference room of the Company	Field research	Institute	GF Securities	Operation of the Company, no materials provided
2014-5-27	Conference room of the Company	Field research	Institute	Sinolink Securities, ABC-CA Fund Management, BOCAM Schrodgers Fund Management, China Bodao Capital, Beijing Jiahuiying Investment Management (limited partnership), Harvest Fund Management	Operation of the Company, no materials provided
2014-6-18	Conference room of the Company	Field research	Institute	GF Securities, Huabao Investment	Operation of the Company, no materials provided
2014-6-24	Conference room of the Company	Field research	Institute	Changjiang Securities, GTJA Allianz Funds	Operation of the Company, no materials provided
2014-8-19	Conference room of the Company	Field research	Institute	Great Wall Securities	Operation of the Company, no materials provided
2014-9-3	Conference room of the Company	Field research	Institute	Sinolink Securities, Huabao Investment, UBS SDIC	Operation of the Company, no materials provided
2014-12-12	Conference room of the Company	Field research	Institute	Essences Securities, Zhong Ou Asset Management	Operation of the Company, no materials provided

Reception (times)	14
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Number of hospitality	42
Number of individual reception	0
Number of other reception	0
Disclosed, released or let out major undisclosed information	No

## Section V. Important Events

### I. Material lawsuits and arbitration

Applicable  Not applicable

(I) No material lawsuits and arbitration in this Period

(II) Other part of lawsuits and arbitration of the Company for the Period

To maintain the independence and completeness of the trade mark and trade name Meiling, following the principle of centralized management and unified use of trade mark and trade name, the Company detailed combed and thoroughly checked the situation left over by history in which the use the trademark and trade name are permitted before the acquisition of 100% property rights of Hefei Meiling Group Holdings co., LTD. (hereinafter referred to as the Meiling Group), and made some progress. As at the end of the disclosure date in the Period, the litigation and arbitration Meiling brand involved is in the progress as follows:

1. The case of a subsidiary company named Hefei Meiling Group taking an action to Hefei Meiling Household Appliances co., LTD for dissolving the Trademark License Agreement signed before had ended, and with one agreement that the Article IV. "Licensing Term" of the Trademark License Agreement signed between the Meiling Group and Hefei Meiling Household Appliances co., LTD dated 20 January 2003 will change to December 31st 2015 from December 31st 2032. More details of the case can be found in relevant notice (Notice No.: 2012-052) released on 20 December 2012. In view of the bad influence on Meiling due to the report from CCTV, that is collected results by State Supervisory Sampling Inspection of product quality under the name of Hefei Meiling Small Appliances are unqualified. The Company has instructed Meiling Group to release the "Trademark License Agreement" signed with the Small Appliances since March 16th 2015.

2. A total of six corporations including Meiling Group and Hefei Meiling Communication Technology Co., Ltd., Hefei Meiling Environmental Protection Equipment Co., Ltd., Hefei Meiling Vehicle Industry Co., Ltd., Hefei Meiling Electrical Appliances Co., Ltd., Hefei Meiling Electrical Cabinets Limited Liability Company, Hefei Meiling Security Products Co., Ltd., dismissed "The Right To Use The Trademark License Agreement" which previously signed and requested payment of trademark royalties. This case has been submitted to Hefei Arbitration Committee for arbitration. In the Period, six arbitration cases Hefei Arbitration Committee preceded have been concluded. "Trademark Licensing Agreement" signed with the preceding six companies have no longer entitled to use the "Meiling" and related trademarks. The first quarterly report of 2014 disclosed the specific circumstances detailed in April 19, 2014 and the half-annual report of 2014 disclosed on 12 August in the relevant circumstances.

## II. Questions by media

Applicable    Not applicable

Questions by media	Date of disclosure	Index of disclosure
Medias reported the intelligent products that released by the Company, and aim at part of the reports, the Company published the Explanation on Intelligent Products from the Board and Clarification Announcement for explanation and clarification on intelligent products and part of the media reports on information disclosure media appointed by the Company dated 19 February 2014, 25 February 2014 and 25 March 2014 respectively in order to made clear conditions of intelligent products for the investors	19 Feb. 2014, 25 Feb. and 25 March	Juchao Website: http://www.cninfo.com.cn No.: 2014-005 No.: 2014-008 No.: 2014-014

## III. Non-operational fund occupation from controlling shareholders and its related party

Applicable    Not applicable

In 10 thousand Yuan

Disclosure date for specific approval opinion on fund occupation from CPA	2015-3-26
Disclosure index for specific approval opinion on fund occupation from CPA	Juchao website: www.cninfo.com.cn-- Specific Explanation on Non-operational fund occupation from controlling shareholders and its related party for year of 2014 of Hefei Meiling Co., Ltd.

No non-operational fund occupation from controlling shareholders and its related party in period.

## IV. Bankruptcy reorganization

Applicable    Not applicable

No bankruptcy reorganization in Period.

## V. Assets transaction

### (I) Acquisition of assets

Applicable    Not applicable

No acquisition of assets in Period.

### (II) Assets sold

Applicable    Not applicable

No assets sold in Period.



**(III) Enterprise combination**

Applicable     Not applicable

No enterprise combination in Period.

**VI. Implementation and its influence of equity incentive plan**

Applicable     Not applicable

No implementation of equity incentive plan in Period.

**VII. Material related transaction****(I) Related transaction with daily operation concerned**

Applicable     Not applicable

Serial	Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price (in 10 thousand Yuan)	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions (%)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
1	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Commodity purchased	Electric melting, resistors, integrated circuit accessory, color masterbatch	Marketing price	9,707.03	9,707.03	1.31%	Spot exchange, bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
2	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Commodity purchased	Compressor etc.	Marketing price	53,639.11	53,639.11	7.26%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034

		e controll er										
3	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Commodity purchased	Plastic products etc.	Marketing price	35,062 .48	35,062 .48	4.74%	Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
4	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterpri se control under the same controll ing shareho lder	Commodity purchased	Door shell, baseboard etc.	Marketing price	18,969 .79	18,969 .79	2.57%	Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034

		and ultimate controller										
5	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Packing case, printed matter etc.	Marketing price	4,691.01	4,691.01	0.63%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
6	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling	Commodity purchased	PCB etc.	Marketing price	590.14	590.14	0.08%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034

		shareholder and ultimate controller										
7	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Battery	Marketing price	69.59	69.59	0.01%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
8	Sichuan Liyuan Electronic Co., Ltd. of 081 Electronic	Other enterprise control under the same	Commodity purchased	Transformer and filter	Marketing price	919.33	919.33	0.12%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016,

	Group	controlling shareholder and ultimate controller										2014-018,2014-034, 2014-061,2014-064
9	Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Conductor line etc.	Marketing price	1,159.66	1,159.66	0.16%	Spot exchange, Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
10	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under	Commodity purchased	Foam pieces etc.	Marketing price	83.52	83.52	0.01%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn)

		the same controlling shareholder and ultimate controller										No.:2014-015, 2014-016, 2014-018,2014-034
11	Zhongshan Guanghong Mold Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Plastic parts	Marketing price	10.84	10.84	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
12	Sichuan Hongyu Metal	Other enterprise	Commodity purchased	Radiator	Marketing price	56.80	56.80	0.01%	Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website

	Manufactur e Co., Ltd.	control under the same controll ing shareho lder and ultimat e controll er										(www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
13	Sichuan Changhong Electronic Devices Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Commodity purchased	Printed board, remote control and transformer	Marketing price	3,854. 88	3,854. 88	0.52%	Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034



14	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Hand piece	Marketing price	244.46	244.46	0.03%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
15	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Commodity purchased	Bonsai	Marketing price	74.89	74.89	0.01%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034, 2014-061,2014-064

		controll er										
16	Sichuan Changhong Power Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Commodity purchased	Air conditioning components	Marketing price	2.29	2.29	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
17	Sichuan Changhong Xinrui Technolog y Co., Ltd	Other enterpri se control under the same controll ing shareho lder and	Commodity purchased	Air conditioning components	Marketing price	9,819. 97	9,819. 97	1.33%	Spot exchange ,Co mmercial acceptance settlement	-	2014-3-28,2 014-6-6, 2014-10-18	Juchao Website (www.cninfo. com.cnen) No.:2014-015, 2014-016, 2014-018,201 4-034, 2014-061,201 4-064

		ultimate controller										
18	Sichuan Changhong Lighting Technology Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Air conditioning components	Marketing price	2.57	2.57	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
19	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder	Commodity purchased	Air conditioning components	Marketing price	3.72	3.72	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		lder and ultimate controller										
20	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	138,282.94	138,282.94	12.85%	Spot exchange, Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
21	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	-4.87	-4.87	0.00%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034, 2014-061,2014-064
22	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control	Sales of goods	Color plate	Marketing price	2,315.69	2,315.69	0.22%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn)

		under the same controlling shareholder and ultimate controller										No.:2014-015, 2014-016, 2014-018,2014-034
23	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner, color masterbatch	Marketing price	9,854.84	9,854.84	0.92%	Spot exchange, Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
24	Sichuan CCO	Other enterprise	Sales of goods	Air-conditioner	Marketing	244.06	244.06	0.02%	Spot exchange,	-	2014-3-28,2	Juchao

	Display Technology Co., Ltd.	se control under the same controlling shareholder and ultimate controller			price				Bank acceptance		014-6-6	Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
25	Mianyang LJY Commerce -Trading Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner, refrigerator, freezer and washing machine	Marketing price	1,056.07	1,056.07	0.10%	Spot exchange, Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

26	Changhong (Hong Kong) Trading Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator , Air-conditioner	Marketing price	21,723.05	21,723.05	2.02%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
27	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate	Sales of goods	Semi-finished products	Marketing price	6,463.63	6,463.63	0.60%	Commercial acceptance settlement	-	2014-3-28,2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034, 2014-061,2014-064

		controll er										
28	Sichuan Hongwei Technolog y Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Sales of goods	Semi-finished products	Marketing price	0.86	0.86	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
29	Sichuan Hongxin Software Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and	Sales of goods	Air-conditioner	Marketing price	36.78	36.78	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034



		ultimate controller										
30	Chongqing Hong Life Commerce -Trading Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner、Refrigerator	Marketing price	89.66	89.66	0.01%	Spot exchange, Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
31	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder	Sales of goods	Air-conditioner	Marketing price	227.52	227.52	0.02%	Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		lder and ultimate controller										
32	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	1.02	1.02	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
33	Changhong Electric (Australia) Co., Ltd.	Other enterprise control under the same controll	Sales of goods	Refrigerator	Marketing price	553.78	553.78	0.05%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,201

		ing shareholder and ultimate controller										4-034
34	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	138.50	138.50	0.01%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
35	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the	Sales of goods	Air-conditioner	Marketing price	54.25	54.25	0.01%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015,

		same controlling shareholder and ultimate controller										2014-016, 2014-018,2014-034
36	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	936.78	936.78	0.09%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
37	Sichuan Changhong Power Co.,	Other enterprise control	Sales of goods	Air-conditioner	Marketing price	4.10	4.10	0.00%	Spot exchange, Bank	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn)

	Ltd.	under the same controlling shareholder and ultimate controller							acceptance			com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
38	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Waste materials	Marketing price	805.44	805.44	0.07%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
39	Sichuan Changhong	Other enterprise	Sales of goods	Air-conditioner	Marketing	3.28	3.28	0.00%	Spot	-	2014-3-28,2	Juchao

	Network Technology Co., Ltd.	se control under the same controlling shareholder and ultimate controller			price				exchange		014-6-6	Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
40	Chengdu Changhong Electronic Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	741.20	741.20	0.07%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

41	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Packing box	Marketing price	296.92	296.92	0.03%	Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
42	Zhongshan Guanghong Mold Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerant	Marketing price	18.74	18.74	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		controll er										
43	Sichuan Changhong Electronic Devices Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Sales of goods	Air-conditioner	Marketing price	0.85	0.85	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
44	Guangdong Changhong Electronics Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and	Sales of goods	Air-conditioner	Marketing price	1.36	1.36	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034



		ultimate controller										
45	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	485.53	485.53	0.05%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034, 2014-061, 2014-064
46	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder	Sales of goods	Air-conditioner	Marketing price	1.11	1.11	0.00%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034, 2014-061, 2014-064

		lder and ultimate controller										4-064
47	Chengdu Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	17.84	17.84	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
48	Guangyuan Hongcheng Industrial Co., Ltd.	Other enterprise control under the same controll	Sales of goods	Air conditioning components	Marketing price	0.05	0.05	0.00%	Spot exchange	-	2014-3-28,2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cncn) No.:2014-015, 2014-016, 2014-018,201

		ing shareholder and ultimate controller										4-034, 2014-061,201 4-064
49	Guangyuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	0.38	0.38	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
50	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the	Rent to the related party	Workshop lease	Workshop lease contract	66.82	66.82	1.90%	Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015,

		same controlling shareholder and ultimate controller										2014-016, 2014-018, 2014-034
51	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Freight elevator lease	Lease contract	6.37	6.37	0.05%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
52	Guangdong Changhong Electronics	Other enterprise control	Rent to the related party	Part of office building for rent	Lease contract	79.37	79.37	0.56%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn)

	Co., Ltd.	under the same controlling shareholder and ultimate controller										com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
53	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Two living quarters lease	Lease contract	47.30	47.30	0.33%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
54	Zhongshan Guanghong	Other enterpri	Rent to the	Two living quarters lease	Lease contract	6.65	6.65	0.05%	Spot	-	2014-3-28,2	Juchao

	Mold Technology Co., Ltd.	se control under the same controlling shareholder and ultimate controller	related party						exchange		014-6-6	Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
55	Guangdong Changhong Electric Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Two living quarters lease	Lease contract	7.42	7.42	0.05%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

56	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Warehouse rental	Lease contract	0.89	0.89	0.01%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
57	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Rent to the related party	Workhouse, Workhouse rental, Warehouse rental	Lease contract	182.13	182.13	1.29%	Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		controll er										
58	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Rent to the related party	Part of office building for rent, two living quarters	Lease contract	5.06	5.06	0.04%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
59	Sichuan Hongwei Technology Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and	Rent to the related party	Two living quarters lease	Lease contract	0.94	0.94	0.01%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034



		ultimate controller										
60	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Rent from the related party	Office lease	Assets lease contract	780.93	780.93	5.52%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
61	Beijing Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent from the related party	Office lease	Assets lease contract	35.65	35.65	0.25%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034

62	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Rent from the related party	Staff quarters lease	Assets lease contract	0.77	0.77	0.01%	Spot exchange	-	2014-3-28, 2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034, 2014-061, 2014-064
63	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Purchase of fixed assets	Line body transformation, project development	Marketing price	656.91	656.91	6.90%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
64	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder	Purchase of fixed assets	Software development, system optimization	Marketing price	97.36	97.36	1.02%	Bank acceptance	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034

		Ider and ultimat e controll er										
65	Mianyang Hongfa Technology Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Purchase of fixed assets	Machinery equipment	Marketing price	96.58	96.58	1.01%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
66	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterpri se control under the same controll	Sales of fixed assets	Disposal of assets	Marketing price	77.56	77.56	0.81%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,201

		ing shareholder and ultimate controller										4-034
67	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of fixed assets	Disposal of assets	Marketing price	3.99	3.99	0.04%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
68	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the	Receiving labor services	Transportation, storage, loading and unloading	Marketing price	40,088 .68	40,088 .68	25.72%	Spot exchange, Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015,

		same controlling shareholder and ultimate controller										2014-016, 2014-018,2014-034
69	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	After-sales maintenance fee etc.	Marketing price	13,455.37	13,455.37	8.64%	Spot exchange, Bank acceptance	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
70	Sichuan Changhong Electric	Controlling shareholder	Receiving labor services	Information system services, marketing fee, installation fee	Marketing price	2,433.76	2,433.76	1.56%	Spot exchange, Bank	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn)

	Co., LTD	and ultimate controller							acceptance			com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
71	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Project cooperation development	Marketing price	118.62	118.62	0.08%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
72	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controll	Receiving labor services	Network services fees	Marketing price	6.69	6.69	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		ing shareholder and ultimate controller										
73	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	New consumables fees	Marketing price	4.46	4.46	0.00%	Bank acceptance	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
74	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the	Receiving labor services	Advertising fees	Marketing price	145.62	145.62	0.09%	Spot exchange	-	2014-3-28,2 014-6-6, 2014-10-18	Juchao Website (www.cninfo. com.cncn) No.:2014-015,

		same controlling shareholder and ultimate controller										2014-016, 2014-018,2014-034, 2014-061,2014-064
75	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Equipment repair	Marketing price	0.72	0.72	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
76	Sichuan Changhong International Travel	Other enterprise control	Receiving labor services	Outdoor activities cose	Marketing price	3.37	3.37	0.00%	Spot exchange	-	2014-3-28,2014-6-6, 2014-10-18	Juchao Website (www.cninfo.com.cn)



	Agency Co., Ltd.	under the same controlling shareholder and ultimate controller										com.cncn) No.:2014-015, 2014-016, 2014-018,201 4-034, 2014-061,201 4-064
77	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water, electricity	Marketing price	77.55	77.55	0.01%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
78	Guangdong Changhong	Other enterpri	Providing fuel	Water, electricity	Marketing	0.64	0.64	0.00%	Spot	-	2014-3-28,2	Juchao

	Electric Technology Co., Ltd.	se control under the same controlling shareholder and ultimate controller	and power		price				exchange		014-6-6	Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
79	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water, electricity	Marketing price	6.85	6.85	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

80	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water, electricity	Marketing price	0.11	0.11	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034
81	Zhongshan Guanghong Mold Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Providing fuel and power	Water, electricity	Marketing price	1.17	1.17	0.00%	Spot exchange	-	2014-3-28,2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018,2014-034

		controll er										
82	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and ultimat e controll er	Providing fuel and power	Water, electricity, gas	Marketing price	31.61	31.61	0.00%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034
83	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterpri se control under the same controll ing shareho lder and	Providing fuel and power	Water, electricity, gas	Marketing price	626.22	626.22	0.06%	Spot exchange	-	2014-3-28,2 014-6-6	Juchao Website (www.cninfo. com.cn) No.:2014-015, 2014-016, 2014-018,201 4-034

		ultimate controller										
84	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water, electricity	Marketing price	0.17	0.17	0.00%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
85	Sichuan Changhong Co., Ltd.	Other enterprise control under the same controlling shareholder	Accepting fuel and power	Energy	Marketing price	1,462.25	1,462.25	0.20%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034

		lder and ultimate controller										
86	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accepting fuel and power	Compressed air fees, electricity fees	Marketing price	69.84	69.84	0.01%	Spot exchange	-	2014-3-28, 2014-6-6	Juchao Website (www.cninfo.com.cn) No.:2014-015, 2014-016, 2014-018, 2014-034
Total					--	--	383,999.84	--	--	--	--	--
Detail of sales return with major amount involved					Not applicable							
Essentiality and persistence of related trade, as well as reason for choosing trading with related parties (not other traders in market)					1. To ensure the company's normal production and management and save the costs, the related transactions between the Company and its subsidiaries and Changhong Group and its subsidiaries are the continuous and regular related transactions between the Company and its subsidiaries and							

	<p>Changhong Group and its subsidiaries. Combined with the actual situation, the company carries out the related transactions by abiding by the principle of equality, voluntariness, equivalent and paid marketization, ensures the independence of the listed companies, and meets the company's management and development.</p> <p>2. The related transactions between the Company and its subsidiaries and Sichuan Changhong and its subsidiaries are the continuous and regular related transactions between the Company and Sichuan Changhong and its subsidiaries, which ensures the normal production and management, save the costs, reduce the costs and lift the efficiency by the related transactions of front-end mating, engineering equipments, spare parts, tooling, leases, software services, selling the air conditioners via its sales platform, outsourcing logistics services and after-sales services so as to ensure the company's normal daily operations. The related transactions are carried out under the principle of marketization.</p> <p>3. The compressor is an important component of the refrigerators and freezers. Considering the performance, quality, price, services, transportation and other aspects, the Company has been selecting the compressor from Huayi Compressor Co., Ltd. and its subsidiaries in recent years. In addition, because the plant of the Company's subsidiary - Jiangxi Meiling is adjacent to the plant of Huayi Compressor, Jiangxi Meiling will purchase the compressed air system, lease the automatic fire extinguishing system, and accept the logistics services from Huayi Compressor in order to save the costs.</p>
Impact on individuality of listed companies from related trade	<p>The above daily related transactions are continuous and regular, the stable cooperative partnership has been established with the other party as a result of the long-term cooperation, and the transaction price is the marketing price, the trading volume is calculated according to the actual amount and based on the equality and mutual benefits, and the pricing is fair, which doesn't harm the interests of the listed company, and will neither significantly impact the company's financial situation and operating results at the current period and in the future nor influence the independence of the Company.</p>

Dependence on related parties from the Company, as well as related measurements (if applicable)	Due to the related transaction amount between the company and related party takes a very small proportion of the similar transaction amounts, and the transactions are handled via the market principles like open tendering, so the company is independent on the related party.
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period (if applicable)	Being deliberated and approved by annual shareholders general meeting of 2013 and the 8 <sup>th</sup> Board of Directors on 3 <sup>rd</sup> , the daily related transaction amount for year of 2014 was estimated as:
	1. It is estimated that the related transaction amount resulted by purchasing goods from Changhong Group and its holding subsidiary by the Company and subsidiary for year of 2014 was RMB 122,000,000 at most (tax-excluded), actually RMB 69,454,500 occurred in reporting period (tax-excluded).
	2. It is estimated that the related transaction amount resulted by purchasing commodity, receiving labor services and leasing from Changhong Group and its holding subsidiary by the Company and subsidiary for year of 2014 was RMB 168,000,000 at most (tax-excluded), actually RMB 109,639,400 occurred in reporting period (tax-excluded).
	3. It is estimated that the related transaction amount resulted by purchasing goods (including door shell and plastic products etc.) and providing fuel and power to Sichuan Changhong and its subsidiary by the Company for year of 2014 was RMB 1200 million at most (tax-excluded), actually RMB 759,710,300 occurred in reporting period (tax-excluded).
	4. It is estimated that the related transaction amount resulted by purchasing goods (including compressor purchased etc.) from Huayi Compressor and its subsidiary by the Company for year of 2014 was RMB 800 million at most (tax-excluded), actually RMB 536,391,100 occurred in reporting period (tax-excluded).
	5. It is estimated that the related transaction amount resulted by purchasing or selling equipment, software, maintenance and spare parts and molds etc. from Sichuan Changhong and its subsidiary by the Company for year of 2014 was RMB100 million at most (tax-excluded), actually RMB 9,324,100 occurred in reporting period (tax-excluded).
6. It is estimated that the related transaction amount resulted by purchasing goods from and providing fuel and power to Sichuan Changhong and its subsidiary by the Company for year of 2014 was RMB	



	2100 million at most (tax-excluded), actually RMB 1,781,502,200 occurred in reporting period (tax-excluded).
	7. It is estimated that the related transaction amount resulted by providing fuel and power and service to Huayi Compressor and its subsidiary by the Company for year of 2014 was RMB 2.6 million at most (tax-excluded), actually RMB 698,400 occurred in reporting period (tax-excluded).
	8. It is estimated that the related transaction amount resulted by leasing business from Sichuan Changhong and its subsidiary by the Company for year of 2014 was RMB 50 million at most (tax-excluded), actually RMB 12,195,300 occurred in reporting period (tax-excluded).
	9. It is estimated that the related transaction amount from domestic finished goods logistic business outsourcing to Sichuan Changhong Minsheng Logistic Co., Ltd. by the Company for year of 2014 was RMB 500 million at most (tax-excluded), actually RMB 400,886,800 occurred in reporting period (tax-excluded).
	10. It is estimated that the related transaction amount from after sales service of domestic goods outsourcing to Sichuan Service Exp. Appliance Service Chain Co., Ltd. by the Company for year of 2014 was RMB 150 million at most (tax-excluded), actually RMB 134,553,700 occurred in reporting period (tax-excluded).
	11. It is estimated that the related transaction amount resulted by accepting other service and labor service etc. or providing other service and labor service etc. to Sichuan Changhong and its subsidiary by the Company for year of 2014 was RMB 90 million at most (tax-excluded), actually RMB 25,642,600 occurred in reporting period (tax-excluded).
Reasons for major differences between trading price and market reference price	Not applicable

## (II) Related transactions with Finance Company

1. Related transactions about the “Financial Service Agreement” signed between the Company and Sichuan Changhong Group Finance Co., Ltd.

To broaden the financing channels and reduce the financing costs and financial costs, the Company convoked the thirtieth meeting of the seventh Board of Directors on 17th, October, 2013 and the third extraordinary general meeting of the seventh Board of Directors on 7th, November, 2013, and agreed the Company to sign a three-year Financial Services Agreement with Sichuan Changhong Group Finance Co., Ltd. (hereinafter referred to as "Changhong Finance Company"). In January 2014, the Company received the 2013 Annual Audit Report from Changhong Finance Company, which was audited by Shine Wing CPAs (LLP.), who has the securities and futures-related business qualifications. 2013 annual basic index of Changhong Finance Company met the requirements of the "Management Approaches for the Finance Companies of the Enterprise Group" issued by the China Banking Regulatory Commission and the relevant regulations of Shenzhen Stock Exchange, no case that needed to start the risk disposition plan as ruled in “Risk disposition plan about the loans and deposits financial services of Sichuan Changhong Group Finance Company” has occurred, the Company shall carry out the deposits and loans business in accordance with the "Financial Services Agreement" signed with Changhong Finance Company, continued to do the risk management to the deposit and loan businesses with Changhong Finance Company funds between risk management, regularly carried out the special risk assessments, and timely performed the information disclosure obligations in accordance with the relevant regulations. For details, please refer to the relevant announcement (No.:2013-045, No.:2013-046, No.:2013-048, No.:2013-053, No.:2014-003) and half-annual report 2014 disclosed at Securities Times, China Securities Journal, Hong Kong Commercial Daily and www.cninfo.com.cn on 18 October 2013, 8 November 2013, 25 January 2014 and 12 August 2014.

### 2. Related transactions between the Company and Changhong Finance Company

According to the three-year Financial Services Agreement that the Company signed with Changhong Finance Company, Changhong Finance Company should provide a range of financial services within its business scope in accordance with the requirements of the Company and its subsidiaries, including but not limited to deposit services, settlement services, loan services, bill discounting services, guarantees and other businesses approved by the China Banking Regulatory Commission. Related transactions between the Company and Changhong Finance Company in the half year of 2014 are as follows:

Up to 31st of December 2014, the Company has opened financial business as savings, note drawing and notes discounted with Changhong Finance Company. The Company and its subordinate company owns 1,040,209,426.68 Yuan savings in Changhong Finance Company, takes 19.92% of the deposit taking balance in Changhong Finance Company without 30% occupied, notes drawing was 258,631,647.68 Yuan and notes discounted as 210,940,218.46 Yuan. More details are:

Name	Balance at year-begin	Increase in the year	Decrease in the year	Balance at year-end	Interest and commission charge received or paid
I. Savings in Changhong Group Finance Company	0	5,281,195,692.45	4,240,986,265.77	1,040,209,426.68	3,684,014.13
II. Borrowings from Changhong Group Finance Company	0	-	-	-	-
1.Short-term loans	0	-	-	-	-
2.Long-term loans	0	-	-	-	-
III. Other financial business	0	-	-	-	-
1.notes drawing	0	299,070,930.94	40,439,283.26	258,631,647.68	-
2.notes discounted	0	838,494,865.43	627,554,646.97	210,940,218.46	6,980,216.15
3. other	-	-	-	-	-

### (III) Related transaction arising from assets acquisition and sold

Applicable  Not applicable

The Company has no material related transaction of jointly foreign investment occurred in reporting period

### (IV) Material related transaction of jointly foreign investment

Applicable  Not applicable

The Company and controlling shareholder Sichuan Changhong jointly invested and set up Sichuan Zhiyijia Network Technology Co., Ltd, more details can be seen in VI "Other related transudations" in the section.

### (V) Connect of related liability and debt

Applicable  Not applicable

Whether has non-operational contact of related liability and debts or not

Yes  No

No non-operational contact of related liability or debts in Period.

Serial	Related party	Relationship	Debtor-creditor type	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Amount in the Period (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
1	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	211.33	466.20	677.54
2	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	320.29	-92.78	227.51
3	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	8.38	12.38	20.76
4	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	17.19	-16.98	0.21
5	PT.CHANGHONGELECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	6,938.37	-6,938.37	0.00
6	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	160.81	55.36	216.17
7	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	106.34	106.34

		controller						
8	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.24	404.76	405.00
9	Sichuan Hongou Display Device Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	13.16	-13.16	0.00
10	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	29.72	29.72
11	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	29.34	-29.34	0.00
12	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	41.07	-20.98	20.09
13	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	42.73	-36.62	6.10
14	CHANGHONGELECTRIC (AUSTRALIA)	Other enterprise control under the same controlling shareholder and ultimate	Claim receivable from related party	Operational contact of related credit and debt	No	732.08	-732.08	0.00

		controller						
15	Changhong (Hong Kong) Trading Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	149.33	-149.33	0.00
16	CHANGHONG(HK)TRADING INGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	221.58	10,876.01	11,097.59
17	Zhongshan Guanghong Mold Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	6.11	-6.11	0.00
18	Guangdong Changhong Electric Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	12.60	-0.60	12.00
19	Chengdu Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	84.00	-79.80	4.20
20	081 Electronic Group Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	208.60	0.00	208.60
21	Sichuan Changhong Electronic Devices Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	45.46	-38.97	6.49

		controller						
22	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	0.19	0.19
23	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	37.00	-37.00	0.00
24	Yibin Red Star Electronics Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	224.16	-118.35	105.80
25	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.24	-0.24	0.00
26	Chengdu Changhong Electronic Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	530.90	530.90
27	CHANGHONGRUBAELE CTRICCO.,LTD.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	1,509.77	952.84	2,462.61
28	Anhui Xinghao Plasma Display Panels Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Claim receivable from related party	Operational contact of related credit and debt	No	327.65	-327.65	0.00

		controller						
29	Mianyang Haili Electrical Appliances Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	17.28	17.28
30	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	6.06	0.00	6.06
31	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	3,664.63	-890.88	2,773.76
32	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	6,757.95	31.79	6,789.73
33	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	1,125.66	9,752.66	10,878.32
34	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	7,194.10	-1,851.93	5,342.17
35	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	4,201.08	-319.43	3,881.65
36	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	1,345.50	-248.84	1,096.66



		shareholder and ultimate controller						
37	Sichuan Changhong Devices Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.30	-0.30	0.00
38	Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	291.05	-195.19	95.86
39	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	193.85	-51.56	142.29
40	Sichuan Liyuan Electronic Co., Ltd. of 081 Electronic Group	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	138.45	-124.45	14.01
41	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	13.38	-1.96	11.42
42	Sichuan Changhong Lighting Technology Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	3.01	3.01
43	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	40.20	-40.20	0.00

		shareholder and ultimate controller						
44	Sichuan Changhong Power Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	4.81	-1.16	3.64
45	Sichuan Hongyu Metal Manufacture Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	11.92	1.35	13.27
46	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	54.96	-53.86	1.10
47	Sichuan Changhong Electronic Devices Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	1,278.89	-386.00	892.89
48	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	2.03	15.72	17.75
49	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	6.66	-5.90	0.76
50	Sichuan Changhong Gerun Renewable Resources Co.,	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	1.05	0.00	1.05

	Ltd.	shareholder and ultimate controller						
51	Chengdu Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	460.92	460.92
52	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	75.22	1,275.81	1,351.02
53	Sichuan Changhong International Travel Agency Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	10.36	-4.68	5.68
54	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	18.80	-7.50	11.30
55	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	1.83	36.34	38.17
56	Guangdong Changhong Electric Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	51.25	51.25
57	Zhongshan Guanghong Mold Technology Co., Ltd.	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	0.00	11.13	11.13

		shareholder and ultimate controller						
58	Sichuan Changxin Refrigeration Parts Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	2,238.18	-1,190.34	1,047.84
59	Mianyang Haili Electrical Appliances Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	1,513.62	1,513.62
60	Sichuan Changhe Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	100.64	-4.05	96.59
61	Sichuan Jinghong Package Products Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	451.35	-451.35	0.00
62	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.15	775.46	775.61
63	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	17.67	17.67
64	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	0.00	17.17	17.17

65	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	14.70	35.10	49.80
66	Mianyang Haili Electrical Appliances Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party	Operational contact of related credit and debt	No	7.61	-7.61	0.00
67	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	0.02	0.02
68	Sichuan Changhong Electronic System Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	-0.00	0.00
69	Mianyang Lejiayi Trading Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	77.78	-65.42	12.35
70	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.03	0.05	0.08
71	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	286.80	-286.80	0.00
72	Sichuan Changhong Devices Technology Co.,	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	0.00	-0.00	0.00

	Ltd.	shareholder and ultimate controller						
73	Chongqing Hong Life Commerce-Trading Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	1.39	-1.15	0.24
74	Wandao Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.20	-0.20	0.00
75	Sichuan Hongshi Display Device Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	10.63	-3.17	7.46
76	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	279.91	-279.91	0.00
77	Jiangyin Changhong Air-conditioner Appliances Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.11	-0.11	0.00
78	CHANGHONGELECTRIC RUSSIALLC	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	7.63	-7.63	0.00
79	Sichuan Liyuan Electronic Co., Ltd. of 081 Electronic	Other enterprise control under the same controlling	Debts payable to related party	Operational contact of related credit and debt	No	0.00	2.87	2.87

	Group	shareholder and ultimate controller						
80	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	24.02	24.02
81	Guangyuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	3.50	3.50
82	Guangyuan Hongcheng Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	0.03	0.03
83	Changhong Electric (Australia) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	0.55	0.55
84	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	0.00	0.00
85	Mianyang Haili Electrical Appliances Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party	Operational contact of related credit and debt	No	0.00	0.00	0.00
86	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Claim receivable from related party		No	0.00	1.35	1.35

87	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party		No	2.00	-2.00	0.00
88	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Claim receivable from related party		No	3.58	-3.58	0.00
89	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Debts payable to related party		No	1,802.19	-1,619.57	182.62
90	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	61.36	-2.71	58.65
91	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	32.05	111.07	143.12
92	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	20.05	16.10	36.15
93	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	1.00	0.00	1.00
94	Jingdezhen Honghua Home Appliance Parts Co., Ltd.	Other enterprise control under the same controlling	Debts payable to related party		No	5.00	-5.00	0.00



		shareholder and ultimate controller						
95	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	3.34	-3.34	0.00
96	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	90.59	-90.59	0.00
97	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	0.00	20.00	20.00
98	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	0.00	65.00	65.00
99	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	0.00	5.00	5.00
100	Sichuan Changhe Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	5.00	0.00	5.00
101	Mianyang Haili Electrical Appliances Co., Ltd.	Other enterprise control under the same controlling	Debts payable to related party		No	0.00	52.79	52.79

		shareholder and ultimate controller						
102	Sichuan Changxin Refrigeration Parts Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Debts payable to related party		No	0.00	5.00	5.00

For the above-mentioned statement, up to the Period-end, debts payable to related party from the Company and subordinate are amounting as 371,783,400 Yuan in total, the claim receivable from related party for the Company and subordinate amounting as 145,540,800 Yuan.

## (VI) Other related transaction

Applicable  Not applicable

1. Related transactions of Trademark Licensing Contract signed between the Company and Sichuan Changhong Electric Co., LTD

(1) According to the operation requirement, independent directors recognized with independent opinions carried out, and being deliberated and approved in 33rd meeting of 7th session of the Board on 26 February 2014, the Company entered into Trademark Licensing Contract with Sichuan Changhong Electric Co., LTD (“Sichuan Changhong”). Sichuan Changhong, with trademark “CHiQ” applied for registration, authorized the Company and subordinate controlling subsidiary of the Company (agreed by Sichuan Changhong) to use the trademark for free on basis of the products of intelligent refrigerator and AC under the form of “Home Internet”. Permission period from 20 February 2014 to 19 February 2017. More details are published on appointed medias Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) in the form of announcement (No.: 2014-009; No.: 2014-011) dated 27 February 2014;

(2) According to the operation requirement, independent directors recognized with independent opinions carried out, and being deliberated and approved in 37th meeting of 7th session of the Board on 16 June 2014, the Company entered into Trademark Licensing Contract with Sichuan Changhong Electric Co., LTD (“Sichuan Changhong”). Sichuan Changhong, agrees to authorized the trademark of “CHANGHONG” and “长虹” for free use via way of exclusive license, to the Company and controlling subsidiary of the Company who obtained the agreed in writing by Sichuan Changhong in refrigerators and freezer products (products, packages and webpage included) sale through electrical business channel and TV shopping. Permission period from 16 June 2014 to 15 June 2017; More details are published on appointed medias Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) in the form of announcement (No.: 2014-036; No.: 2014-038) dated 17 June 2014.

2. Related transaction of established a joint venture as Sichuan Zhiyijia Network Technology Co., Ltd. from the Company and Sichuan Changhong

According to the operation requirement, for purpose of promoting E-business development, taking full advantage of integrated E-business resources of the controlling shareholders and the Company, improving operation efficiency and lowering costs, enhancing competitiveness of the on-line products, being recognized by independent directors with independent opinions carried out, and being deliberated and approved in 4th meeting of 8th session of the Board on 24 October 2014, agreed to established a joint venture E-business enterprise “Sichuan Zhiyijia Network Technology Co., Ltd.” with RMB 50 million in total from the Company and its controlling shareholder – Sichuan Changhong; of which, RMB 15 million invested by the Company, representing 30% of the share-holding while Sichuan Changhong invested RMB 35 million, representing 70% of the share-holding, initial contribution amounting to RMB 20 million, rests of the capital will gradually funded

according to the progress and capital requirement. Main business scope of the new company including computer software and hardware development, computer networking sales and undertakes, import and export of cargo and technology (projects are prohibited by law and regulations excluded, restrained items should run with the permit), advertisement design and production, design, production and sales of pattern, development and sales of household products, use the internet to sell general merchandise, cloth, leatherwear, shoes and hats, washing products, cosmetics, photographic equipment, toys, stereo system and equipment, household appliances, electronics, communication equipment and device, instrument, lamps, electro-mechanical equipments and accessories, machinery equipment and accessories, prepackaged food, stationery, sports goods, hotel facilities, travel and cultural goods, gold and silver, jewelry, value-added telecom service (entrusted operation), chemical materials and products (hazardous chemical substance excluded), solar equipment and class-I medical devices. More details are published on appointed medias Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) in the form of announcement (No.: 2014-074; No.: 2014-075) dated 25 November 2014.

#### Disclosure information for related transaction temporary disclosed

Temporary announcement	Dated disclosed	Website for disclosure
2014-009: Resolution notice of 23 <sup>rd</sup> meeting of 7 <sup>th</sup> session of the Board	2014-2-27	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2014-011: Related transactions Notice of <i>Trademark Licensing Contract</i> signed with Sichuan Changhong Electric Co., LTD	2014-2-27	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2014-036: Resolution notice of 37 <sup>th</sup> meeting of 7 <sup>th</sup> session of the Board	214-6-17	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2014-038: Related transactions Notice of <i>Trademark Licensing Contract</i> signed with Sichuan Changhong Electric Co., LTD	214-6-17	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2014-074; Resolution notice of 4 <sup>th</sup> meeting of 8 <sup>th</sup> session of the Board	2014-11-25	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2014-075: Sichuan Zhiyijia Network Technology Co., Ltd. Establishment Jointly Invested with Controlling Shareholder and Related Transaction	2014-11-25	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### VIII. Significant contract and implementations

#### (I) Entrust, contract and leasing

##### 1. Entrust

Applicable     Not applicable

##### (1) Explanation on entrust

No entrust in Period.

##### (2) Gains/losses to the Company from projects that reached over 10% in total profit of the Company

in reporting period

Applicable  Not applicable

No gains or losses to the Company from projects that reached over 10% in total profit of the Company in reporting period.

## 2. Contract

Applicable  Not applicable

(1) Explanation on contract

No contract in Period.

(2) Gains/losses to the Company from projects that reached over 10% in total profit of the Company in reporting period

Applicable  Not applicable

No gains or losses to the Company from projects that reached over 10% in total profit of the Company in reporting period.

## 3. Leasing

Applicable  Not applicable

(1) Explanation on leasing

Operational leasing of the Company please found more details in “investment real estate”, “fixed assets”, “Lease of related party” and “Rent of related party” in Note of Financial Statement.

(2) Gains/losses to the Company from projects that reached over 10% in total profit of the Company in reporting period

Applicable  Not applicable

No gains or losses to the Company from projects that reached over 10% in total profit of the Company in reporting period.

## (II) Guarantee

Applicable  Not applicable

In reporting period, the Company has no guarantee for any legal person or nature person except wholly-owned and holding subsidiary, guarantee for wholly-owned and holding subsidiary all exercise for loans supporting operation needs with assurance guarantee offered. As of 31 December 2014, the Company offered credit granting to part of wholly-owned and holding subsidiary. Except for wholly-owned subsidiary Zhongshan Changhong,

other subsidiary has no guarantee occurred actually. External guarantee and guarantee for subsidiary are as:

In ten thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)
N/A	-	-	-	-	-	-	-	-
Total approving external guarantee in report period (A1)			-	Total actual occurred external guarantee in report period (A2)			-	-
Total approved external guarantee at the end of report period (A3)			-	Total actual balance of external guarantee at the end of report period (A4)			-	-
Guarantee of the Company for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)
Sichuan Changhong Air-conditioner Co., Ltd.	2014-3-28, 2014-6-6 No.:2014-015, No.:2014-019, No.:2014-034	20,000.00	-	0.00	Joint liability guaranty	-	-	N
Zhongshan Changhong Electric Co., LTD	2013-3-22; 2013-6-7; 2013-10-18; 2013-11-8; No.: 2013-012 No.:2013-021 No.: 2013-050 No.: 2013-053	35,000.00	2013-12-4	8,000	Joint liability guaranty	1-year	N	N
	2013-12-6		10,000	Y				
	2014-3-28, 2014-6-6 No.:2014-015, No.:2014-019, No.:2014-034	35,000.00	2014-12-30	10,000			N	
2014-12-3	12,000		N					
Hefei Meiling Nonferrous Metals Products Co., Ltd.	2014-3-28, 2014-6-6 No.:2014-015, No.:2014-019, No.:2014-034	4,000.00	-	0.00	Joint liability guaranty	-	-	-

Hefei Meiling Package Products Co., Ltd.	2014-3-28, 2014-6-6 No.:2014-015, No.:2014-019, No.:2014-034	2,000.00	-	0.00	Joint liability guaranty	-	-	-
Zhongke Cryogenic Technology Co., Ltd.	2014-3-28, 2014-6-6 No.:2014-015, No.:2014-019, No.:2014-034	2,000.00	-	0.00	Joint liability guaranty	-	-	-
Total amount of approving guarantee for subsidiaries in report period (B1)		63,000.00			Total amount of actual occurred guarantee for subsidiaries in report period (B2)	40,000.00		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		63,000.00			Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)	30,000.00		
Total amount of guarantee of the Company( total of two abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1)		63,000.00			Total amount of actual occurred guarantee in report period (A2+B2)	40,000.00		
Total amount of approved guarantee at the end of report period (A3+B3)		63,000.00			Total balance of actual guarantee at the end of report period (A4+B4)	30,000.00		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4) (%)				8.76%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(C)				0				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)				30,000.00				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)				0				
Total amount of the aforesaid three guarantees(C+D+E)				30,000.00				

Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	-
Explanations on external guarantee against regulated procedures (if applicable)	-

The above guarantees are all wholly-owned and holding subsidiaries of the Company. Production and operation of these wholly-owned and holding subsidiaries was normal with no overdue unpaid loans and guarantee risk is controllable. During the reporting period, the highest level of security the Company provided amounted to 630,000,000 Yuan; the actual amount of guarantee is 400,000,000 Yuan. At the end of the reporting period, the practical guarantee balance amounted to 300,000,000 Yuan, accounting for the Company's latest net assets ratio of 8.67%.

Explanation on guarantee with composite way

Applicable Not applicable

### 1. Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

### (III) Other significant contract

Applicable Not applicable

No other significant contract in Period.

### 4. Other significant transaction

Applicable Not applicable

No other significant transaction in Period.

## IX. Commitment implementation

### (I) Commitments from the Company or shareholder with over 5% share held in reporting period or occurred in prior period but continues to reporting period

Applicable Not applicable



Commitment	Acceptor	Content	Date	Term	Implementation	
Commitments made in acquisition report or equity change report	Sichuan Changhong Electric Co., LTD (hereinafter referred to as the "Sichuan Changhong")	About committed and promised in order to prevent horizontal competition in the Acquisition Report of Hefei Meiling Co., Ltd.	2007-6-12	Valid for long term	Strictly implemented	
				Valid for long term	Strictly implemented	
				Valid for long term	Strictly implemented	
Commitment made during the non-public offer	Sichuan Changhong	Commitment regarding to reducing and preventing competition with Meiling Electrical Appliances	2010-6-24	Valid for long term	Strictly implemented	
						1. It will not engage in such business or activity that competes with or has interest conflict with that of Meiling Electrical Appliances except for the action taken for sake of Meiling Electrical Appliances as required by Meiling Electrical Appliances.
						2. The Company promises to apply shareholders' right on a legal and reasonable manner and shall not take any action to limit or affect the normal operation of Meiling Electrical Appliances.
		3. In case that Meiling Electrical Appliances expects, on the basis of its existing business, to expand its operation scope into the business which the Company has already operated, <i>the Company agrees to grant pre emptive right</i>				

			to Meiling Electrical Appliances regarding such business if the same conditions are met, provided that the Company is still the controlling shareholder or actual controller of Meiling Electrical Appliances.			
	Commitment regarding to reducing and standardizing related transaction with Meiling Electrical Appliances		1. Measures will be adopted to prevent continued related transaction with Meiling Electrical Appliances: as to the related transaction that can not be prevented, it will sign related transaction agreement with Meiling Electrical Appliances under the market principles of “equally paid and mutual benefit”, and fairly determined the transaction price according to the market prevailing standards.	2010-6-24	Valid for long term	Strictly implemented
			2. Perform the necessary obligations to make related directors and related shareholder abstain from voting according to relevant regulation, and observe legal procedure for approving related transaction and information disclosure obligations.			
			3. Promise not to hurt legal interests of Meiling Electrical Appliances and other shareholders through related transaction.			
			Commit to authorized Changhong Air Conditioning and Zhongshan Air Conditioning Co., Ltd. (hereinafter referred to as the “Zhongshan Air Conditioning”) to use “Changhong” trademark and relevant patents for free.	2010-11-6	Valid for long term	Strictly implemented
The Company			1. Commit to disclose periodic reports on a truthful, accurate, complete, fair and prompt manner, to disclose all the information that have important influences over investors, to accept supervision under the CSRC and Shenzhen Stock Exchange.	2011-1-7	Valid for long term	Strictly implemented
			2. Commit to make public clarification in respect of such information that is released from any public media and may result in misleading influences on stock price once the Company is aware of such information.			
			3. The directors, supervisors, senior management and core technicians of the Company will accept opinions and criticism from the social publics, and they will not trade the Company’s securities, directly			

		or indirectly, with any inside information and other illegal methods. The Company promises that the documents submitted to Shenzhen Stock Exchange exist no false statement or material omission, and no relevant information will be disclosed during the application for listing without prior content from Shenzhen Stock Exchange.			
Commitment in respect of applying proceeds savings in supplement current capital for permanent purpose	The Company	The Company has no high-risk investment performed in latest 12 months, such as portfolio investment; and promised not to performing high-risk investment (e.g. portfolio investment) in 12 months after current capital supplied.	2013-10-18	8 <sup>th</sup> Nov. 2013 to 8 <sup>th</sup> Nov. 2014	Completed
Commitment made in transfer of air conditioning assets property	Sichuan Changhong	1. Since the property transfer didn't involve the buildings and land currently used by Changhong Air Conditioning, Sichuan Changhong commits, upon the completion of equity transfer, to continue to lease such assets to Changhong Air Conditioning at market price.	2009-12-10	Valid for long term	Strictly implemented
		2. After completion of this property transfer, Sichuan Changhong commits to manage to prevent new related transaction with Meiling Electrical Appliances. For those which can not be prevented, Sichuan Changhong commits to determine the transaction price based on market accepted methods, so as to ensure fairness of related transaction and protection of the interest of Meiling Electrical Appliances.			Strictly implemented
		3. Sichuan Changhong commits that it will not engage in air conditioning and refrigerator business or activity which competes or will compete with business of Meiling Electrical Appliances, or that which has interest conflict with Meiling Electrical Appliances.			
Commitments by Annual performance incentive fund,	Some of the Directors, supervisors and senior	1. Make promise not to reduce the shares of Meiling bought in every year during implementation of the performance incentive fund via any market ways in the later first year, which was allowed to be reduced by 50% according to the laws and regulations in the second year, and the remaining 50% was allowed to be reduced in the third year in accordance with the laws and regulations.	2013-8-15; 2014-7-3	Three years after current shares purchased	Implementing

incentive objects while purchasing stock of the Company with performance incentive funds and owned fund	executives of the Company as well as other incentive objects	2. The directors, supervisors and senior management promised to manage in accordance with the relevant management approaches in accordance with the "Company Law", "Securities Law" and "The Company's shares held by the directors, supervisors and senior management of the listed company and its change management rules", as objects of annual performance incentive fund of Meiling, including but not limited to: during his tenure, the shares transferred each year shall not exceed 25% of the total number of shares held of the Company; shall not sell the shares of the Company within six months after bought it or purchase again six months after sold it; shall not transfer the shares held within six months after Dismission.	2013-8-15;2014-7-3	From the date when annual incentive fund plan deliberated and approved by general meeting to 6 months after director, supervisor and senior executives resigned	Implementing
Perform the commitment promptly or not	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N				
Specific reason for non-performance and the next plan	Not applicable				

Note 2: for the commitments completed and exemption for implementing in above mentioned table, the Company will not disclose in next ordinary report

**(II) Profit forecast of assets and items, and reporting period still in period of forecast, explanation on reaching the former profit forecast of assets or items as well as reasons**

Applicable     Not applicable

Commitments made by shareholders of the Company and counterparties in reporting the annual performance

Applicable     Not applicable

**X. Appointment and non-reappointment (dismissal) of CPA**

**(I) Accounting firm appointed**

Name of domestic accounting firm	Shine wing Certified Public Accountants (LLP)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	75
Continuous life of auditing service for domestic accounting firm	6-year
Name of domestic CPA	He Yong, Fan Dayang
Name of foreign accounting firm (if applicable)	N/A
Remuneration for foreign accounting firm (in 10 thousand Yuan) (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A

**(II) Re-appointed accounting firms in this period**

Yes     No

**(III) Re-appointed accounting firms in period of auditing**

Yes     No

**(IV) Practice approval procedures in changing the accounting firms**

Yes     No     Not applicable

**(V) Explanation on re-appointment and change of accounting firms**

Applicable     Not applicable

**(VI) Appointment of internal control auditing accounting firm, financial consultant or sponsor**

Applicable     Not applicable

1. In reporting period, Shine wing Certified Public Accountants (LLP) was appointed as audit institute of internal control for the Company, auditing charge for internal control amounting as RMB 250,000.

#### **XI. Explanation from the Board and Supervisory Committee (if applicable) for “Qualified Opinion” from the CPA**

Applicable     Not applicable

#### **XII. Penalty and rectification**

Applicable     Not applicable

No penalty and rectification occurred in the Period

(I) Explanation on rectification

Applicable     Not applicable

(II) Particular about directors, supervisors, senior executives and shareholders with over 5% shares held suspected illegal dealings of the stock of the Company and earnings of illegal dealings taken back by the Company that disclosed

Applicable     Not applicable

No particular about directors, supervisors, senior executives and shareholders with over 5% shares held suspected illegal dealings of the stock of the Company and earnings of illegal dealings taken back by the Company that disclosed in Period.

#### **XIII. Suspended and delisting after annual report disclosed**

Applicable     Not applicable

#### **XIV. Explanation on other material events**

Applicable     Not applicable

(I) On 21 February 2014, the 7th batch of circulating shares with restricted condition after the implementation of equity division reform were released from restriction and listed for trading. 4 shareholders were released in total with 1,458,835 shares released, representing 0.1910% of the total share capital of the Company. For details, please refer to the relevant announcement (No. 2014-006) disclosed at Securities Times, China Securities Journal, Hong Kong Commercial Daily and www.cninfo.com.cn on 20 February 2014.

(II) Being deliberated and approved in 33rd meeting of 7th session of the Board held on 26 February 2014, the Board agreed, Mianyang Meiling and Sichuan Changhong Minsheng Logistics Co., Ltd. (“Minsheng Logistics” for short) signed the "Dismiss to the Rental Contract", thus cancel the "Rental Contract" which was signed in January 2010 and has not yet expired. At the same time, Minsheng Logistics pays compensation to

Mianyang Meiling 40 million Yuan to compensate for the loss of Mianyang Meiling for relocation and production loss as a result of the early termination. Details were disclosed on February 27, 2014 in the designated media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao network in the form of announcement (www.cninfo.com.cn) in the form of announcement (No. 2014-009, Notice No. 2014-010).

(III) On March 3, 2014, the Company and Hefei Xingtai Holding Group Co., Ltd. (hereinafter referred to as "Xingtai Holding") signed the "Contingencies Confirmation Agreement". Both CPA finally approved that contingencies debt of corporations undisclosed during audit and appraisal report when the Company acquired certain assets of Meiling Group, amounted to 8,021,786.31 Yuan. According to "Property Rights Transfer Contract" signed in 2010 by the Company and Xingtai Holding, the Xingtai Group should assume this part liability. Xingtai Holdings paid the foregoing amounts as agreed. Details announcement disclosed on March 5, 2014 in the designated media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) in the form of announcement (announcement No. 2014-012).

(IV) According to business development needs, in order to lock revenue and costs, avoid and prevent the risk of fluctuations in exchange rates to secure sound management, in the 35th meeting of the Seventh Board of Directors held on April 18 and June 5 2014 as well as 2013 annual General meeting, the Company agreed to carry forward foreign exchange transactions in the 2014-2015 business year while the balance of trade business is not more than US\$ 250 million (including: dollar, Australian dollar, the euro, all other foreign currency are exchanged into dollars ). Details announcement disclosed on April 19, 2014 in the designated media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao website (www.cninfo.com.cn) in the form of announcement (No. 2014-023, No. 2014-024, No. 2014-027, Notice No. 2014-034).

(V) According to overseas development strategy and subsidiaries Zhongshan Changhong's business needs, being deliberated and approved in 35th meeting of 7th session of the Board held on 18 April 2014, the Company allowed Zhongshan Changhong Electric Co., LTD ("Zhongshan Changhong for short") to invest in Pakistan with \$6,724,000 for construction fridge projects on April 18, 2014. At the same time, the meeting also deliberated and approved the "proposal of capital increased for Zhongshan Changhong Electric Co., LTD", agreed that the Company and subordinate wholly-owned subsidiary - Sichuan Changhong Air-conditioner Co., Ltd. ("Changhong AC") increased 40 million Yuan together in total, according to equity ratio, to Zhongshan Changhong for the investment of fridge project construction in Pakistan. Details were disclosed on April 19, 2014 in the designated media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao website (www.cninfo.com.cn) in the form of announcement (No. 2014-023, No. 2014-026).

(VI) In order to improve the production capacity of freezer with large volume, enhance the competitiveness and profitability, and to solve the capacity bottlenecks in current stage for satisfying market requirements, being deliberated and passed in 35th meeting of 7th session of the Board held on 18 April 2014, the Company agreed to invested approximately 76.79 million Yuan in building a project for annual production capacity of 600,000 green energy freezers with large volume. Details were disclosed on April 19, 2014 in the designated media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao website in the form of announcement (www.cninfo.com.cn) on (announcement No. 2014-023)

(VII) Related matters concerning exemptions controlling shareholder and fulfilling commitments with related

people on transfer of assets

In accordance with the "Listed Company Supervision Guidelines No. 4 – Commitments and fulfillment for the listed company's actual control, shareholders, affiliates, purchaser as well as the listed companies" issued by CSRC and relevant requirement of "specific disclosure on commitments and fulfillment for the listed company's actual control, shareholders, affiliates, purchaser as well as the listed companies" issued by Anhui Security Bureau, under full demonstration and negotiation with controlling shareholder Sichuan Changhong Electric Co., LTD ("Sichuan Changhong" for short) and affiliates Minsheng Logistics, being deliberated and approved by 36th meeting of 7th session of the Board and 20th meeting of 7th session of supervisory committee and the annual general meeting 2013 held on 13 May 2014 and 5 June 2014, agreed to waive the commitment implementation of assets transfer under the name of controlling shareholder Sichuan Changhong, and commitment implementation of assets transfer under the name of Sichuan Changhong and Minsheng Logistics. Details were disclosed in appointed media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on 15 Feb. 2014, 2 April 2014, 14 May 2014 and 6 June 2014 in the form of announcement (No.: 2014-004, No.: 2014-022, No.: 2014-029, No.: 2014-030, No.: 2014-031 and No.: 2014-034)

(VIII) Another shareholder of Zhongke Meiling Cryogenic Technology Co., Ltd. ("Zhongke Meiling" for short), the controlling subsidiary of the Company, namely Technical Institute of Physics and Chemistry, Chinese Academy of Sciences ("CAS Institute" for short) transferred 30% of the Zhongke Meiling held to its wholly-owned subsidiary-Zhongke Xianxing (Beijing) Assets Management Co., Ltd. ("Zhongke Xianxing" for short). In view of the favorable cooperation with CAS Institute and take operation needs of the Company and Zhongke Meiling into consideration, being deliberated and approved in 37th meeting of 7th session of the Board and first extraordinary general meeting of 2014 dated 16 June 2014 and 3 July 2014, agreed the Company to quit the right of first refusal on 30% equity of Zhongke Meiling which plans to transferred by CAS Institute. Details were disclosed in appointed media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on 17 June 2014 and 4 July 2014 in the form of announcement (No.: 2014-036, No.: 2014-039 and No.: 2014-046)

(IX) In view of major uncertainty in acquisition for assets acquisition planning, in line with related regulation of "Listing Rules for Stocks listed in Shenzhen Stock Exchange", being applied to Shenzhen Stock Exchange, stock of the Company halted since opening on 10 July 2014. The Company decided to stop the assets acquisition plans due to major divergence with the intended sellers, condition of implementation are not mature. Stock of the Company resumption since 15 July 2014 after applying to Shenzhen Stock Exchange; details were disclosed in appointed media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on 10 July 2014 and 15 July 2014 in the form of announcement (No.: 2014-049 and No.: 2014-050)

(X) The privately restricted shares are released for trading dated 12 September 2014. There is one person for share released, totally 56,031,120 shares released, and representing 7.3364% of the total shares. Details were disclosed in appointed media, "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on 11 September 2014 in the form of announcement (No.: 2014-058)



(XI) On 15 December 2014, the “proposal of capital participation by Sichuan Changhong Air-conditioner Co., Ltd. for Sichuan Tianyou Guigu Technology Co., Ltd. establishment” was deliberated and approved in 5th meeting of 8th session of the Board. In line with the operation needs of Sichuan Changhong Air-conditioner Co., Ltd. (“Changhong AC” for short), exploring market, extending channels and promoting further development for the AC industry of the Company, agreed the Changhong AC invested self-owned fund 25 million Yuan for established Sichuan Tianyou Guigu Technology Co., Ltd. (tentatively, name approved by Industry and Commerce Bureau shall prevail, “Tianyou Guigu” for short) with Chengdu Jiaoda Real Estate Development Co., Ltd., Chengdu Southwest Jiaotong University Industry (Group) Co., Ltd. and other four shareholders together.

Tianyou Guigu owes registered capital of 100 million Yuan, of which, subordinate subsidiary of the Company Changhong AC invested 25 million Yuan, representing 25% of the registered capital, Chengdu Jiaoda Real Estate Development Co., Ltd. contributed 20 million Yuan, takes 20% of the capital, Chengdu Southwest Jiaotong University Industry (Group) Co., Ltd. invested 5 million Yuan with 5% of the capital occupied, Shanghai Zhongcheng XIndaya Financial Information Service Co., Ltd. invested 5 million Yuan, takes 5% of the registered capital, Jiangsu Runye Investment Co., Ltd. contributed 10 million Yuan, a 10% in registered capital and Chengdu Dongyu Commerce and Trade Co., Ltd. invested 15 million Yuan, a 15% in the registered capital.

#### (XII) Implementation for annual performance incentive fund

On August 9, 2012 and August 28, 2012, the Company considers the adoption of "Hefei Meiling annual performance incentive fund implementation plan" (hereinafter referred to as "" stimulus "") on the 16th meeting of the 7th board of directors and the 2012-second provisional shareholders meeting. Details were disclosed on information disclosure media appointed by the Company as "Securities Times", "Chinese Securities Daily", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on August 10, 2012 and August 29th in the form of announcement (No.: 2012-028, No.:2012-035).

### **1. Implementation about 2012 performance incentive fund provision and distribution plan**

Found more details in “(VIII) Implementation for annual performance incentive fund” of “XIV. Explanation on other major events” that carried out in “Section V. Important Events” in Semi-Annual Report 2014 dated 12 August 2014.

Certain incentive grantees have been holding stocks for a year up to the Report. According to the provisions of the share option scheme and the respective commitment they made, 50% of the shares purchased by them with the 2012 performance incentive capital granted to them and their own capital can be released. However, if the grantee holds office as the Company’s director, supervisor or senior management, their shareholding and change thereof should also comply with the relevant requirement of the Company Law, Securities Law, Management Rules on Holding Shares of the Company or Change thereof by Director, Supervisor and Senior Management of Listed Issuer. Meanwhile, during the reporting period, certain directors, supervisors and senior management purchased the Company’s shares with the 2013 performance incentive capital granted to them and their own capital. According to relevant laws and rules, the Company’s shares held by them are not allowed to be sold within six months upon such purchase. If sold illegally, the income arising from such sale shall be vested by the Company. Therefore, the shares purchased by the grantees successively during the period from August to September of 2013 were held for one year in September 2014. The number of shares which can be released from

sale was 1,835,902, accounting for 0.2404% of the total share capital of the Company.

## 2. Implementation of 2013 annual performance incentive provision and distribution program

According to the "incentive plan" the Company has approved, the operating results (audited in 2013) and the actual operation situation, the annual performance incentive fund has reached the awarded conditions. Being recognized by the Board, benefited directors and supervisors withdraw from voting, the "2013 Annual Performance Incentive Fund Provision and Allocation Scheme" was deliberated and approved in 37th meeting of the seventh session of the board, 21st meeting of 7th session of supervisory committee and first extraordinary general meeting of 2014 dated June 16, 2014 and July 3, 2014. More details are:

(1) Incentive range and number: 40 people compliance with the conditions of the incentive objects (senior management, middle management, and core technology and business personnel).

(2) Capital resources: in line with the 27,406,800 Yuan for incentive fund from 10% of net profit attributable to shareholder of listed company that audited for year of 2013; RMB 26,357,500 has been distributed to 40 incentive objects (senior managers, middle management, and core technology and business personnel) that satisfied the laws, regulations and "Incentive Plan". All the incentive objects will, purchase stock of the Company in open market with all incentive funds (income tax excluded) obtained plus no less favorable than 30 percent of the total annual remuneration (except for performance fund; total annual remuneration after relevant tax cut and five-insurance payment paid).

(3) Share holding: According to the "incentive plan" the company have approved, and under the premise of the Listing Rules of Shenzhen Stock Exchange and other applicable Chinese laws and regulations, incentive target promised within 60 working days as of receipt of the performance incentive funds (In case of regulatory ruled the trading of shares shall not be specified, the time extended), to purchase the Company's shares through the open market. All incentive objects have purchased the stock of the Company and lock-up as promise up to the disclosure date. Stock purchasing by some of the directors, supervisors and senior executives are released on appointed media from 19 August 2014 to 15 November 2014. Ended as 31 December 2014, shares hold by all incentive objects amounting to 7,070,711 shares, a 0.9258% in total share capital of the Company, including 6,184,719 A-share, a 0.8098% in total share capital and 885,992 B-share, a 0.1160 in total share capital of the Company.

(4) As for change of shareholding arising from disposal of shares by the grantees: according to relevant provisions of the share option scheme, in case that the grantee has not reduced his shareholding by any market means within one year after he purchased the Company's shares, he can reduce holding for 50% of the shares in the second year according to relevant laws and rules. In September 2014, certain grantees has held those shares purchased by them due to implementation of the 2012 share option scheme for one year, which satisfied the condition for releasing 50% of the shares. After this release, these grantees (other than directors, supervisors and senior management) reduced holding of 695,354 shares via secondary market, accounting for 0.0910% of the total share capital of the Company.

(5) Commitment for restricted sales:

According to the Implementation Program of the Annual Performance Incentive Capital of Hefei Meiling Co.,

Ltd and the commitment made by all the grantees, grantees can not reduce shareholding by any market means in respect of the Company's shares purchased by them within one year upon the date of purchase; 50% of the shares can be reduced for holding in the second year according to applicable laws and rules; and the remaining 50% can be reduced for holding in the third year according to applicable laws and rules. In addition, certain grantees who are also directors, supervisors or senior management of the Company undertook that they would watch out their behaviors in compliance with relevant requirements of the Company Law, Securities Law and Management Rules on Holding Shares of the Company or Change thereof by Director, Supervisor and Senior Management of Listed Issuer, including but not limited to: shares transferred annually by them shall not exceed 25% of the total shares held in the Company during their terms of office; they are not allowed to sell the shares held in the Company within six month upon purchase or to buy back the shares within six month upon disposal; they are not allowed to transfer the shares held in the Company within a half year upon their resignation.

Details were disclosed on information disclosure media appointed by the Company as "Securities Times", "Chinese Securities Daily", "Hong Kong Commercial Daily" and the Juchao website (www.cninfo.com.cn) respectively dated 17 June 2012, 4 July 2014, 12 August 2014, 19 August 2014, 27 August 2014, 28 August 2014, 17 September 2014, 18 October 2014, 24 October 2014, 4 November 2014, 6 November 2014, 8 November 2014, 12 November 2014 and 15 November 2014 in the form of announcement (No.: 2014-036, No.: 2014-037, No.: 2014-040, No.: 2014-046, No.: 2014-055, No.: 2014-056, No.: 2014-057, No.: 2014-060, No.: 2014-063, No.: 2014-066, No.: 2014-068, No.: 2014-069, No.: 2014-070, No.: 2014-072 and No.: 2014-073) as well as the Semi-annual report of 2014 and 3Q report of 2014

#### (XIII) Disposal of fractional shares

In order to properly solve the inventory fractional shares left in history, pursuant to the requirement of "fractional shares shall be vested to all shareholders" issued by the CSRC, Shenzhen Branch of China Securities Depository and Clearing Company Limited (hereinafter referred to as Shenzhen Branch of China Clearing) issued the Notice on Disposal of Inventory Fractional Shares which required all the listed issuers to entrust Shenzhen Branch of China Clearing to dispose inventory fractional shares and the net proceeds from disposal shall be returned to listed issuers. At the same time, listed issuer shall include the net gains from disposal of fractional shares in the relevant reserve item under shareholders' equity, and disclose the same in the upcoming periodic report.

According to the above requirement, the Company entered into the Agreement in Relation to Disposal of Fractional Shares of Listed Issuer by Shenzhen Branch of China Clearing. On 27 August 2014, the Company received net gains of RMB81,911.75 from disposal of fractional A shares; On 17 September 2014, the Company received net gains of HK\$8,790.39 (equivalent to RMB6,953.20) from disposal of fractional B shares. The gains have been included in relevant reserve item under shareholders' equity.

#### **XV. Significant events of the subsidiaries**

Applicable     Not applicable

#### **XVI. Offering of corporate bonds**

Applicable     Not applicable

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### (I) Changes in Share Capital

##### In Share

	Before the Change		Increase/Decrease in the Change (+, -)				After the Change		
	Amount	Proportion (%)	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	67,523,544	8.84%	-	-	-	-56,865,187	-56,865,187	10,658,357	1.40%
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person's shares	56,571,812	7.41%	-	-	-	-56,031,120	-56,031,120	540,692	0.07%
3. Other domestic shares	10,620,913	1.39%	-	-	-	-1,167,742	-1,167,742	9,453,171	1.24%
Including: Domestic legal person's shares	8,634,071	1.13%	-	-	-	-1,581,792	-1,581,792	7,052,279	0.92%
Domestic natural person's shares	1,986,842	0.26%	-	-	-	414,050	414,050	2,400,892	0.32%
4. Foreign shares	330,819	0.04%	-	-	-	333,675	333,675	664,494	0.09%
Including: Foreign legal person's shares	-	-	-	-	-	-	-	-	-
Foreign natural person's shares	330,819	0.04%	-	-	-	333,675	333,675	664,494	0.09%
II. Unrestricted shares	696,215,661	91.16%	-	-	-	56,865,187	56,865,187	753,080,848	98.60%
1. RMB Ordinary shares	533,682,480	69.88%	-	-	-	57,198,862	57,198,862	590,881,342	77.36%
2. Domestically listed foreign shares	162,533,181	21.28%	-	-	-	-333,675	-333,675	162,199,506	21.24%
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	763,739,205	100.00%	-	-	-	-	-	763,739,205	100.00%

#### (II) Reasons for share changed

Applicable  Not applicable

1. On 21 February 2014, the 8th circulating shares with restrictions on selling have been removed the restriction for listing after the Company implemented the reform of non-tradable shares. There are four shareholders and 1,458,835 share have been removed the restriction, taking the proportion of 0.1910% in the general capital of the Company.

2. On 12 September 2014, the privately placement A-share for year of 2010 have been removed the restriction for listing. One person holds the restricted share, that is, the first major shareholder -- Sichuan Changhong Electric Co., LTD. Totally 56,031,120 shares released for trading, taking the 7.3364% of the total share capital of the Company.

3. In accordance with the relevant provisions of "The 2013 annual performance incentive fund provision and distribution plan of the Company" and also to enhance the investors' confidence, some directors, supervisors and senior management of the Company purchased the shares of the Company from the open market by using 2013 annual incentive fund and their own funds, the Company has disclosed the details on the appointed information disclosure media respectively on 19 August 2014 and 15 November 2014. The directors, supervisors and senior management of the Company totally held 1,995,166 shares of the Company (including 1,550,266 A-share and 444,900 B-share), taking the proportion of 0.26% in the general capital of the Company. Meanwhile, according to the provisions of "Company Law", "Securities Law" and "The Company's shares held by the directors, supervisors and senior management of the listed company and its change management rules", the shares held by some directors, supervisors and senior management of the Company have been locked.

4. In the reporting period, the shares hold by some of the original directors and senior executives, who left the Company for over 6 months, have released for trading, 1,069,082 shares in total; Mr. Yu Wanchun, holds 263,300 shares of the Company for locking since serves the president of the 8th session supervisory in line with relevant regulations.

(III) Approval of share changed

Applicable  Not applicable

(IV) Ownership transfer

Applicable  Not applicable

In the reporting period, among the restricted shares of the Company, the 122,957 shares held by original management department of Zhangzhou Welding Plant were transferred to Tan Zhuzheng.

(V) Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable  Not applicable

(VI) Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable  Not applicable

## (VII) Changes of restricted shares

√ Applicable    □ Not applicable

In Share

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
Sichuan Changhong Electric Co., LTD	56,031,120	56,031,120	-	-	Private placement 2010 commitment	2014-9-12
Huishang Bank Co., Ltd.	1,042,027	1,042,027	-	-	Legal commitment of share reform	2014-2-21
LIUHONGWEI	330,819	-	333,675	664,494	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in "IX. Implementation of commitments" in "Section V. Important Event"
Wang Yong	330,375	330,375	-	-	Share lockup in senior executives	Released on 31 December 2014; meanwhile, other restricted conditions found more in "IX. Implementation of commitments" in "Section V. Important Event"
Li Wei	281,175	-	344,250	625,425	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in "IX. Implementation of commitments" in "Section V. Important Event"
Yu Wanchun	263,300	263,300	197,475	197,475	Share lockup in senior	Date for release in the Period: 24 January 2014; furthermore, as supervisor of

					executives	the Company, 25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Li Daijiang	258,807	258,807	-	-	Share lockup in senior executives	Released on 24 January 2014; meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Wang Yingmin	216,600	216,600	-	-	Share lockup in senior executives	Released on 27 June 2014; meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Hefei Chengdong Refrigerator Accessories Ltd.	208,405	208,405	-	-	Legal commitment of share reform	2014-2-21
Deng Xiaohui	164,475	-	163,125	327,600	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Li Xia	152,100	-	119,325	271,425	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
management department of Zhangzhou Welding Plant	122,957	122,957	-	-	Restricted shares are transferred to nature person Tan Zhuzheng	2014-10-16
Liao Tao	113,625	-	174,725	288,350	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Hefei Wanda Vacuum Coating Plant	104,202	104,202	-	-	Legal commitment of share reform	2014-2-21
Jiangyin Tongqi	104,201	104,201	-	-	Legal commitment of share	2014-2-21

Hardware and Electric Appliance Factory					reform	
Shang Wen	82,200	-	70,500	152,700	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Wu Dinggang	-	-	167,250	167,250	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Zhang Xiaolong	-	-	123,525	123,525	Share lockup in senior executives	25 percent released annually, meanwhile, other restricted conditions found more in “IX. Implementation of commitments” in “Section V. Important Event”
Tan Zhuzheng	-	-	122,957	122,957	Transferred the restricted shares of management department of Zhangzhou Welding Plant, the shares restricted due for legal commitment of share reform	After relevant release procedures completed
Total	59,806,388	58,681,994	1,816,807	2,941,201	-	-



Legal commitment of share reform。 Note: except for the above list, restricted shares held by other holders have no changes in the Period, and reasons are refers to legal commitment of share reform

## II. Security offering and listing

(I) Security offering in latest three years ended reporting period

Applicable  Not applicable

(II) Explanation on changes of total shares, shareholders structure and assets & liability structures

Applicable  Not applicable

(III) Current shares held by internal staffs

Applicable  Not applicable

## III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

Full name of Shareholders	Nature of shareholder	Proportion of shares held (%)	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Total shareholders at end of the Period	59,179	Total common shareholders at end of the 5 <sup>th</sup> trading day before annual report disclosed		Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see Note 8)	0			
Particulars about shares held above 5% by shareholders or top 10 shares holding								
Sichuan Changhong Electric Co., LTD	State-owned legal person	21.58%	164,828,330	0	0	164,828,330	-	-
Hefei Xingtai Holding Group Co., Ltd.	State-owned legal person	6.26%	47,823,401	37,800,000	0	47,823,401	-	-
Changhong Electric (Hong Kong) Trading Co., Ltd.	Foreign legal person	3.30%	25,165,823	0	0	25,165,823	-	-
Zhengde life insurance Co., LTD-universal insurance products	Domestic non-state-owned legal person	3.15%	24,021,690	-4,778,310	0	24,021,690	-	-
Lombarda China Fund – China Merchants Bank – Zhong Ou Value-Added Assets Management Plan	Domestic non-state-owned legal person	1.96%	14,999,920	14,999,920	0	14,999,920	-	-
GUOTAI JUNAN	Foreign legal person	1.90%	14,488,654	-3,913,923	0	14,488,654	-	-

SECURITIES(HONGKONG) LIMITED								
CAO SHENGCHUN	Foreign nature person	1.73%	13,212,556	149,744	0	13,212,556	-	-
Lombarda China Fund – China Merchants Bank – Zhong Ou Return Assets Management Plan	Domestic non-state-owned legal person	0.79%	6,000,000	6,000,000	0	6,000,000	-	-
DRAGON BILLION CHINA MASTER FUND	Foreign legal person	0.70%	5,329,489	5,329,489	0	5,329,489	-	-
NORGES BANK	Foreign legal person	0.55%	4,216,432	4,216,432	0	4,216,432	-	-
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note3)	Not applicable							
Explanation on associated relationship among the aforesaid shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., Changhong (Hong Kong) Trade Co., Ltd. and other top 8 shareholders; and top ten shareholders with unrestricted subscription; as the Company has not known whether there exists any business relationship among the other shareholders with unrestricted subscription or they belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies.							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of unrestricted shares held at end of Period	Type of shares						
		Type	Amount					
Sichuan Changhong Electric Co., LTD	164,828,330	RMB ordinary shares	164,828,330					
Hefei Xingtai Holding Group Co., Ltd.	47,823,401	RMB ordinary shares	47,823,401					
Changhong Electric (Hong Kong) Trading Co., Ltd.	25,165,823	Domestically listed foreign shares	25,165,823					
Zhengde life insurance Co., LTD-universal insurance products	24,021,690	RMB ordinary shares	24,021,690					
Lombarda China Fund – China Merchants Bank – Zhong Ou Value-Added Assets Management Plan	14,999,920	RMB ordinary shares	14,999,920					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	14,488,654	Domestically listed foreign shares	14,488,654					
CAO SHENGCHUN	13,212,556	Domestically listed foreign shares	13,212,556					
Lombarda China Fund – China Merchants Bank – Zhong Ou Return Assets Management Plan	6,000,000	RMB ordinary shares	6,000,000					
DRAGON BILLION CHINA MASTER FUND	5,329,489	Domestically listed foreign shares	5,329,489					
NORGES BANK	4,216,432	Domestically listed foreign shares	4,216,432					
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., Changhong (Hong Kong) and other top 8 shareholders; and							

	top ten shareholders with unrestricted subscription; as the Company has not known whether there exists any business relationship among the other shareholders with unrestricted subscription or they belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies.
Explanation on top ten shareholders involving margin business (if applicable) (see note4)	-

Agree to buy-back dealings occurred in Period by top 10 common shareholders and top 10 common shareholders with shares restricted for sale

Yes No

In reporting period, shareholder of the Company Hefei Xingtai Holding Group Co., Ltd. (“Xingtai Holding”) exercise agrees to buy-back dealing and agree to exercise buy-back obligation while dealing expired, details are as:

On 13 September 2013, Xingtai Holding exercise agree to buy-back security transaction with GuoYuan Securities Co., Ltd. (“GuoYuan Securities”) with the unrestricted circulated A-share of the Company for one year term of repurchased, that is 37,800,000 shares (accounts for 4.95 percent of total share capital of the Company). More details of the transaction please found in Notice No.: 2013-043 released on appointed medial dated 17 September 2013.

The above said securities have been brought-back in the Period due to expiration. Xingtai Holding perform buy-back obligation for 37,800,000 shares purchased on 11 September 2014. Before the transaction, 10,023,401 shares was held by Xingtai Holding, representing 1.31 percent of total share capital of the Company; after transaction 47,823,401 shares was held, accounts for 6.26 percent of total share capital of the Company. More details of the transaction please found in Notice No.: 2014-059 released on appointed medial dated 13 September 2014.

## (II) Controlling shareholder of the Company

Actual controller	Legal rep./person in charge of unit	Dated founded	Organization code	Registered capital	Main business
Sichuan Changhong Electric Co., LTD	Zhao Yong	1933-4-8	20541230-8	RMB 4,616,244,222	Manufactures, sales and maintenance of household appliance, Electronic products and spare parts, communications equipments, computer and other Electronic equipments, specialized equipments of Electronic and Electronic, Electronic machinery and <i>equipment</i> , series products of batteries, Electronic medicine products, Electronic equipments, digital monitoring products, metal products, apparatus and instruments, culture and office machines, culture and education and sports products, furniture, kitchen

					cabinet and gas appliance; house and equipment rental, packing products and technical services; road transportation, storage and discharging convey; e-commerce; R&D, sales and services of software; consultancy and services of enterprise management; hi-tech project investment and other state-permitted business; development and operation of property; callback and disposal of obsolete appliance and Electronic products, engineering construction for house and buildings (Qualification certificate required)
Future development strategy	Development strategy: Sichuan Changhong carried out works in 2014 under the key directions of “smart, network and synergy”. In terms of smart, the company will strengthen smart development of the existing terminal products, explore new types of smart terminal and launch a series of smart products; in terms of network, the company will focus on value enhancement of terminals resulting from network, strengthen construction of cloud platform, build data analysis ability, explore value of various data and establish its business model based on data; in terms of synergy, the company will increase terminal synergy effect, form systematic solutions and develop businesses like smart family, smart community and smart city. Through implementation of smart strategy, the Company is driven forward to switch to a smart terminal and service provider rather than a traditional home appliances manufacturer.				
Operation result, financial status and cash flow	Ended as 31 December 2013, according to audited financial report of 2013, Sichuan Changhong owned total assets of RMB 58,837,008,467.01, total liability of RMB 39,335,159,946.90 and total owners equity RMB 14,044,157,346.32 attributable to shareholder of listed company. For whole year of 2013, Sichuan Changhong realized total operation income of RMB 58,875,274,661.52 and net profit attributable to shareholder of listed company amounting as RMB 512,481,605.58. Up to 30 September 2014, according to the unaudited financial statement for January to September 2014, total assets of Sichuan Changhong was RMB 62,172,504,638.57, total liability amounting as RMB 43,018,390,905.46, shareholders equity was RMB 19,154,113,733.11 in total, including total owners’ equity attributable to shareholders of listed company RMB 13,597,036,466.02. Sichuan Changhong realized operation revenue of RMB 41,284,659,010.94 from January to September of 2014, and RMB -314,372,776.87 net profit attributable to shareholder of listed company.				
Equity controlling and jointly of other foreign/domestic listed company by controlling shareholder in reporting period	1. Ended as 31 December 2014, 28.81 percent equity of Huayi Compressor Co., Ltd. (stock code: 000404), the listed company in main board of SSE, were directly hold by Sichuan Changhong. 2. Up to 31 December 2014, 1,008,368,000 common shares of the Changhong Jiahua Holdings Limited (Stock code: 08016), the listed company in GEM of Hong Kong Stock Exchange, were held by Sichuan Changhong and its persons acting in concert, representing 69.3202 percent in total issued common shares of Changhua Jiahua Holding. 3. Ended as 31 December 2014, 0.037% equity of China United Network Communications Limited (stock code: 600050), the listed company in main board of Shanghai Stock Exchange, were hold by Sichuan Changhong directly.				

Controlling shareholder changes in reporting period

Applicable  Not applicable

Controlling shareholder stays the same in Period

(III) Actual controller of the Company

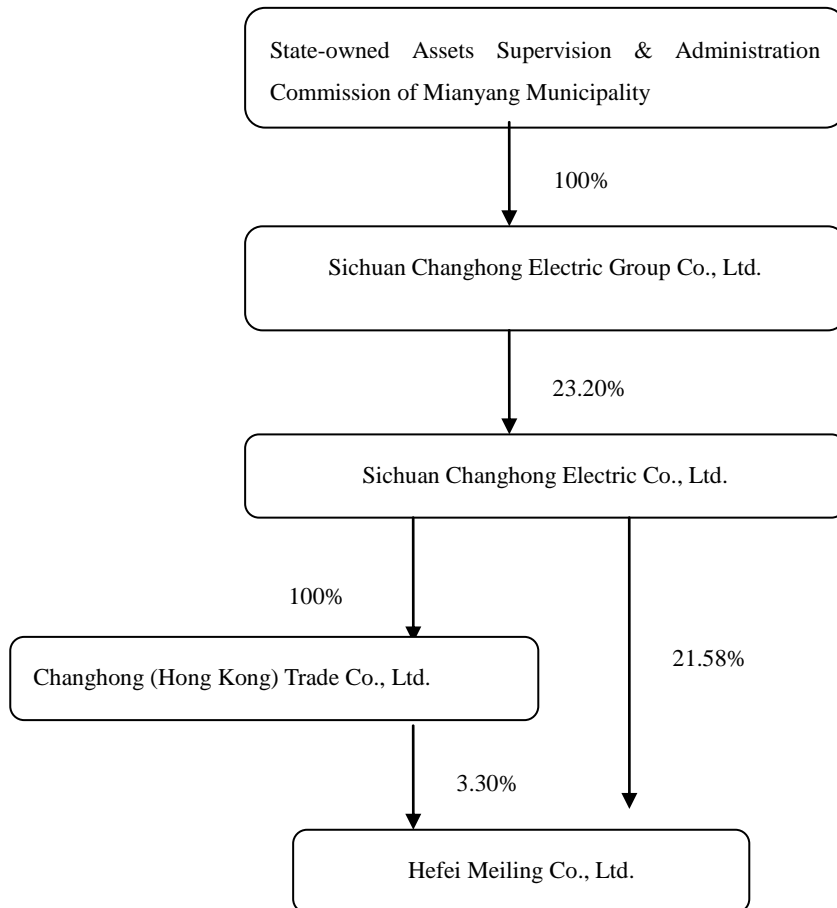
Actual controller	Legal rep./person in charge of unit	Dated founded	Organization code	Registered capital	Main business
State-owned Assets Supervision & Administration Commission of Mianyang Municipality	—	—	—	—	State-owned Assets Supervision & Administration Commission of Mianyang Municipality is entrusted by the same level government, together performs decision-making and management of state-owned asset owners, and is one organization which executes comprehensive management and supervision on its belonged state-owned assets.
Future development strategy	Not applicable				
Operation result, financial status and cash flow	Not applicable				
Equity controlling of other foreign/domestic listed company by actual controller in reporting period	Not applicable				

## 1. Changes of actual controller in Period

Applicable     Not applicable

Actual controller stays the same in Period

## 2. Property rights and the block diagram of the control relationship between the Company and the actual control



3. Actual controller controlling the Company by means of entrust or other assets management

Applicable  Not applicable

(IV) Other legal person's shareholders with over ten percent shares held

Applicable  Not applicable

#### **IV. Share holding increasing plan proposed or implemented in reporting period from shareholder of the Company and its concerted action person**

Applicable  Not applicable

As for as the Company know, no share holding increasing plan proposed or implemented in reporting period from shareholder of the Company and its concerted action person

## Section VII. Preferred Stock

Applicable     Not applicable

The Company had no preferred stock in the reporting.

## Section VIII. Particular about Directors, Supervisors, Senior

### Executives and Employees

#### I. Changes of shares held by directors, supervisors and senior executive

Name	Title	Post status	Sex	Age	Office dated from	Office dated ended	Shares held at period-begin (Share)	Amount of shares increase in this period(Share)	Amount of shares decreased in this period (Share)	Shares held at period-end (Share)
Liu Tabin	Chairman	Currently in office	M	52	2014-7-3	2017-7-3	0	0	0	0
Li Jin	Deputy chairman	Currently in office	M	47	2014-7-3	2017-7-3	0	0	0	0
Li Wei	Director, president	Currently in office	M	42	2014-7-3	2017-7-3	374,900	459,000	0	833,900
Kou Huameng	Director	Currently in office	M	45	2014-7-3	2017-7-3	0	0	0	0
Wu Dinggang	Director, Deputy chairman	Currently in office	M	42	2014-7-3	2017-7-3	0	223,000	0	223,000
Gao Jian	Director	Currently in office	M	39	2014-7-3	2017-7-3	0	0	0	0
Gan Shengdao	Independent Director	Currently in office	M	48	2014-7-3	2017-7-3	0	0	0	0
Ren Jia	Independent Director	Currently in office	M	51	2014-7-3	2017-7-3	0	0	0	0
Lu Yingjin	Independent Director	Currently in office	M	50	2014-7-3	2017-7-3	0	0	0	0
Yu	Chairman of	Currently	M	44	2014-7-3	2017-7-3	263,300	0	0	263,300



Wanchun	Supervisory	y in office								
Yu Xiao	Supervisor	Currentl y in office	M	46	2014-11-5	2017-7-3	0	0	0	0
Hu Jia	Supervisor	Currentl y in office	F	39	2014-7-3	2017-7-3	0	0	0	0
Shang Wen	Staff Supervisor	Currentl y in office	M	46	2014-7-3	2017-7-3	109,60S0	94,000	0	203,600
Zhang Ruhe	Staff Supervisor	Currentl y in office	M	55	2014-7-3	2017-7-3	0	0	0	0
Liu Hongwei	Executive deputy president	Currentl y in office	M	50	2014-7-3	2017-7-3	441,092	444,900	0	885,992
Liao Tao	Deputy president	Currentl y in office	M	43	2014-7-3	2017-7-3	151,500	232,966	0	384,466
Deng Xiaohui	Deputy president	Currentl y in office	M	44	2014-7-3	2017-7-3	219,300	217,500	0	436,800
Zhong Ming	Deputy president	Currentl y in office	M	42	2014-7-3	2017-7-3	0	0	0	0
Zhang Xiaolong	Deputy president and Finance Manager	Currentl y in office	M	39	2014-7-3	2017-7-3	0	164,700	0	164,700
Li Xia	Secretary of the Board	Currentl y in office	F	34	2014-7-3	2017-7-3	202,800	159,100	0	361,900
Wang Yong	Director	Office leaving	M	47	2011-6-20	2014-7-2	440,500	0	0	440,500
Sun Liqiang	Director	Office leaving	M	54	2011-6-20	2014-2-24	0	0	0	0
Wang Xingzhong	Independent Director	Office leaving	M	70	2011-6-20	2014-7-2	0	0	0	0

Song Baozeng	Independent Director	Office leaving	M	75	2011-6-20	2014-7-2	0	0	0	0
Liu Youpeng	Independent Director	Office leaving	M	60	2011-6-20	2014-7-2	0	0	0	0
Zhang Shidi	Independent Director	Office leaving	M	65	2011-6-20	2014-7-2	0	0	0	0
Fei Minying	Chairman of Supervisory	Office leaving	F	56	2011-6-20	2014-7-2	0	0	0	0
Lu Xingzhou	Supervisor	Office leaving	M	39	2014-7-3	2014-11-5	0	0	0	0
Total	--	--	--	--	--	--	2,202,992	1,995,166	0	4,198,158

Note: 1. On 17 June 2014 and 3 July 2014, the “Provision and Distribution Plan for 2013 Performance Incentive Fund” was deliberated and approved by 37th meeting of 7th session of the Board, 21st meeting of 7th session of supervisory committee and 1st extraordinary general meeting of 2014. In the reporting period, the follow person: current director Mr. President Li Wei, Executive deputy president Mr. Liu Hongwei, director deputy chairman Mr. Wu Dinggang, deputy president Mr. Deng Xiaohui, deputy president Mr. Liao Tao, deputy president and Finance Manager Mr. Zhang Xiaolong, Secretary of the Board Ms. Li Xia and Staff Supervisor and Admin Director Mr. Shang Wen purchase stock of the Company through secondary market with the performance incentive fund obtained and self-owned fund, changes of shares are listed above

2. On 16 June 2014 and 3 July 2014, the “Proposal of General Election for 8th Session of the Board” was deliberated and approved by 37th meeting of 7th session of the Board, 21st meeting of 7th session of supervisory committee and 1st extraordinary general meeting of 2014. Elected Mr. Liu Tabin, <r. Li Jin, Mr. Li Wei, Mr. Kou Huameng, Mr. Wu Dinggang, Mr. Gao Jian, Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin as the directors for 8th session of the Board; and Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin serves as independent director. Deliberated and approved the “Proposal of General Election for 8th Session of Supervisory Comiitee”, elected Mr. Yu Wanchun, Ms. Hu Jia and Mr. Lu Xingzhou as the Supervisor for 8th session of the Supervisory, the above mentioned three supervisors together with the staff supervisor Mr. Shangwen and Mr. Zhang Ruhe, elected in staff representative meeting, composes the 8th session of the Supervisory Committee for the Company. And the changes of shares are listed above

3. The “Proposal of Adjusted Supervisors in Shareholders” was deliberated and approved by 3rd meeting of 8th session of supervisory committee and 2nd extraordinary general meeting of 2014 dated 18 October 2014 and 5 November 2014. Agreed to elect Mr. Yu Xiao as the supervisor for 8th session of the supervisory, and Mr. Lu Xingzhou is no longer in office as supervisor. Mr. Yu Xiao did not holding shares of the Company in Period

4. On March 24th 2015, resolution from the 6th meeting of 8th session of the Board appointed Mr. Wu Dinggang as the deputy president of the Company while Mr. Zhang Xiaolong as appointed as deputy president and CFO for the Company

## II. Post-holding

(I) Main work experience of current directors, supervisors and senior executives for the latest five years:

1. Liu Tibin, Male, Han nationality, member of the Communist Party, Xiantao People in Hubei Province and born in January 1963. Doctor of Management of UESTC, senior accountant, government subsidies specialist of the State Council, and he is the winner of National Labor Medal. He has served successively as the deputy GM, CFO, executive deputy GM and secretary of Party committee in Sichuan Changhong Electronic Co., Ltd.; General Accountant, deputy GM, secretary of Party committee and other post in Sichuan Changhong Electronic Group Co., Ltd.; recently he serve as the deputy chairman and member of the Party Committee of Sichuan Changhong Electronic Group Co., Ltd.; and the deputy chairman, GM and member of the Party Committee of Sichuan Changhong Electronic Co., Ltd. together as the Chairman of Huayi Compressor Co., Ltd. and Chairman of the Company.

2. Li Jin, Male, Han nationality, was born in April 1967, Anhua People in Hunan Province, Member of CPC, Doctor of Engineering of THU, a Senior Engineer and government subsidies specialist of the State Council. He has acted as the system designer in AC engineering dept., of AC division of Sichuan Changhong Electric Co., LTD; head of Air-conditioner Research Institution of Air-conditioner Division, Deputy Minister of Air-conditioner Department and chief engineer; General Manager of Changhong Air-conditioner Co., Ltd., Director and deputy GM of Sichuan Changhong Electric Co., LTD etc. Now he holds the posts of Director of Sichuan Changhong Electronic Group Co., Ltd., Director and Deputy General Manager of Sichuan Changhong Electronic Co., Ltd., and deputy Chairman of Huayi Compressor Co., Ltd. and deputy Chairman of the Company.

3. Li Wei, Male, Han nationality, was born in February 1973, Tongliang People in Sichuan Province, Member of CPC, Assistant Economist with bachelor degree, he is reading EMBA in USTC. He ever took the post of General Manager of Xi'an Sales Filiale of Sichuan Changhong Electronic Co., Ltd, General Manger of Southeast Operation Management Center of Changhong Electronic (China) Marketing Co., Ltd. and GM of Sichuan Changhong Air-conditioner Co., Ltd ; now he is the Director and President of the Company.

4. Kou Huameng, Male, Han nationality, was born in February 1970, Yanting People in Sichuan Province, Member of CPC, postgraduate from Sichuan College of Business Administration, EMBA graduate from UESTC. He served successively as deputy director of production office of Sichuan Changhong Electric Co., LTD, director of Guangxi Marketing management Committee, director of Fujian-Jiangxi Marketing Management and director and GM of Guangdong Changhong Digital Technology Co., Ltd. Now he serves as director of the Development Management Dept. of Sichuan Changhong Electric Co., LTD and director of the Company.

5. Wu Dinggang, Male, Han nationality, was born in March 1973, Suining People in Sichuan Province, Member of CPC, graduate from Tianjin University of Commerce China (Tianjin University of Commerce now), major in refrigeration equipment and cryogenic technique, a master's candidate. He served successively as GM of Suining Sale Branch and Chengdu Sales Branch of Sichuan Changhong Electric Co., LTD, director of Chongqing Marketing Management Department of Sichuan Changhong Electric Co., LTD, deputy GM of Changhong Electronics (China) Marketing Co., GM of market planning center of Changhong Multimedia Industry, director

and GM of Le-Jia-Yi Chain Management Co., Ltd. Now he serves as director and Deputy Chairman of the Company; GM of AC division; Director and GM of Sichuan Changhong Air-conditioner Co., Ltd.

6. Gao Jian, Male, Han nationality, was born in September 1975, Hefei People in Anhui Province, member of China Democratic National Construction Association, a bachelor degree of economic management educated in Anhui Provincial Party Institute. He served successively as deputy chief of Commercial Bureau of Luyang District, Hefei City, and deputy chief of Finance Bureau of Luyang District, Hefei City, and deputy director of Luyang Assets Management Office, GM of State-Owned Assets Holding Group, chief of Luyang Auditing Bureau and vice chairman of the CPPCC of Luyang District. Now he acts as Deputy President of Hefei Xingtai Holding Group Co., Ltd and director of the Company.

7. Gan Shengdao, Male, Han nationality, was born in March 1967, Tianchang People in Anhui Province, member of China Democratic National Construction Association, Doctor of Economic. He served successively as teaching assistant, lecturer and associate professor in Department of National Economic Management of Sichuan University, the associate professor and professor in Department of Business Administration of Sichuan University. Now he serves as professor and doctoral supervisor in Business School of Sichuan University, chief of Accounting and Finance Research Institute of Sichuan University, vice chief of Financial Research Institute of Sichuan University, Independent Director of the Chengdu Rainbow Electric (Group) Co., Ltd., Sichuan Sunny Seal Co., Ltd. and Liangshan Prefecture Rural Credit Cooperative Co., Ltd.

8. Ren Jia, Male, Han nationality, was born in July 1963, Nantong People in Jiangsu Province, postgraduate student, graduated from THU, major in Materials Science and Engineering. He served successively as office deputy manager of Jiangsu Overseas Group Corp., vice GM of ANYKA (Guangzhou) Co., Ltd. and vice GM of SMV. He serves as deputy president of Shanghai Xinwei Electronic Co., Ltd., GM of Shanghai Xinwei Technology Development Co., Ltd. and Independent Director of the Company.

9. Lu Yingjin, Male, Han nationality, was born in October 1964, Guyuan People in Ningxia Province, Member of CPC, Doctor of Management Science and Engineering of the UESTC. He served successively as Assistant Engineer of Shenli Field Drilling Technical Company and lecturer of Staff Education and Training Center of South-West Petroleum Bureau, and he teaches in UESTC since 2002. Now he serves as associate professor in Economics and Management School of UESTC and Independent Director of the Company.

10. Yu Wanchun, Male, Han nationality, was born in September 1970, Renshou People in Sichuan Province, Member of CPC, bachelor degree, a senior accountant. He served successively as vice minister of accounting department in Financial Division of the Sichuan Changhong Electric Co., LTD. and deputy president of the Company. Now he serves as chairman of supervisory of Sichuan Changhong Electric Co., LTD, director of disciplinary inspection supervision and auditing department and chairman of supervisory of Huayi Compressor Co., Ltd. and chairman of supervisory of the Company also.

11. Hu Jia, Female, Han nationality, was born in January 1975, Nanjing People in Jiangsu Province, Member of CPC, bachelor degree, graduated from Sichuan University major in Accountancy, a senior accountant, Chinese Certified Public Accountant, CPA Australia, selected to national Accounting Talents of Engineering of the

Ministry of Finance and the delegation of the 10th Party Congress in Sichuan Province. He served successively as division chief of Pricing Division of Cost Control Center of Sichuan Changhong Electric Co., LTD, the division chief of Payable Division, General Ledger Office, deputy director and director of the finance department. Now she serves as Finance Manager of Sichuan Changhong Electric Co., LTD and supervisor of the Company.

12. Yu Xiao, Male, Han nationality, was born in August 1968, Yiwu People in Zhejiang Province, Member of CPC, graduated with a Master's degree in Business Management of College of Business Administration of Sichuan University, a senior accountant. He served successively as deputy chief in Financial Accounting Office of Sichuan Changhong Electric Co., LTD, deputy chief in Financial Accounting Office of Sales, deputy director of the Sales Department, director of the Financial Department, CFO of the Sichuan Changhong Electronic Group Co., Ltd. and supervisor of the Company. Now he serves as CFO of the Sichuan Changhong Electronic Group Co., Ltd., chairman of Sichuan Changhong Group Finance Co., Ltd. and supervisor of the Company.

13. Shang Wen, Male, Han nationality, was born in August 1967, Suzhou People in Anhui Province, Member of CPC, bachelor degree, worked in Hefei Meiling Refrigerator Plant since graduate from Anhui University since July 1991. He served successively as propagandist and policy researcher of Hefei Meiling Refrigerator Plant, GM's secretary in Hefei Meiling Co., Ltd., deputy director, director, GM assistant of the GM Office and director of CEO Office. Now he serves as Administrative Director and staff supervisor of the Company.

14. Zhang Ruhe, Male, Han nationality, was born in February 1959, Feixi People in Anhui Province, Member of CPC, college degree. He served successively as office in Artillery Regiment of the 60th Army Corps, office director and deputy secretary of the Disciplinary Committee, Armed Office, and deputy manager of supervision department and chief of Life Services of Hefei Meiling Co., Ltd. Now he serves as staff supervisor of the Company.

15. Liu Hongwei, Male, Chinese American, born in July 1963, Doctor of Applied Mechanics from Lehigh University; he served successively in Kulicke and Soffa Industries, Pennsylvania; Tessera Technology Corporation, California; Intel Corporation in Silicon Valley. Now he serves as executive deputy president of the Company.

16. Liao Tao, Male, Han nationality, Member of CPC, was born in September 1970, Renshou People in Sichuan Province, owes a university degree. He successively served as chief technology office of plastic plant and project manager of operation & management of Sichuan Changhong Electric Co., Ltd.; director of engineering dept. of Guangdong Changhong Electronic Co., Ltd. and vice GM of Sichuan Changhong Air-conditioner Co., Ltd. Now he serves as vice president of the Company.

17. Deng Xiaohui, Male, Han nationality, was born in October 1969, Shehong people in Sichuan Province, owes a college degree and graduated from accounting major of Sichuan Commercial College. He worked in Sichuan Changhong Electric Co., Ltd. since July 1991, he successively served as GM of sales branch, Sales Chief (GM), vice director of marketing management, director of market platform and GM of market service center of Sichuan Changhong Co., Ltd.; now he serves as vice president of the Company.

18. Zhong Ming, Male, Han nationality, was born in November 1972, Meishan people in Sichuan Province, member of CPC, a senior engineer and a PhD major in engineering. He successively served as deputy director of

research institution of Sichuan Changhong Air-conditioner Co., Ltd., deputy GM of Sichuan Changhong Air-conditioner Co., Ltd. and technical director of household appliance group of Sichuan Changhong Electric Co., LTD. He serves as deputy president of the Company currently.

19. Zhong Xiaolong, Male, Han nationality, was born in February 1976, Xianyang people in Shanxi province, accountant, a bachelor degreed. He successively served as chief of management analysis of general management dept. of Sichuan Changhong Electric Co., LTD, GM of marketing auditing of audit dept. of Sichuan Changhong Electric Co., LTD, director of financial dept. of Guangdong Changhong Electric Co., Ltd., deputy GM of financial sharing center of Sichuan Changhong Electric Co., LTD and CFO of Sichuan COC Display Device Co., Ltd and CFO of the Company. He serves as deputy president and finance manager of the Company currently.

20. Li Xia, Female, Han nationality, was born in October 1980, Qionglai people in Sichuan Province, Member of CPC and Intermediate Accountant with Master Degree. She graduated from Accounting Department of Sichuan University Business and Management School. In July 2006, she worked in Sichuan Changhong Electronic Co., Ltd. She ever was Project Manager in Financing & Acquisition Office of Asset Management Department and Business Executive in Board Office of Sichuan Changhong Electronic Co., Ltd. she took the posts of Deputy GM and Financial Supervisor of Sichuan Changhong Innovation Investment Co., Ltd. She is the Secretary of the Board of the Company recently.

21. Wang Yong, Male, Han nationality, was born in July 1967, Ziyang people in Sichuan Province, Engineer with Bachelor's Degree. He graduated from radio-technology major of Shanghai Jiao Tong University in July 1990 and then worked at Sichuan Changhong Electronic Co., Ltd. He ever took the posts of Director of Management Committee in Marketing Management Department, Head of Administration Office, Vice Minister, and Deputy General Manager of Changhong Electronic (China) Marketing Corp. and concurrently General Manager of North China Operation & Administration Center and president of the Company. Now he is the GM assistant of Sichuan Changhong Electric Co., LTD and he is no longer the director of the Company since 3 July 2014.

22. Sun Liqiang, Male, was born in March 1961, Sihong people in Jiangsu Province, CPC member, a graduate background. He has served successively as director of prediction office in Bureau of Financial in Hefei, assistant of the Director, deputy director, deputy secretary of a party leadership group, director of bureau of foreign capital management, director of City State-owned Assets Supervision & Administration Commission, director of Office of State-owned Assets, deputy factory director of Hefei Mine Machinery Plant, chairman of supervisory committee and director for Commercial Bank of Hefei City, chairman of Hefei Xingtai Entrust Co., Ltd., director of Hefei Xingtai Holding Group Co., Ltd and director of the Company. He resigned director of the Company dated 24 February 2014 and did not hold any post in the Company. Now he serves as the party secretary and director of State-owned assets supervision and administration commission of Hefei City.

23. Wang Xingzhong, Male, Han nationality, was born in August 1944, Guanghan people in Sichuan Province, CPC member, senior accountant with Bachelor Degree; he ever took the posts of Deputy Director of Economic Commission of Mianyang Municipality, Deputy General Director and General Director of Mianyang Finance Bureau and concurrently General Director of Mianyang Local Taxation Bureau; Assistant to Mayor, and Deputy Mayor of Mianyang People's Government, independent director of the Company. And he is no longer the Independent Director of the Company since

3 July 2014.

24. Song Baozeng, Male, Han nationality, was born in January 1940, Laizhou people in Shandong Province, CPC member, Researcher with Bachelor Degree. He ever took the posts of Engineer, Deputy Director and Deputy Superintendent of No.2 Institute of Chinese Academy of Engineering Physics, Vice-president of Chinese Academy of Engineering Physics and independent director of the Company. Now, he is the Director of Mianyang Meiling Materials Technology Co., Ltd., Chairman of Sichuan Kexuecheng Center Technology Co., Ltd, and concurrently Professor of Southwest University of Science and Technology. And he is no longer the Independent Director of the Company since 3 July 2014.

25. Liu Youpeng, Male, Han nationality, was born in November 1954, Quanjiao people in Anhui Province, Economics Doctor, Senior Economist, *Senior Credit Manager*. He ever worked in Weishu District of Beijing, Quanjiao Middle School of Anhui and Wanbei Branch of Anhui Agricultural College; he successively took the posts of Section Chief and Office Deputy Director of *Education* Department of Anhui Province, Deputy Mayor of Haozhou Municipality of Anhui Province and Office Director of Universities Admissions *Office of Education* Department of Anhui Province. Now, he takes the posts of Professor of Shanghai Business School, Distinguished Expert Commission of Training Department of China General Chamber of Commerce, and Credit Manager of Training Department of *China* General Chamber of Commerce. And he is no longer the Independent Director of the Company since 3 July 2014.

26. Zhang Shidi, Male, Han Nationality, was born in November of 1949; member of CPC with undergraduate degree. He has served successively as deputy secretary of Municipal Committee of CPC of Mianyang, director of labor bureau, secretary of a party leadership group, secretary of Peicheng District of Mianyang Municipal Committee of CPC, director of Office of State-owned Assets, director of Mianyang State-owned Assets Supervision & Administration Commission and deputy secretary of Party Committee and independent director of the Company. And he is no longer the Independent Director of the Company since 3 July 2014.

27. Fei Minying, Female, Han nationality, was born in November 1958, Su County people in Anhui Province, Member of CPC and Senior Economist with postgraduate courses finished; she ever held the posts of Chairman of Supervisory, Director of Audit Office, Minister of Audit Ministry of Law and director of auditing dept. of Sichuan Changhong Electronic Co., Ltd, Chairman of Supervisory of the Company and Huayi Compressor Co., Ltd. Now she holds the posts of deputy secretary of discipline committee of Sichuan Changhong Electronic Group Co., Ltd. Administration Commission and deputy secretary of Party Committee and independent director of the Company. And he is no longer the Chairman of Supervisory of the Company since 3 July 2014.

28. Lu Xingzhou, Male, Han nationality, was born in March of 1976, Cangxi people in Sichuan Province, an accountant, and owns a master degree from managerial economics of Singapore Nanyang Technological University. He successively served as director of investment management office and capital management office of financial dept. of Sichuan Changhong Electronic Co., Ltd; Director and vice GM of Sichuan Changhong New Energy Technology Co., Ltd.; Director and CFO of Guangdong Changhong Electronic Co., Ltd, and vice director, director of financial dept. of Sichuan Changhong Electronic Co., Ltd and supervisor of the Company. And he is no longer the supervisor of the Company since May November 2014.

(II) Post-holding in shareholder's unit

√ Applicable    □ Not applicable

Name	shareholder's unit	Title	Start date of office term	End date of office term	Drawing remuneration and allowance from shareholder's unit (Y/N)
Liu Tibin	Sichuan Changhong Electric Co., LTD	Deputy chairman, GM, member of the Party committee	2014.05.28	2017.05.28	Y
	Huayi Compressor Co., Ltd.	Chairman	2012.03.15	2015.03.15	N
	Sichuan Changhong Electronics Group Co., Ltd.	Deputy chairman, member of the Party committee	-	-	N
Li Jin	Sichuan Changhong Electric Co., LTD	Director	2014.05.28	2017.05.28	Y
	Huayi Compressor Co., Ltd.	Deputy chairman	2012.03.15	2015.03.15	N
	Sichuan Changhong Electronics Group Co., Ltd.	Director	-	-	N
Kou Huameng	Sichuan Changhong Electric Co., LTD	Director of development management department	-	-	Y
Gao Jian	Hefei Xingtai Holding Group Co., Ltd.	Deputy president	-	-	Y
Yu Wanchun	Sichuan Changhong Electric Co., LTD	Chairman of Supervisory, chief of auditing department	2014.05.28	2017.05.28	Y
	Huayi Compressor Co., Ltd.	Chairman of Supervisory	2014.08.25	2015.03.15	N
Yu Xiao	Sichuan Changhong Electronics Group Co., Ltd.	CFO	-	-	Y
Hu Jia	Sichuan Changhong Electric Co., LTD	Finance manager	2014.05.28	2017.05.28	Y

## (III) Post-holding in other unit

√ Applicable    □ Not applicable

Name	Other unit	Title	Start date of office term	End date of office term	Drawing remuneration and allowance from other unit (Y/N)
Gan Shengdao	Business School of Sichuan	professor	July 1990	-	Y



	University				
Ren Jia	Shanghai Xinwei Electronic Co., Ltd.	Deputy president	January 2013	-	Y
	Shanghai Xinwei Technology Development Co., Ltd.	GM	August 2014	-	N
Lu Yingjin	Economics and Management School of UESTC	Associate professor	December 2001	-	Y
Explanation on post-holding other unit	in Mr. Gan Shengdao serves as independent director of the Chengdu Rainbow Electric (Group) Co., Ltd., Sichuan Sunny Seal Co., Ltd. and Liangshan Prefecture Rural Credit Cooperative Co., Ltd. at the same time				

### III. Remuneration of directors, supervisors and senior executives

(I) Decision-making, determine basis and actually payment of remuneration for directors, supervisors and senior executives

#### 1. Procedure for deciding remunerations of directors, supervisors and senior management

Implemented in line with laws, regulations and relevant rules of “Company Law”, “Article of Association” and “Enforcement Regulation of Remuneration and Evaluation Committee of the Board”, including:

(1) Allowance plan of independent directors are implemented after deliberated in the Board and approved in Shareholders’ General Meeting. Other directors and non-staff supervisors except independent directors are received no remuneration from the Company.

(2) Remuneration of senior executives are deliberated and approved by the Board according to remuneration evaluation plan together with opinions of Remuneration and Evaluation Committee.

#### 2. Bases on which remunerations of directors, supervisors and senior management are decided

The Company conducted the performance examination on the task of directors, supervisors and senior executives according to the HR management policy, wages of directors, supervisors and senior executives are decided by their performance and evaluations check by the Company. All wages are performing by the evaluation results according to the only evaluation standard that carried by the Company.

#### 3. Actual payment of remunerations of directors, supervisors and senior management

Allowance of the independent directors are paid by the standards approved in Annual Shareholders’ General Meeting, other director, who serves as senior executive at the same time, and non-staff supervisors except independent directors did not received remuneration from the Company; remunerations for senior executives of the Company are paid strictly by the unify remuneration valuation mechanism of the Company.

Directors, supervisors and senior executives of the Company has 20 in total up to 31 December 2014, actually 13 person receiving remuneration from the Company, 2 staff supervisors are received their remuneration by actual positions (non-supervisor post); furthermore, 3 independent directors are received the allowance

monthly from the Company; the Company will pay remuneration to senior executives monthly/quarterly/annually.

During the reporting period, the Company has established the executive compensation and performance management program for the senior management of 2014 in accordance with the main scope, the responsibilities, the importance of the management positions of the senior management, and the compensation level of other relevant company and position, the program includes but not limited to the company's key performance indicator (KPI) and performance evaluation criteria, procedures and major evaluation system; the major programs and systems of the reward and punishment; review the performance of duties of the company's senior management and conduct the annual performance appraisal.

At the end of the year, the Remuneration and Appraisal Committee combined the work report and self-evaluation of the senior management in 2014, followed the performance evaluation criteria and procedures, and evaluated the Key Performance Indicator (KPI) of the senior management in 2014; and other relevant indicators of performance evaluation; proposed the remuneration amount and performance appraisal approach of the senior management based on the job performance evaluation results and the remuneration policy, and reported to the Board for approval.

## (II) Remuneration for directors, supervisors and senior executives in reporting period

In ten thousand Yuan

Name	Title	Sex	Age	Post status	Total remuneration gained from the Company (before-tax, in ten thousand Yuan) (note2)		Total remuneration gained from unit of shareholders (pre-tax, in ten thousand Yuan)	Remuneration gained at end of reporting period(pre-tax, in ten thousand Yuan)
					Salary (Pre-tax)	Performance incentive fund obtained for year of 2013 (pre-tax)		
Liu Tabin	Chairman	M	52	Currently in office	-	-	35.20	35.20
Li Jin	Deputy chairman	M	47	Currently in office	-	-	27.20	27.20
Li Wei	Director, president	M	42	Currently in office	49.96	274.00	-	323.96
Kou Huameng	Director	M	45	Currently in office	-	-	29.28	29.28
Wu Dinggang (note3)	Director Deputy chairman	M	42	Currently in office	35.00	137.00	-	172.00
Gao Jian(note4)	Director	M	39	Currently in office	-	-	-	-

Gan Shengdao	Independent Director	M	48	Currently in office	5.95	-	-	5.95
Ren Jia	Independent Director	M	51	Currently in office	5.95	-	-	5.95
Lu Yingjin	Independent Director	M	50	Currently in office	5.95	-	-	5.95
Yu Wanchun (note5)	Chairman of Supervisory	M	44	Currently in office	-	-	29.43	29.43
Yu Xiao (note6)	Supervisor	M	46	Currently in office	-	-	33.60	33.60
Hu Jia	Supervisor	F	39	Currently in office	-	-	33.60	33.60
Shang Wen	Staff Supervisor	M	46	Currently in office	23.45	55.00	-	78.45
Zhang Ruhe	Staff Supervisor	M	55	Currently in office	9.51	-	-	9.51
Liu Hongwei	Executive deputy president	M	50	Currently in office	50.08	190.00	-	240.08
Liao Tao	Deputy president	M	43	Currently in office	36.18	137.00	-	173.18
Deng Xiaohui	Deputy president	M	44	Currently in office	38.55	137.00	-	175.55
Zhong Ming	Deputy president	M	42	Currently in office	22.81	-	-	22.81
Zhang Xiaolong	Deputy president and Finance Manager	M	39	Currently in office	33.93	102.75	-	136.68
Li Xia	Secretary of the Board	F	34	Currently in office	20.30	95.00	-	115.30
Wang Yong	Director	M	47	Office leaving	-	-	29.12	29.12
Sun Liqiang (note7)	Director	M	54	Office leaving	-	-	-	-
Wang Xingzhong	Independent Director	M	70	Office leaving	5.00	-	-	5.00
Song Baozeng	Independent Director	M	75	Office leaving	5.00	-	-	5.00

Liu Youpeng	Independent Director	M	60	Office leaving	5.00	-	-	5.00
Zhang Shidi	Independent Director	M	65	Office leaving	5.00	-	-	5.00
Fei Minying	Chairman of Supervisory	F	56	Office leaving	-	-	15.94	15.94
Lu Xingzhou (note8)	Supervisor	M	40	Office leaving	-	-	17.92	17.92
Total	--	--	--	--	357.62	1,127.75	251.29	1,736.66

Note 1: in reporting period, remuneration of senior executives is link up with the performance evaluation result, more details please see “(I) decision-making procedures, determination basis and actual payment for directors, supervisors and senior executives” that mentioned above

Note 2: On 17 June 2014 and 3 July 2014, the “Provision and Distribution Plan of 2013 Performance Incentive Fund” was deliberated and approved in 37th meeting of 7th session of the Board, 21st meeting of 7th session of Supervisory and 1st extraordinary general meeting of 2014. Based on performance of the Company for year of 2013, agreed to carried out performance incentive fund distribution for year of 2013 to the incentive objects as director president Mr. Li Wei, Executive deputy president Mr. Liu Hongwei, Director and deputy chairman Mr. Wu Dinggang, deputy chairman Mr. Deng Xiaohui, deputy chairman Mr. Liao Tao, deputy chairman and Fiannce Manager Mr. Zhang Xiaolong, Secretary of the Board Ms. Li Xia and supervisor and administrative director Mr. Shang Wen. The “Total remuneration gained from the Company” listed above including the obtained 2013 performance incentive fund above-mentioned. More details found in relevant announcement published dated 17 June 2014, 4 July 2014, 12 August 2014, 19 August 2014, 27 August 2014, 28 August 2014, 17 September 2014, 18 October 2014, 24 October 2014, 4 November 2014, 6 November 2014, 8 November 2014, 12 November 2014 and 15 November 2014 (announcement No.: 2014-036, No.: 2014-037, No.: 2014-040, No.: 2014-046, No.: 2014-055, No.: 2014-056, No.: 2014-057, No.: 2014-060, No.: 2014-063, No.: 2014-066, No.: 2014-068, No.: 2014-069, No.: 2014-070, No.: 2014-072, No.: 2014-073 and Semi-Annual Report of 2014 and 3Q Report of 2014)

Note 3: Mr. Wu Dinggang is no longer the Director of the Company since 3 July 2014; he acts as GM in subordinate subsidiary of the Company -- Sichuan Changhong Air-conditioner Co., Ltd. and received remuneration from the subsidiary.

Note 4: Mr. Gao Jian is no longer the Director of the Company since 5 June 2014 and did not received remuneration from the Company in reporting period; he took position and received remuneration in second major shareholder of the Company -- Hefei Xingtai Holding Group Co., Ltd.

Note 5: Mr. Yu Wanchun is no longer the Supervisor of the Company since 3 July 2014 and did not received remuneration from the Company in reporting period; he took position and received remuneration from shareholder’s unit -- Sichuan Changhong Electric Co., LTD

Note 6: Mr. Yu Xiao is no longer the Supervisor of the Company since 5 November 2014 and did not received remuneration from the Company in reporting period; he took position and received remuneration from shareholder's unit -- Sichuan Changhong Electronics Group Co., Ltd.

Note 7: Mr. Sun Liqiang is no longer the Director of the Company since 24 February 2014 and did not received remuneration from the Company in reporting period

Note 8: Mr. Lu Xingzhou is no longer the Supervisor of the Company since 5 November 2014 and did not received remuneration from the Company in reporting period; he took position and received remuneration from shareholder's unit -- Sichuan Changhong Electronics Group Co., Ltd.

(III) Equity incentive authorized for director, supervisor and senior executive in reporting period

Applicable     Not applicable

#### IV. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Wang Yong	Director	Office leaving	2014-6-20	General election of the Board, and leave the post when office terms expires
Sun Liqiang	Director	Office leaving	2014-2-24	He is no longer in position of director due to occupation mobility
Kou Huameng	Director	Be elected	2014-7-3	Take office by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3 July 2014
Wu Dinggang	Director	Be elected	2014-7-3	Take office by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3 July 2014
	Deputy president	Appointment	2015-3-24	Being deliberated and approved by 6 <sup>th</sup> meeting of 8 <sup>th</sup> session of the Board dated 24 March 2015, agreed to engaged Mr. Wu Dinggang as deputy president of the Company
Gao Jian	Director	Be elected	2014-6-5	Take office by election on annual general meeting of 2013 dated 5 June 2014
Wang Xingzhong	Independent Director	Office leaving	2014-6-20	General election of the Board, and leave the post when office terms expires
Song Baozeng	Independent Director	Office leaving	2014-6-20	General election of the Board, and leave the post when office terms expires
Liu Youpeng	Independent Director	Office leaving	2014-6-20	General election of the Board, and leave the post when office terms expires
Zhang Shidi	Independent Director	Office leaving	2014-6-20	General election of the Board, and leave the post when office terms expires
Gan Shengdao	Independent Director	Be elected	2014-7-3	Take office by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3 July 2014
Ren Jia	Independent	Be elected	2014-7-3	Take office by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3

	Director			July 2014
Lu Yingjin	Independent Director	Be elected	2014-7-3	Take office by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3 July 2014
Fei Minying	Chairman of Supervisory	Office leaving	2014-6-20	General election of the Supervisory, and leave the post when office terms expires
Lu Xingzhou	Supervisor	Office leaving	2014-11-5	Adjusted the director supervisor
Yu Wanchun	Chairman of Supervisory	Be elected	2014-7-3	Take office of the Supervisor by election on 1 <sup>st</sup> extraordinary general meeting of 2014 dated 3 July 2014; take office of the Chairman of Supervisory by election on 1 <sup>st</sup> meeting of 8 <sup>th</sup> session of the Supervisory dated 3 July 2014
Yu Xiao	Supervisor	Be elected	2014-11-5	Take office by election on 2 <sup>nd</sup> extraordinary general meeting of 2014 dated 5 November 2014

### V. Changes of core technology team or key technicians in reporting period (not including directors, supervisors and senior executives)

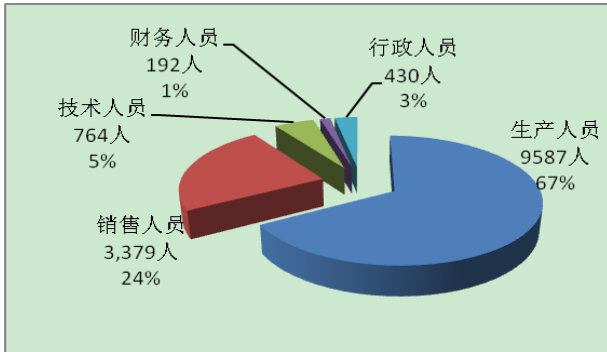
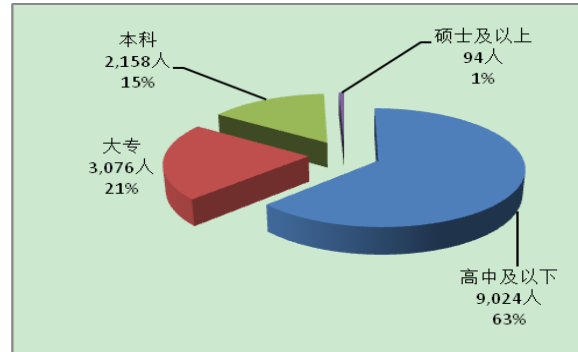
Core technology team has no changed in reporting period

### VI. Staff of the Company

Hefei Meiling Co., Ltd. and its controlling subsidiaries owned on-job employees of 14,352 people in total (independent contractors), including:

Person on-jobs	14,352
Retirement person whose charges undertake by the Company	233
Professional categories	
Types of professional category	Numbers of professional category
Production staff	9,587
Salesman	3,379
Technician	764
Financial staff	192
Administration staff	430
Education background	
Type of education background	Numbers (people)
High school and below	9,024
Junior college	3,076
Undergraduate	2,158
Master and above	94

Professional composition and education background category of the Company as:


**Chart 8.1 Professional composition**

**Chart 8.2 Education background categories**

Employee compensation policy: the Company formulated human resources and compensation policy conducive to sustainable development of enterprise according to the provisions of relevant laws and policies promulgated by the state and to the Company's actual situation; through the performance appraisal, we guided managers and staff to make contribution for the development of the Company. Required by the company's development, optimize the institutional framework and process, improve the post value matrix, carry out the dynamic management; continue to promote the management and technology efficiency, and implement the evaluation, analysis and evaluation and incentive mechanism of the efficiency projects; implement the flexible convergence for production and marketing, optimize the production planning and organization model, optimize the labor organization strategy, increase the materials matching rate, optimize the job arrangement, build the flexible team, optimize the performance evaluation, and hold labor competition in the peak season. At the same time, the Company attaches great importance to staff development, build the position system and promotion channels, and enhance staff capacity through a variety of training. We combine the incentive and guarantee compensation, encourages mutual develop between employees and the Company. The Companies concerned about employee benefits, shaping corporate culture by providing various holiday, allowance, sympathy, traffic and organizing colorful activities, thus improve employee satisfaction.

Training program: in recent years, the Company has been committed to the construction of training platform, striving to build an internal training system based on competency. As per the requirements of the Company's strengthen the management capacity, the training work during the reporting period mainly included the training for promoting the team capacity of the senior management and enhancing the management capacity of the management, establishing the post curriculum system for the management, and gradually collecting and developing the relevant training classes according to the course list; organized a new round of grading and training for the internal trainers, strengthened the construction of the internal part-time trainers; explored the flexible labor mechanism by combining the stability and stage and cultivated the multi-skill labors for serving the flexible production mode; gradually improved the training for all talents and the career development channels, increase the employee satisfaction and coagulative power, and comprehensively met the demands of organizational

development for talents.



## Section IX. Corporate Governance

### I. Corporate governance of the Company

#### (I) Overview of the corporate governance

In strict compliance with the Company Law, Securities Law, Governance Principles of Listed Company issued by the CSRC, and the Rules Governing the Listing of Securities on Shenzhen Stock Exchange (amended in 2014), the Company continued to construct and perfect its governance structure, thereby forming its decision-making, supervision and operation management organization with general meeting, the board of directors, the board of supervisors and operation management as the major structure. The general meeting, board of directors, board of supervisors and operation management of the Company has definite terms of reference, which can ensure an effective balance, scientific decision-making process and coordinative operation, laying firm foundation for making decisions relating to the Company's continuous, steady and healthy development.

During the reporting period, the Company, taking into account the actual conditions and demand for its business development, amended the Articles of Association and determined the Management Method of Forward Foreign Exchange Fund Transaction of Hefei Meiling Co., Ltd according to the Listed Company Regulatory Guidance No. 3-Cash Dividend of Listed Company and the Guidance on Articles of Association of Listed Company (amended in 2014) issued by the CSRC as well as the Memorandum No.26 in respect of Information Disclosure Business – Derivative Investment issued by Shenzhen Stock Exchange, to really develop the internal management and control system, further standardize operation, improve governance level and enhance the overall operating efficiency. In general, the actual corporate governance complied with the requirements of relevant laws and regulations and certain office documents relating to governance of listed issuer issued by the CSRC and Shenzhen Stock Exchange.

#### 1. Shareholders and general meeting

The Company standardized the procedures concerning convening, holding and voting of general meeting in strict compliance with the Articles of Association and Rules of Procedure of General Meeting. All shareholders, especially the minority shareholders, were equally treated to ensure all shareholders shall rank pari passu and can fully exercise their right. During the reporting period, the Company convened general meetings according to Rules of Procedure of Listed Issuer's General Meeting (amended in 2014) issued by the CSRC and the Implementation Rules Relating to Network Voting at General Meeting of Listed Issuer issued by Shenzhen Stock Exchange (amended in September 2014). In addition to convening general meeting in forms of site conference, the Company offered convenience for shareholders to present general meeting via network voting which was safe,

economic and convenient. Meanwhile, separate counting was conducted in respect of the voting by minority shareholders (other shareholders other than those which, individually or jointly, hold more than 5% of the shares of listed issuer), and the voting results will be disclosed promptly, so as to practically protect the minority interests and ensure all shareholder, especially the minority shareholders, can fully exercise their rights as shareholders.

## 2. The Company and controlling shareholders:

The Company has independent business and independent management capability. The Company and its controlling shareholders owe independent business, personnel, assets, organs and finance. During the period, controlling shareholder abide by requirement of Article of Association and Management System of Related Transactions, strictly regulate their behaviors, and no controlling shareholder has directly or indirectly intervened in the Company's policy-making and business activities beyond the general meeting of stockholders, no capital or assets of the Company occupied by controlling shareholder and its affiliates either.

## 3. The directors and board of directors

Board Meeting are revoke and open in line with the regulation of Company Law and Article of Association strictly, voting and information disclosure procedures appliance with relevant rules. During the Period, directors are elected regulately and complete the general election for 8th session of the Board. The 8th session of the Board including three independent directors, one third of the total directors, and numbers of the directors and composition meet the requirement of laws, regulations and Article of Association. All directors of the Company carry out work according to "Rules of Procedure of the Board" and "Independent Director System", seriously attend the board of directors and shareholders' meeting, exercise obligations by the law and faithfully perform their duties vigorously, positively participate in trainings of related knowledge open by Shenzhen Stock Exchange and Securities Bureau, and get familiar with related laws and regulations. Independent directors follow close to the line of Instruction of Setting Up Independent Directors System in Listed Companies and Independent Director System, take an active part in decision-making of the Company and present a prior approval and independent opinions for related transactions and major events, bring out the functions of independent directors.

In the Period, Board of the Company setting up four special committees including strategy, remuneration and appraisal, audit and nomination, each special committee respectively undertakes the functions of discussion, policy making, supervision and assessment according to the relevant working instruction, and plays important role in improving the scientific decision-making, decision-making efficiency and quality for the Board.

## 4. Supervisors and board of supervisors

The Company convened and held meeting of supervisors in strict compliance with the Company Law and Articles of Association, and the voting and information disclosure procedures of supervisors' meeting complied with relevant requirements. During the report period, new supervisors were elected according to the required procedures, thus the eighth session of board of supervisors was successfully determined. The 8th session of board of supervisors consisted of five supervisors, the number and constitution of which met applicable laws and regulations. Our supervisors can carefully performed their duties including presenting at general meeting and

meeting of the board of directors in accordance to the Rules of Procedures of Board of Supervisors, to exercise supervision over the board of directors' decision-making procedures, subjects to be proposed and our operation in law, to review the periodic reports prepared by the Board and form written audit opinion in respect thereof and to make effective supervision over our material transactions, connected transaction, financial position as well as the legality and compliance of the performance by directors and senior management and issue independent opinions in respect thereof.

#### 5. The performance appraisal and incentive and constraint mechanism

The Company owes and continues to improve fair-ness and transparency performance appraisal standards and incentive and constraint mechanism for directors, supervisors and senior management, the engagement of managers of the Company is open and transparent and meets the provisions of laws and regulations.

#### 6. The stakeholders

The Company fully respects and maintains the legitimate rights and interests of stakeholders; strengthen communication and negotiation with each other, realizes the coordination and balance of interests for all parties including society, shareholders, company and staff, pushes forward the sustainable, steady and harmonious development of the Company together.

#### 7. The information disclosure and transparency

During the Period, the Company strengthens management of information disclosure, performs the duty of information disclosure in strict accordance with the rules of related laws and regulations and "Management System of Information Disclosure", and appoints Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) for information disclosure medial; as for the major un-disclosed inside information, exercise strictly confidential procedures and controlling persons with inside information kowned. The Company perform duty in aspect of truthfully, accurately, timely and completely discloses information, ensures all investors obtain the Company's information equally and other legal interest.

#### 8. Investor relations management

The Company has seriously done the job of the investor relations management in accordance with the requirements of the "Investor Relations Management System" and "Reception and Promotion system" during the Period. Received the consultation and research of the professional institutional investors to the company, checking records for visitors and signing letter of commitment, disclosed the "investor relations activities record" timely. At the same time, communicated with the investors through the "interact easily" platform of Shenzhen Stock Exchange Investor Relations and the Company's official website platform; seriously received the suggestion and opinions from investors, protect interest of the minority investors, earnestly accepted and replied the calls, faxes, and emails from the investors; cautiously dealt with the media coverage.

## **(II) Corporate governance system established in reporting period**

Vary corporate governance system that established or amended from period-beginning to disclosure date of this report published:

Serial	Name	Latest disclosure date	Disclosure media
1	Management System of Future Exchange Business of Hefei Meiling Co., Ltd.	April 2014	Juchao Website
2	Article of Association (Revised)	June 2014	Juchao Website

### **(III) Difference between the Company's corporate governance between relevant requirement from "Company Law" and CSRC**

Yes  No

No difference between the Company's corporate governance between relevant requirement from "Company Law" and CSRC

### **(IV) The development of special activities for corporate governance and the establishment and implementation of registration and management system for inside information insider**

#### 1. The development of special activities for corporate governance

During the reporting period, under the leadership of the Board, the Company continue to improve the governance, strengthen regulated operation and relevant works in accordance with the requirements of "Basic norms of enterprise internal control" of the five ministries, "Internal control guidelines for the listed companies" of Shenzhen Stock Exchange, "Basic system of internal control of Hefei Meiling Company Limited", "Practice guidelines for internal control of Hefei Meiling Company Limited", "Evaluation guidelines for internal control of Hefei Meiling Company Limited", and "Internal control manual of Hefei Meiling Company Limited" established earlier by the Company. Focus on implementation and execution for vary mechanisms, guarantee a standard and efficiency of the decision-making institute, realized unify of scientific decision-making and rapidly decision-making, promoted a healthy development of the Company.

Corporate governance is a long-term and systematic works, the Company, will strictly in line with relevant laws, regulations and normative documents requirement, improved governance structure of the Company assiduously and perserveringly, further to established a perfect long-term mechanism for the corporate governance.

#### 2. Establishment and implementation of registration management system in respect of inside information insider

In strict compliance with the relevant laws and regulations, the Company's Information Disclosure Management System (July 2007), Registration System in respect of Inside Information Insider (September 2009), Confidentiality System in respect of Inside Information (March 2011) and Reporting and Usage Management System of External Information (September 2009), the Company actively reminded, orally or through email, signing confidential agreement or issuance of inside transaction forbidden confirmation, the inside information insider involved in disclosure of its periodic reports and other significant matters of inside information confidentiality and registration and filing of inside information insider. Besides, the Company also advised the

inside information insider to strictly implement their duty of keeping confidential.

During the reporting period, in order to further improve inside information confidentiality and prevent inside transaction, the Company arranged certain directors, supervisors, senior management and other related staff to participate in the “Inside Transaction Warning Education” as jointly held by the CSRC, the ministry of public security as well as the SASAC. Through site visits and interpreters’ explanation which deeply analyzed related cases, the directors, supervisors, senior management and other related staff had further understanding about the negative effect of inside transaction, which brought in active effects in preventing occurrence of inside transaction and further intensifying the relevant entities’ awareness of standardization. The scope and review-and-approval procedure relating to reporting undisclosed information to controlling shareholders and its related parties was strictly managed to standardize reporting information to external parties and using the Company’s information by external information users. The Company also strictly controlled the communication scope of inside information.

During the report period, no related personnel was engaged in insider trading by using the inside information, buying and selling stock of the Company during sensitive period and in 6 months, inside information was not revealed to external, no inside information insider utilized inside information for insider trading or suggested others to use inside information for trading and caused serious impact or loss to the Company. The Company was never investigated and required to reform by the regulators.

II. In the report period, the Company held annual shareholders’ general meeting and extraordinary shareholders’ general meeting

### 1. Annual Shareholders’ General Meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
Annual General Meeting of 2013	2014-6-5	1. Working Report of the Board for year of 2013; 2. Working Report of Supervisory Committee for year of 2013; 3. Annual Report of 2013 and Summary; 4. Annual Financial Statement Report for year of 2013; 5. Preplan of Profit Distribution for year of 2013; 6. Audit Institute Re-engagement for the financial report and internal control for year of 2014 and Remuneration Payment; 7. Estimation of Daily Related transaction for year of 2014; 7.1. Daily related transaction with Sichuan Changhong Electrics Group Co., Ltd. and its subsidiaries (not including Sichuan Changhong Electric Co., LTD); 7.2. Daily related transaction with Sichuan Changhong Electrics Co., Ltd. and its subsidiaries (not including Huayi Compressor Co., Ltd.); 7.3. Daily related transaction with Huayi Compressor Co., Ltd. and its subsidiaries 8. Credit guarantee limit determination for subordinate wholly-owned subsidiary for year of 2014;	All proposals have been deliberated and approved in Annual General Meeting of 2013 and carried out resolution of Annual General Meeting of 2013	2014-6-6	Resolution Notice of Annual General Meeting of 2013 (2014-034) published on Juchao Website (www.cninfo.com.cn)

	9. Bad debt impairment accrual; 10. Extract for inventory provision; 11. Disposal of fixed assets; 12. Extract for retirement welfare of employees; 13. Part of the bad debt losses charged off for the Company and subsidiaries; 14. Independent director by-election for the 7 <sup>th</sup> session of the Board; 15. Opening future exchange business; 16. Revised part of the provisions in Article of Association; 17. Commitments of assets transferred exempted for controlling shareholders; 18. Commitments of assets transferred exempted for controlling shareholders and related party			
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## (II) Extraordinary general meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
First Extraordinary General Meeting of 2014	2014-7-3	1. Quit the right of first refusal of subsidiary Zhongke Meiling Cryogenic Technology Co., Ltd.; 2. Provision and Distribution Plan of Performance Incentive Fund for year of 2013; 3. Allowance Standards for Independent Director of the 8 <sup>th</sup> Session of the Board; 4. General Election of the 8 <sup>th</sup> Session of the Board; 4.1 Mr. Liu Tibin- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.2 Mr. Li Jin- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.3 Mr. Li Wei- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.4 Mr. Kou Huameng- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.5 Mr. Wu Dinggang- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.6 Mr. Gao Jian- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.7 Mr. Gan Shengdao- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.8 Mr. Ren Jia- Election as the Non-Independent Director of the 8 <sup>th</sup> Session of the Board; 4.9 Mr. Lu Yingjin- Election as the Non-Independent Director of the	All proposals have been deliberated and passed, resulted resolution for First Extraordinary General Meeting of 2014	2014-7-4	Resolution notice of First Extraordinary General Meeting of 2014 (No.: 2014-046) published on Juchao website (www.cninfo.com.cn)

		8 <sup>th</sup> Session of the Board; 5. General Election of the 8 <sup>th</sup> Session of the Supervisory; 5.1 Mr. Yu Wanchun- Election as the Supervisor of the 8 <sup>th</sup> Session of the Supervisor; 5.2 Ms. Hu Jia- Election as the Supervisor of the 8 <sup>th</sup> Session of the Supervisor; 5.3 Mr. Lu Xingzhou- Election as the Supervisor of the 8 <sup>th</sup> Session of the Supervisor;			
Second Extraordinary General Meeting of 2014	2014-11-5	1. Adjustment of Supervisors of the Company	All proposals have been deliberated and passed, resulted resolution for Second Extraordinary General Meeting of 2014	2014-11-6	Resolution notice of Second Extraordinary General Meeting of 2014 (No.: 2014-070) published on Juchao website (www.cninfo.com.cn)

### (III) Extraordinary meeting held by request from the preferred stock holders with voting power recovery

Applicable Not applicable

## III. Responsibility performance of independent directors in report period

### (I) The attending of independent directors to Board meetings and shareholders' general meeting

The attending of independent directors						
Independent Director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Wang Xingzhong	6	1	5	0	0	否
Song Baozeng	6	1	5	0	0	否
Liu Youpeng	6	1	5	0	0	否
Zhang Shidi	6	1	5	0	0	否
Gan Shengdao	5	1	4	0	0	否

Ren Jia	5	1	4	0	0	否
Lu Yingjin	5	1	4	0	0	否
Times presented in shareholders' general meeting by independent directors	Wang Xingzhong: one time    Song Baozeng: one time    Liu Youpeng: one time Zhang Shidi: one time    Gan Shengdao: 2 times    Ren Jia: 2 times Lu Yingjin: one time					

The independent directors of the 7th session of the Board Mr. Wang Xingzhong, Mr. Song Baozeng, Mr. Liu Youpeng and Mr. Zhang Shidi stepped down in the reporting period. Being deliberated and approved by the 37th meeting of 7th session of the Board and First Extraordinary General Meeting of 2014 dated June 6th 2014 and July 3rd 2014, Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin are elected as independent directors of the 8th session of the Board. All independent directors are assiduous in performance of duty, attending the Board Meeting and attend general meeting as non-voting attendee according to the regulations in the Period.

Explanation of absent the Board Meeting for the second time in a row:

No independent directors absent the Board Meeting for the second time in a row

## 2. Objection for relevant events from independent directors

Whether independent directors come up with objection about company's relevant matters or not

Yes  No

Independent directors has no objections for relevant events in reporting period

## 3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes  No

During the report period, the independent directors of the 7th session of the Board, Mr. Wang Xingzhong, Mr. Song Baozeng, Mr. Liu Youpeng and Mr. Zhang Shidi, as well as independent directors of the 8th session of the Board, Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin, faithfully performed their duties, and prudently, earnestly and diligently exercised their rights as independent directors in strict accordance with "Corporation Law", "Securities Law", "Guidance on the Establishment of Independent Director System in Listed Companies" of China Securities Regulatory Commission, "Stock listing Rules"(Revised in 2014) of Shenzhen Stock Exchange, "Articles of Association" (Revised in 2014), "Independent Director System", "Annual Report Working System of Independent Director", and rules of related laws and regulations, not influenced by the major shareholders, actual controllers, or other units and individuals having a stake in the Company, actively attended the general meeting of shareholders and board meeting, made independent opinions on related matters, gave reasonable suggestions to the production and management and the business development of the Company, gave full play to the role as independent directors, and maintained the legitimate rights and interests of shareholders of the Company, especially the medium and small shareholders.

(1) Insight into operation of the Company. Independent directors took advantage of attending the board



meeting and other time to know the business condition of the Company, and listened to the Company management's reports to state of operation and standard operation. For the big issues needed to be decided by the board of directors, such as business development, financial operation and risk control, independent directors listened to relevant reports; acknowledging events while deliberated the related transactions in the Board, made opinions on the board meeting, and effectively promoted the scientific and objectivity of decisions of the board of directors.

(2) Positive reinforce capacidade professional. Independent directors actively joined in the training activities for directors, supervisors and senior management held by the supervision organization, studied relevant laws and regulations, deepened their understanding to relevant regulations, especially the regulations involving corporate governance structure and rights protection for shareholders with public shares, so as to strengthen and improve their protective capabilities for the Company and shareholders' rights and interests, and form the ideology of consciously protecting the shareholders with public shares.

(3) Diligently perform their duties. In the process of establishment and disclosure for 2014 annual report, the independent directors, Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin, positively performed their duties, gave full play to their independent roles in the annual reports, carefully listened the management's report about the annual business condition and development of major events and did necessary field visits, directly met and communicated with the Certified Public Accountants for annual report and internal control auditing in the audit process, and diligently performed their duties as the independent directors.

In reporting period, independent directors propose opinions on the Board, and details of suggestions as:

Dated	Items	Agree/against	Disclosure index
2014-2-26	Independent explanation on relevant proposals of 33 <sup>rd</sup> meeting of 7 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)
2014-3-26	Independent opinions for Determine Offering Credit Guarantee Limit to Wholly-owned Subsidiary for year of 2014	Agree	Juchao Website (www.cninfo.com.cn)
2014-3-26	Independent explanation on relevant proposals of 34 <sup>th</sup> meeting of 7 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)
2014-4-18	Independent opinions for Opening Future Exchange Business	Agree	Juchao Website (www.cninfo.com.cn)
2014-5-13	Independent explanation on relevant proposals of 36 <sup>th</sup> meeting of 7 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)
2014-6-16	Independent explanation on relevant proposals of 37 <sup>th</sup> meeting of 7 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)
2014-8-11	Independent explanation on relevant proposals of 2 <sup>nd</sup> meeting of 8 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)
2014-10-17	Independent explanation on relevant proposals of 3 <sup>rd</sup> meeting of 8 <sup>th</sup> session of the board	Agree	Juchao Website (www.cninfo.com.cn)

2014-11-24	Independent opinions for Related Transaction as Established Sichuan ZhiYiJia Network Technology Co., Ltd. by the Company and Controlling Shareholder	Agree	Juchao Website (www.cninfo.com.cn)
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#### IV. Responsibility performance of subordinate special committee of the Board in report period

##### (I) Responsibility performance for strategy committee of the Board

In line with the requirements of related laws and regulations of Company Law and Rules Governing the Listing of Stocks on Shenzhen Stock Exchange(Revised in 2014) as well as related requirements of Securities Regulatory Commission and Shenzhen Stock Exchange, strategy committee of the Board strictly followed regulations of Articles of Association and Working Rules of Strategy Committee of Board, performed their duties sincerely, proactively directing and conducted research on events of strategy development and investment outside and made suggestions, details are as:

1. On 16 January 2014, the “proposal of Mianyang Meiling Software Technology Co., Ltd. establishment” deliberated and approved in 3rd meeting of 7th session of the strategy committee of the Board, found more details in “(I) Responsibility performance for strategy committee of the Board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website (www.cninfo.com.cn) dated 28 March 2014.

2. On 23 March 2014, the “proposal of development plans of the Company” deliberated and approved in 4th meeting of 7th session of the strategy committee of the Board, found more details in “(I) Responsibility performance for strategy committee of the Board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website (www.cninfo.com.cn) dated 28 March 2014.

3. On 16 April 2014, strategy committee held the 5th meeting of 7th session of the strategy committee of the Board, follow proposals are deliberated and approved:

(1) According to the oversea expansion strategy of the Company and operation needs of the subsidiary Zhongshan Changhong Electric Co., LTD (“Zhongshan Changhong”), the “proposal of investment for refrigerator in Pakistan by Zhongshan Changhong Electric Co., LTD” was deliberated and approved. Members of the committee agreed to invest \$6724000 in refrigerator construction in Pakistan with funding from Zhongshan Changhong. Form of investment was, Zhongshan Changhong and partner --RUBA GENERAL TRADING FZE together increasing capital for the JV manufacturing company and JV sales company that established in Pakistan previously, and both two joint ventures implemented the refrigerator projects. The investment proposal agreed to present in the Board for deliberation.

(2) According to the oversea expansion strategy of the Company and needs of the Zhongshan Changhong in aspect of establishing refrigerator in Pakistan, and combined with financial status and capital requirement of Zhongshan Changhong, the “proposal of increase capital for Zhongshan Changhong Electric Co., LTD” was

deliberated and approved. Members of the committee agreed to increasing capital for Zhongshan Changhong with funding from the Company and wholly-owned subsidiary Sichuan Changhong Air-conditioner Co., Ltd (“Changhong AC”) together according to the shares holding. Totally 40 million Yuan are increased, including 36 million Yuan from the Company and 4 million Yuan from Changhong AC. After capital increased, registered capital of Zhongshan Changhong rising to 120 million Yuan, and the shares holding ratio of Zhongshan Changhong for the Company and Changhong AC stay the same, which is 90% and 10%. The investment proposal agreed to present in the Board for deliberation.

(3) According to development strategy of the Company, combine with currently rapidly development of the freezer market needs in and out of China, and the restrains on development in current stage of capacity bottlenecks in freezer, in order to improve production capacity of the larger volume of freezer, increased the competitiveness and profitability for freezer products for market requirement satisfied, the “proposal of establishing 60,000 larger-volume Eco Saving Freezers produced annually” was deliberated and approved. Members of the committee agreed to establish the project of annual 600000 output larger-volume freezers. The project owes 76.79 million Yuan investment in total, including 66.79 million Yuan invested by fixed assets, 10 million Yuan invested by initial working capital. Capital resources refer to the self-funding capital. The project has one-year construction period, located in plant area of the Company in the economic and technological development zone, Hefei City. After project go into operation, the Company will increase the large-volume Eco saving freezer with annual output of 600,000 (double-shift). The investment proposal agreed to present in the Board for deliberation.

4. On March 23rd 2015, the “proposal of development planning for year of 2015” and “removal and capacity expansion project under the name of Zhongke Meiling Cryogenic Technology Ltd.-subsidiary of the Company” were deliberated and approved by First Meeting of strategy committee of 8th session of the Board.

(1) According to the mid-long term development strategy of the Company, members of the committee analyzed the whole working situation for year of 2014 by combined with the macro environment situation where the Company stands, the operation idea and management plans for year of 2015 were discussed and decided, ensuring the achievement of mid-long term strategy development targets.

(2) According to the development strategy of Zhongke Meiling Cryogenic Technology Ltd. (“Zhongke Meiling” for short), in view of the land use right, originally rented to Zhongke Meiling located in comprehensive economic development zone in Longgang Hefei, have reserved by the government from the Company, in order to improve the ability of manufacturing in cryogenic refrigerator, enhance the competitiveness and profitability for products of cryogenic refrigerator for market demands required, agreed Zhongke Meiling implemented removal and capacity expansion projects. The project has total investment amounting to RMB 156.3219 million, including lands purchasing and relevant land taxes RMB 14.2245 million, fixed assets investment RMB 137.0974 million and initial working capital RMB 5 million. Project funds are solved by the self-owned capital from Zhongke Meiling. After implementation, Zhongke Meiling owes a capability in producing 26000 cryogenic refrigerators annually. The investment project agreed to submit for deliberation in the Board.

## (II) Responsibility performance for audit committee of the Board

Audit committee of the Board performed its functions of supervision and examination to maintain the independence of audition in auditing for year of 2014 according to the requirements of related laws and regulations such as Company Law and Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and related requirements of Securities Regulatory Commission and Shenzhen Stock Exchange by abiding of Articles of Incorporation, Implementing Regulations of Audit Committee of Board of the Directors, and Annual Work Rules of Audit Committee, the details are as follows:

1. On 27 January 2014, the “Financial Statement Report for year of 2013 and Arrangement of Internal Control Auditing” and “Un-audited Financial Accounting Statement for year of 2013” were deliberated and approved in 10th meeting of 7th session of the audit committee of the Board. Found more details in “(II) Responsibility performance for audit committee of the Board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 28 March 2014.

2. On 5 March 2014, the draft of auditing for financial statement 2013 was deliberated and approved in 11th meeting of 7th session of the audit committee of the Board. Found more details in “(II) Responsibility performance for audit committee of the Board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 28 March 2014.

3. On 16 March 2014, the audited financial statement 2013 and auditing report of internal control were deliberated and approved in 12th meeting of 7th session of the audit committee of the Board. Found more details in “(II) Responsibility performance for audit committee of the Board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 28 March 2014.

4. On 16 April 2014, the “Financial Statement of 1Q of 2014” was deliberated and approved in 13th meeting of 7th session of audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for 1Q of 2014. The financial statements of 1Q of 2014 agree to submit for approval in the Board.

5. On 1 August 2014, the “Financial Statement of Semi-annual 2014” was deliberated and approved in 1st meeting of 8th session of audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for semi-annual of 2014. The financial statements of semi-annual 2014 agree to submit for approval in the Board.

6. On 15 October 2014, the “Financial Statement of 3Q 2014” was deliberated and approved in 2nd meeting of 8th session of audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for 3Q of 2014. The financial statement of 3Q 2014 agree to submit for approval in the Board.

7. On 30 January 2015, the “Financial Statement Report for year of 2014 and Arrangement of Internal Control Auditing” and “Un-audited Financial Accounting Statement for year of 2014” were deliberated and approved in 3rd meeting of 8th session of the audit committee of the Board, the un-audited financial statement presented an objectified financial status and operation results for year of 2014 basically.

8. On 3 March 2015, the audit committee held the 4th meeting of the 8th session of audit committee after the Shine Wing Certified Public Account (LLP) issued preliminary audit opinion. Reviewed the auditing draft of financial report for year of 2014, proposed specific opinions; members of audit committee communicated with certified public accountant who was responsible for audition of the company, the certified public accountant who was be responsible for annual audition of the company reported related matters and adjusted matters during the audition to the audit committee, and matters of the company needs to be adjusted have been adjusted according to adjustment opinions of the certified public accountant who was responsible for annual audition. The audit committee read the first draft of audited financial accounting statements for 2014 of the company according to audition condition known from certified public accountant who was responsible for annual audition and production operation condition and financial performances reported by management level of the company, considered that the annual financing accounting statements for 2014 audited preliminarily by the Shine Wing Certified Public Account can truly, correctly and completely reflect the operation condition of the company, and confirmed the preliminary audit opinions of financing accounting statements of the company issued by the Shine Wing Certified Public Account.

9. On 14 March 2015, the 5th meeting of the 8th session of audit committee of the Board deliberated and approved the followed 6 proposals as” Audited Financial Statement Report of 2014”, “Auditing Report of Internal Control for year of 2014”, ‘Summary Report on Auditing Works for year of 2014 from Shine Wing Certified Public Account”, “Auditing Institution for Financial Report of 2015 and Internal Control Auditing Re-engagement and Remuneration Paid”, “Changes of Accounting Policies” and “Opening Business of Forward Exchange”, resolutions are made as: it is considered that the audited annual financing accounting statements for 2014 can truly, correctly, objectively and completely reflect the operation condition of the company and financial performances, confirmed the audit opinions of financing accounting statements of the Company issued by the Shine Wing Certified Public Account (LLP), and agreed to submit the annual financing accounting statements audited by the Shine Wing Certified Public Account and audit reports of internal control to board of the directors of the Company for deliberation; the audit committee considered that the Shine Wing Certified Public Account (LLP) invited by the Company can, during providing audition for the Company in 2014, perform the audition according to CPA Independent Audit Norm, follow practice standards of independence, impersonality, and fairness, complete audition of the company smoothly; the accounting policies changed in line with the documents of Ministry of Finance compliance with relevant regulations and actual condition of the Company, the decision-making procedures met rules and requirements of laws, regulations and article of association, no shareholders’ interest are been damaged found; the forward exchange business, plans to open, aims at locking up revenue and cost, preventing and avoiding risks in exchange rate changed, keeping a stable operations, satisfy the needs of operation development of the Company with closely relationship with routine management of the Company; the “Management System of Forward Exchange Business of Hefei Meiling Co., Ltd.” is well-defined

the main types of forward exchange, the operation rules, approval authority, management and internal operation procedures, all of that benefit a lot in standardize the operation and reasonably controlling and avoiding risks; deliberation and decision-making procedures for the proposal are compliance with the laws, regulations of Company Law, Rules Governing Stocks Listing on Shenzhen Stock Exchange and Article of Association.

Meanwhile, after deliberation, the audit committee suggests that re-engaged the Shine Wing Certified Public Account (LLP) to be the accounting firm which will take audition and examination and issue written opinions for financial statements of 2015 and internal control for the Company with one-year term service.

### **(III) Responsibility performance for nominations committee of the Board**

The nominations committee under the board of directors practically performed their duties on the basis of requirements of laws and regulations of “Company Law” and “Rules Governing the Listing of Stocks on Shenzhen Stock Exchange” and related requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange, and in strict accordance with “Articles of Association”, “Implementation Rules of Nominations Committee of the Board”, in the reporting period, the nominations committee reviewed and made recommendations to the engaged senior management that needed to be submitted to the board for consideration and nomination. Details are as:

1. Mr. Sun Liqiang, resigned as non-independent director of 7th session of the Board and member of strategy committee of the Board due to occupation mobility, on 24 February 2014, the “Qualification examination on the be-elected non-independent director” was deliberated and approved by 6th meeting of 7th session of nomination committee, thought the qualifications of the non-independent candidate, Mr. Gao Jian, who nominated by shareholder Hefei Xingtai Holding group Co., Ltd. and be-elected by the Board, meet the relevant regulation of “Company Law”, “Articles of association” and regulation of China Securities Regulatory Commission, not being prohibited from the securities market by CSRC or the prohibition has expired. The educational background, career experiences, professional competence and professional quality of the non-independent director drafted to engage meet the job requirements, and agreed to nominate Mr. Gao Jian to be the non-independent director candidate and submit to the Board for consideration.

2. In view of the 7th session of the Board expired on 20 June 2014, according to relevant regulations of Company Law, Instruction of Setting Up Independent Directors System in Listed Companies, Article of Association and Rules for Implementation of Nominated Committee of the Board, and took the need of corporate governance structure of the Board and real condition of the Company into account, the 8th session of the Board was composed of 9 directors, including 6 non-independent directors and 3 independent directors. On 12 June 2014, the “General Election for 8th Session of the Board” was deliberated and approved in 7th meeting of 7th session of nominate committee of the Board. The qualifications of the director candidate, who nominated by major shareholder and be-elected by the Board, meet the relevant regulation of “Company Law”, “Articles of association” and regulation of China Securities Regulatory Commission, not being prohibited from the securities market by CSRC or the prohibition has expired. Independence of the Independent Directors meeting relevant requirements, the director candidate owes a strong professional knowledge and rich working experience in

relevant industries, the new session of the Board will benefit a lot in improving the corporate governance structure of the Company and in long-term operation development.

Mr. Liu Tibin, Mr. Li Jin, Mr. Li Wei, Mr. Kou Huameng, Mr. Wu Dinggang and Mr. Gao Jian are agreed to nominated as the non-independent director candidates for the 8th session of the board, and Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin are the independent director candidates for the 8th session of the board and submitted for deliberation in the Board.

3. In view of the needs in operation development, and take management level's continuity into consideration, on 3 July 2014, the "proposal of senior executives' appointment" was deliberated and approved in 1st meeting of 8th session of nomination committee of the Board. The qualifications of the be-appointment senior executive, meet the relevant regulation of "Company Law", "Articles of association" and regulation of China Securities Regulatory Commission, not being prohibited from the securities market by CSRC or the prohibition has expired. The educational background, career experiences, professional competence and professional quality of the be-appointment senior executive meet the job requirements, and agreed to nominate Mr. Li Wei to be the President candidate, according to suggestion of the President, nominated Mr. Liu Hongwei as the standing deputy president candidate, Mr. Liu Tao, Mr. Deng Xiaohui and Mr. Zhongming nominated as deputy president candidates, nominate Mr. Zhang Xiaolong as CFO (Finance manager) candidate, nominate Ms. Li Xia as secretary of the Board candidate and submit all to the Board for consideration.

4. According to the operation management needs of the Company, on 13 March 2015, the "Qualification examination on the be-elected deputy president" was deliberated and approved by 2nd meeting of 8th session of nomination committee, thought the qualifications of the deputy president candidate Mr. Wu Dinggang and Mr. Zhang Xiaolong, meet the relevant regulation of "Company Law", "Articles of association" and regulation of China Securities Regulatory Commission, not being prohibited from the securities market by CSRC or the prohibition has expired. The educational background, career experiences, professional competence and professional quality of the two be-appointment deputy president meet the job requirements, and agreed to nominate Mr. Wu Dinggang and Mr. Zhang Xiaolong to be the deputy president candidates and submit to the Board for consideration.

#### **(IV) Responsibility performance for remuneration and appraisal committee of the board**

In line with relevant laws and regulation of Company Law and "Rules Governing the Listing of Stocks on Shenzhen Stock Exchange" as well as requirement from CSRC and Shenzhen Stock Exchange, remuneration and appraisal committee of the Board, strictly follow rules of "Article of Association" and "Implementation Rules of remuneration and appraisal committee of the Board", in the reporting period, the committee proposed suggestions on the performance evaluation standards and incentive & restraint mechanism for directors, supervisors and senior executives, and review the appraisal and remuneration of directors, supervisors and senior executives, accrual and distribution for performance incentive fund included. More details are as:

1. On 25 March 2014, the Company convoked the 5th meeting of the 7th remuneration and appraisal committee of the board which deliberated and approved "Remuneration assessment and payment of directors and

senior management of the Company in 2013”. Found more details in “(IV) Responsibility performance for remuneration and appraisal committee of the board” of “IV. Responsibility performance of subordinate special committee of the Board in report period” carried in “Section VIII. Corporate Governance” disclosed in Annual Report 2013, released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 28 March 2014.

2. On 12 June 2014, the “Plan of Accrual and Distribution of Performance Incentive Fund for year of 2013” and “Determination of allowance standards for independent directors of 8th session of the Board” were deliberated and approved in 6th meeting of 7th session of remuneration and appraisal committee, examination opinions are:

(1) According to the “The annual performance incentive fund implementation plan of Hefei Meiling Company Limited” (hereinafter referred to as "incentive plan") approved by the board of directors and the general meeting of shareholders and the company's 2013 annual financial report which was audited after deliberated and approved by the 2013 annual general meeting, it was approved that the company could withdraw the incentive fund of RMB 27,406,800 based on the net profits belonging to the shareholders of the listed company in 2013 after audited; the incentive objects of this performance incentive fund should possess the qualification specified by the laws, regulations and normative documents of “Company Law” and “Articles of Association”, should be those haven't been censured publicly or declared to be improper person by the Stock Exchange in the recent three years and those haven't received administrative penalty from China Securities Regulatory Commission due to gross violation of laws and regulations in the recent three years, and should be in the range of the incentive object specified by the "incentive plan" , and the subject qualification of the incentive objects was legal and valid.

(2) According to the suggestion of distribution plan (draft) from performance incentive fund management office, determined the performance distribution plan for the Year, that is to distribute RMB 26,357,500 of the withdrawn incentive fund to the a qualify incentive objects in accordance with their job position, the serving time and the performance appraisal results. The incentive objects should spend the received performance incentive fund (after paying the income tax) and no less than 30% of the total annual remuneration (except for the incentive fund, the annual remuneration amount after paying the income tax and five social insurance and one housing fund) to purchase the stock of the Company via open market, and agree to submit “2012 annual performance incentive fund provision and distribution plan” to the board of directors for deliberation.

(3) According to the Instruction of Setting Up Independent Directors System in Listed Companies issued by CSRC and relevant regulations and requirements of Article of Association, take actual condition of the Company into account and consulted the allowance standards for independent directors in listed companies in the same industry, the “proposal of determine allowance standards for the independent directors of 8th session of the Board” was deliberated and approved with RMB 100000 (after tax) annually for each. At the same time, agreed to submit the “proposal of determine allowance standards for the independent directors of 8th session of the Board” to the Board for deliberation

3. On 23 March 2015, the Company convoked the 1st meeting of the 8th remuneration and appraisal committee of the board which deliberated and approved the “Remuneration assessment and payment of directors



and senior management of the Company in 2014”, “Amending Certain Provisions of the Implementation Scheme of the Annual Performance Incentive Capital” and “Providing for 2014 Performance Incentive Capital”, examination opinions are as:

(1) Upon reviewing the remuneration payment for directors and senior executives of the Company for year of 2014, the Committee was of the opinions that the allowance received by independent directors are paid in line with the standards that approved by general meeting; remuneration received by senior executives are cash in strictly appliance with the remuneration evaluation mechanism, the remuneration information disclosed by the Company was true, accurate and complete and met the requirements of Rules on the Content and Format of Information Disclosure of Companies that Publicly Offer Securities No.2 – Content and Format of Annual Report (Amended in 2014) released by China Securities Regulatory Commission.

The board of directors of the Company deliberated and approved the remuneration and payment matters about the directors and senior management in the Company’s annual report 2014 according to the remuneration assessment of senior management and combining the opinions of remuneration and appraisal committee

(2) Pursuit to the “Accounting Standards for Business Enterprise No. 9” Employees’ Remuneration” issued by the ministry of finance revised in 2014, and Company’s accounting policy and regulation of “Incentive Plan”, being calculated and according to the financial report that audited for year of 2014 and operation of the Company, year of 2014 satisfy awarded condition of the annual performance incentive fund. Agreed to withdrawal 10% of the audited net profit for year of 2014 RMB 32,186,723.32 as the incentive fund; Meanwhile, according to the “Accounting Standards for Business Enterprise No. 9” Employees’ Remuneration” issued by the ministry of finance and relevant accounting policy of the Company, the performance incentive fund accrual for 2014 should reckoned into the current gains/losses, and agreed to submit the “proposal of accrual for 2014 performance incentive fund” for deliberation in the Board.

## **V. Works from Supervisory Committee**

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## **VI Completed situation on independence and perfection of business, personnel, assets, financial institutions, etc. where the Company is independent from controlling shareholders**

The Company totally separated in business, personnel, assets, institutions and financial aspects from Sichuan Changhong (controlling shareholder), with independent business accounting, responsibility and risk and independent business operation capability.

1. The business: the Company has an independent and complete business as well as operation ability, with specialized procurement, production, technology, marketing, management, human resources and other departments. We autonomously manage and operate business on our own. While the management staff are independent from controlling shareholders and their subordinate enterprises. The Company is free from

interference by controlling shareholders and other affiliates, and there is no dependence on controlling shareholders and other affiliates

2. The personnel: personnel, labor, personnel and salary of the Company are completely independent. President, vice president, Secretary of the board of directors and other senior management personnel are working in the Company and receive salary, not receiving any remuneration and holding position of any except directors, supervisors in the controlling shareholder and its subordinate enterprises.

3. Assets: the Company owns places of production and management independent from its controlling shareholder, owns complete assets structure, independent production system, auxiliary production systems and supporting facilities, land use rights, ownership of houses and other assets, and independent purchase and sales system. No assets occupied by controlling shareholders and other affiliates.

4. Institutions: the Company established organization completely independent from controlling shareholders; the general meeting, board of directors, board of supervisors and the internal organization are capable of taking independent action, with no controlling shareholder intervention of corporation's decision-making behavior. The Company strengthen the power restriction system via general meeting, the Board, supervisory committee, independent directors and vary committees, formulated an effective structure for corporate governance.

5. Financial aspects: the Company set up independent financial management, and independent accounting system and financial management system, independently setting up banking account and tax declaration.

## VII. Horizontal competition

Applicable  Not applicable

At present, horizontal competition does not exist between the Company and controlling shareholder Sichuan Changhong and its control business. At the same time, in order to avoid horizontal competition, in process of 2010 non-public A shares, according to the relevant provisions, the controlling shareholder Sichuan Changhong issued the "Commitment Letter on Reducing and Avoiding Industrial Competition Between Hefei Meiling Co. Ltd". Details could be found in the "(I) Commitment of the Company and Shareholders with above 5% Stock Share in or to Reporting Period". The specific content was described in "VIII (I) Commitment in the Period or continue to the Period made by the company or shareholders with over 5 percent shares held" of Section V. Important events

## VIII. Appraisal and incentive to senior management

(I) Evaluation mechanism for senior executives of the Company

The Company formulated "Implementation Rules of Remuneration and Appraisal Committee of the Board", the remuneration and appraisal committee established 2013 annual compensation and performance management plan for the senior management of the Company in accordance with the main scope, responsibilities, importance of their management positions and the remuneration level of other relevant enterprises and positions; the plan included but not limited to performance appraisal standards, procedures and major programs and systems of main appraisal system, reward and punishment; investigated the execution of duty of the senior management and implemented annual performance appraisal to them. After reviewed by the committee, submit to the Board for

approval.

Appraisal procedures of remuneration and appraisal committee to senior management: senior management of the Company makes reports and self-evaluation to the remuneration and appraisal committee of the board; the remuneration and appraisal committee makes performance appraisal to senior management in accordance with performance appraisal standards and procedures, raises remuneration amount and performance appraisal methods for senior management according to job performance appraisal results and remuneration distribution policy, reports to the board of directors for deliberation after approved by voting.

#### (II) Establishment and implementation of performance incentive mechanism

1. The Company formulated a mid-long term incentive and restraint mechanism, that is “Implementation Plan of Annual Performance Incentive Fund” in 2012, and on 9 August 2012 and 28 August 2012, the Plan was deliberated and approved in 16th meeting of 7th session of the Board and 2nd extraordinary general meeting 2012. Details of the aforesaid event can be found in the announcement (No.: 2012-028 and No.: 2012-035) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 10 August 2012 and 29 August 2012. Implementation of the annual performance incentive fund found more in “(XII) Implementation of Annual Performance Incentive Fund” of “XIV. Explanation on other important events” in “Section V. Important Event” carried in the Report

## Section X Internal Control

### I. Construction of internal control system

In order to standardize operation, control risks and ensure normal running of its business activities, the Company strictly implemented “Basic Standards for Enterprises’ Internal Control”(CK[2008]07) and continued to establish and improve its internal control system. During the reporting period, according to the requirements of Application Direction on Enterprises’ Internal Control (CK[2010]11), Assessment Direction on Enterprises’ Internal Control, Audit Direction on Enterprises’ Internal Control (CK[2010]11) as well as Information Disclosure Reporting Rules No.21 of Company Conducting Public Issuance of Securities-General Rules on Annual Internal Control Assessment Report issued by the CSRC, the Company paid continuous attention to propelling establishment and improvement of internal control system. The followings remained the targets of the Company for internal control: to reasonable ensure legal and complied operation management, asset safety, truthfulness and completeness of financing report and related information, enhancement of operating efficiency and effects and facilitating the Company to realize development strategy. The governance structure was established consisting of general meeting, board of directors, board of supervisors and operation level, all of which were in legal operation and made scientific decisions. The established internal control management system was reflected throughout various operation and management levels, and the system was improved continuously, forming relatively comprehensive internal control system which can effectively ensure continuous enhancement of the Company’s operation and management.

#### (I) In aspect of operation decision and operation management

The Company strictly followed the established internal control systems, continuously improve and upgrade the systems through practice operation, effectively percent and risks of operation decision-making and management, guarantee a healthy and regulated development for the Company. In the reporting period, totally 73 regulations and provisions are improved by the Company, which are Equipment Management Rules, Fixed Assets Management System, Sample Machine Treatment Regulation, Management System of Technically Improve Fixed Assets Investment Projects, Management Flows of Product Certification, Management Regulations of Energy-Saving Certification and Energy-Efficiency Label, Product Supplier Management Rules and Management System of Customer Service Outsourcing. According to the requirement from supervision department, the Company revised the Article of Association combine with real situation, and formulated Management System of Future Exchange Business in line with the business development needs.

#### (II) In aspect of finance management

In line with the formulated requirement of accounting and finance management system, the Company performed regulations of laws, provisions and Company Law, Accounting Law, ASBE and Regulation of Internal Accounting Control –Basic Rules. During the Period, the follow 13 systems in aspect of financial controlling and management are improved by the Company, that is the Bank Money Regulation, Approval System of Bank Fund Business, Management System of Monetary Fund, Management System of Employee Loans, Credit Control Measures for Domestic Marketing, Reconciliation Control Measures for Domestic Marketing, Receipt Control Measures, Current Reconciliation Control Measures for Suppliers, Rules for the Implementation of Expenses Reimbursement and Expense Budget Control Regulation. Optimized flows in details, made all systems practical and effective, which provided strong guarantee for standardizing the accounting, strengthening the accounting supervision, ensuring the accuracy of the financial accounting data, avoiding the error and defects and stopping the leak with financial risks prevented.

(III) In aspect of information disclosure,

In accordance with regulation and requirement of Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and Rules of Corporate Governance for Listed Companies, the Company formulated vary management mechanisms. In the reporting period, the Company seriously perform relevant system and regulations of Information Disclosure Management System, Internal Reporting System for Significant Matters, Management System in Respect of External Information Reporting and Use, Management Mechanism of Investor Relationship and System of Accepting and Promotion, standardize every procedures for relationship management of investors as well as information disclosure, improve quality of the information disclosed, increase transparency of the Company.

(IV) In aspect of prevention of insider trading

The Company issued Registration System of Insider Information, Confidential System for Insider Information, Management System of Information Disclosure and Management Mechanism of Outside Information Delivery and Utilization as required by Provisions of Registration System of Insider for Listed Companies issued by CSRC, the Business Memos for Information Disclosure No. 34—Registration Management for Insider Information Informed Staff issued by Shenzhen Stock Exchange and Standard Operation Guide of Companies Listing in Main Board of Shenzhen Stock Exchange. Restrict practice the mechanism in Period, ensuring the information sending safely and correctly. Before the inside information of regular reports and major events disclosed, seriously carried out confidential requirements, person with knowledge of inside information are register and tightly control and rage of knowledge of such inside information. No informed person make use of the inside information conducts insider trading being found in reporting period.

(V) In aspect of internal control supervision

Currently, a relatively well-developed examination system for internal control has built by the Company, the totally and multilevel examination mode makes the internal control examination comprehensively, and also provides a favorable guarantee in deepening and increasing the establishment of internal control system. The Company established a specific internal auditing department for supervision and inspection in charge of the

auditing supervises for operation activities of the Company. Evaluated the authenticity, legality and rationality for the economic benefit, supervise and examined the execution of internal management system and internal control mechanism, reporting to the decision-making manager and management level of the Company while material defects found in internal control supervision.

Up to the end of the reporting period, the Company's internal control system has basically met the relevant requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange's. According to the affirmation to the major deficiencies of the company's internal control of financial reports, on December 31st, 2014 (base date of the internal control evaluation report), there was no significant internal control deficiency in the financial report, the Board considered that the Company has kept the effective financial report internal control in all significant aspects in accordance with the normative system of internal control and the related requirements. According to the affirmation to the major deficiencies of the company's internal control of non-financial reports, on December 31st, 2014, there was no significant internal control deficiency found in the non-financial report

## **II. Statement on responsibility for internal control from Board of Directors**

It is the responsibility for the board of the Company to, in line with regulation of standardized system of IC for enterprise, establish a sound internal control and implement it efficiency, evaluate its effectiveness and disclosed the evaluation report of IC in real. The supervisory committee supervises the board's establishment and implement of internal control. Management of the Company in charge of leadership and team building for the routine works of Internal Control

The board of directors of the Company, supervisory committee and all the directors, supervisors as well as senior executives guarantee that there exist no misrepresentation, misleading statements or major omissions in this report, and are jointly and severally liable for the truthfulness, accuracy and completeness of the contents.

The Company's internal control goal to obtain reasonable assurance that the Company operates lawfully, the asset is in security, financial report and related information are authentic and complete, to improve business efficiency and effectiveness, and to promote the strategy development of the Company. As the internal control has some inherent limitations, it can only provide reasonable assurance to the goal mentioned above. In addition, the changes may result in inappropriate internal control, or reduce the following degree to the control policies and procedures, it is predicted that the effectiveness of future internal control has a certain risks according to the internal control evaluation results

## **III. Basis of the Establishment of Internal Control over Financial Report**

(I) Based on provision of CSRC, Shenzhen Stock Exchange and Company's regulation

Pursuant to Securities Law, Accounting Law, the Announcement of CSRC [2011] No.41, and regulations of Rules on the Content and Format of Information Disclosure of Companies that Publicly Offer Securities No.2 – Content and Format of Annual Report (Amended in 2014), Rules on the Content and Format of Information

Disclosure of Companies that Publicly Offer Securities, Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report(Amended in 2014) and Rules Governing the Listing of Shares on Shenzhen Stock Exchange (Amended in 2014), combine with real situation, practice relevant works of annual financial reports seriously in line with the Annual Report Work Procedures for the Auditing Committee of the Board, approved by the Company and the Annual Report Working System of Independent Directors and Annual Report Major Mistake Accountability System, effectively improve the controlling and management standards in aspect of the IC for financial report, guarantee the financial report carried in way of truth-ness, accuracy, complete-ness and timely, enhance the quality and transparency for the information disclosed annually.

(II) Base on provision of controlling & management system for the internal financial report

Under the premise in implementing the Accounting Standards for Business Enterprises, Basic Regulation of Internal Control for Enterprises and other laws, regulations of the State, the Company formulated a series of specific regulations in aspect of controlling and management for the financial reports. Improve and strengthen accounting, the functions and authority of financial management institutionally, and effectively implementing the system in the real works. The Company set up a clear division of responsibilities for accounting posts with post responsibility through mutual separation, mutual restriction and mutual supervision. Relevant Financial regulations subscribe financial statement preparer as chief accountant, and the auditing accountant is in charge of checking and monitoring accounting credence and accounting bookkeeping and other accounting information. Executing accounting policies and approved accounting estimates shall not be arbitrarily changed. Equipped with professional financial software, financial accounting process is closely and correctly checked. Financial report has a scientifically and perfect statement process with which key data is controlled, collected, analyzed and operated well.

(III) Base on regulation of financial report preparation and information privacy

As the specialized department compiling the financial report, the financial management department of the company has compiled the financial reports with true digits, complete contents, accurate calculation, sufficient evidence and proper period in accordance with the national accounting standard system and the fully registered account books and other relevant data. In the process of the financial report compiling, the company strictly followed the "inside information insider registration system", "insider information confidential system", "management system of submitting and using the external information", registered and managed the compiling party, the relevant person in charge, the submitting units and other information insiders, and strictly required to keep secrets for the undisclosed significant financial data.

During the reporting period, there was no significant omission found in the company's financial reports, nor any significant deficiency was found in the internal control over the financial report.

#### IV. Evaluation report of internal control

Details of major defects in evaluation report that found in reporting period
No major defects in internal control been found in Period

Date of evaluation report of internal control disclosed (Full-text)	2015-3-26
Index of evaluation report of internal control disclosed (Full-text)	Juchao website (www.cninfo.com.cn) "evaluation report of internal control 2014 of Hefei Meiling Co., Ltd. "

## V. Audit report of internal control

Opinion paragraph in audit report of the internal control	
We consider that: in all major aspects, Hefei Meiling Co., Ltd. has efficiency in financial report of internal control dated 31 December 2014 according to Basic Standards of Internal Control for Enterprise and relevant regulations.	
Date of audit report of internal control disclosed (Full-text)	2015-3-26
Index of audit report of internal control disclosed (Full-text)	Juchao website: (www.cninfo.com.cn) —— "Audit Report of Internal Control dated 31 December 2014 of Hefei Meiling Co., Ltd"

Whether CPA carries out qualified opinion for audit report of internal control or not

Yes  No

Whether the opinions are consistent in audit report of internal control carrying out by CPA and the self-evaluation report of the Board or not

Yes  No

## VI. Establishment and Implement of Annual Report Major Mistake Accountability System

In accordance with the Notice on 2009 annual report and related work of Listed Company (CSRCGG [2009] No.34) issued by CSRC and laws, regulations, normative documents and Article of Association and Information Disclosure Management System, the Company formulated a "Annual Report Major Mistake Accountability System". The system clears the identification and investigation of major mistake in annual report information disclosure, and makes sure that the person in charge shall be treated seriously according to the system, if major mistake or omission takes place in accounting. Aiming at improve regulation standards for the Company, strengthen the truth-ness, accuracy, complete-ness and timely of the information disclosed, enhance quality and transparency for annual information disclosure and increased the intensity of accountability.

During the reporting period, the Company managed personnel concerned to annual report information disclosure in accordance with the Annual Report Major Mistake Accountability System. No major accounting mistake correction, no major accounting omission supplement or performance forecast amendment did not happen, nor great economic loss or punishment by regulators occurred duo to the default or incorrect fulfillment of responsibility and obligation by personnel concerned.



## Section XI. Financial Report

### I. Audit Report

Type of audit opinion	Standard unqualified auditor's report
Date of audit report signing	2015-3-24
Audit authority	Shinewing Certified Public Accountants (LLP)
Auditing file No.	XYZH2014CDA4040-1
CPA's name	He Yong, Fan Dayang

### Auditors' Report

XYZH2014CDA4040-1

#### To the Shareholders of Hefei Meiling Co., Ltd.:

We have audited the Company's consolidated and parent Company's financial statements of Hefei Meiling Co., Ltd. ("the Company"), including balance sheet of 31 December 2014 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

#### I. Management's responsibility for the financial statements

Management of the Company is responsible for prepare and present financial statement of the Company, which including: (1) Prepare financial statements with fair presentation in line with Accounting Standards for Business Enterprises; (2) Designing, executed and maintaining necessary internal control in order to prevent fundamental miscarrying in financial statement from fraudulent or errors.

#### II. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants' Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as 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 of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures, but not for

the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **III. Auditing opinion**

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2014 and its operation results and cash flows for the year ended.

Shine Wing CPA LLP

Chinese CPA: He Yong

Chinese CPA: Fan Dayang

Beijing, P.R.C

24 March 2015

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated balance sheet

Prepared by Hefei Meiling Co., Ltd.

2014-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	2,665,219,013.80	2,266,192,804.16
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	1,223,468,044.05	1,722,039,923.01
Accounts receivable	1,160,192,277.00	855,264,087.13
Accounts paid in advance	92,501,704.06	73,636,908.88
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	28,729,328.80	20,115,619.72
Purchase restituted finance asset		
Inventories	1,765,761,407.86	1,593,865,312.94
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets		
Total current assets	6,935,871,775.57	6,531,114,655.84
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	5,500,000.00	6,500,000.00
Held-to-maturity investment		

Long-term account receivable		
Long-term equity investment	14,211,004.21	22,995,387.39
Investment property	14,892,795.62	15,701,377.73
Fixed assets	1,223,763,920.86	1,138,750,631.37
Construction in progress	62,766,707.57	52,514,642.10
Engineering material		
Disposal of fixed asset	75,808,843.84	76,129,471.41
Productive biological asset		
Oil and gas asset		
Intangible assets	561,864,209.63	593,054,170.58
Expense on Research and Development	25,194,157.09	9,516,070.34
Goodwill	5,313,913.50	
Long-term expenses to be apportioned		
Deferred income tax asset	83,826,873.81	75,895,434.58
Other non-current asset		
Total non-current asset	2,073,142,426.13	1,991,057,185.50
Total assets	9,009,014,201.70	8,522,171,841.34
Current liabilities:		
Short-term loans	407,508,739.07	66,433,079.86
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses	81,170.00	
Derivative financial liability		
Notes payable	1,553,110,292.55	1,520,088,715.18
Accounts payable	1,681,116,965.38	1,692,121,242.19
Accounts received in advance	296,641,377.09	363,233,745.71
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	156,537,212.29	125,196,562.38
Taxes payable	51,153,350.18	-4,920,046.33

Interest payable		
Dividend payable	2,237,640.91	1,782,087.76
Other accounts payable	872,725,707.68	914,983,315.18
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year	11,153,512.52	119,256,114.30
Other current liabilities		
Total current liabilities	5,032,265,967.67	4,798,174,816.23
Non-current liabilities:		
Long-term loans	18,947,000.00	9,523,700.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	40,317,465.61	43,020,744.89
Special accounts payable		
Projected liabilities	347,107,686.15	356,648,942.74
Deferred income	131,995,227.77	107,073,628.76
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	538,367,379.53	516,267,016.39
Total liabilities	5,570,633,347.20	5,314,441,832.62
Owner's equity:		
Share capital	763,739,205.00	763,739,205.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	1,466,959,939.03	1,478,904,455.90
Less: Inventory shares		
Other comprehensive income	-3,262,898.99	-1,939,397.56

Reasonable reserve		
Surplus public reserve	359,857,106.14	337,902,735.75
Provision of general risk		
Retained profit	835,453,313.49	608,723,517.81
Total owner's equity attributable to parent company	3,422,746,664.67	3,187,330,516.90
Minority interests	15,634,189.83	20,399,491.82
Total owner's equity	3,438,380,854.50	3,207,730,008.72
Total liabilities and owner's equity	9,009,014,201.70	8,522,171,841.34

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

## 2. Balance Sheet of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	2,392,059,424.25	2,001,187,367.05
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	828,127,854.78	1,295,619,890.23
Accounts receivable	809,847,584.71	782,391,484.40
Account paid in advance	176,658,393.90	130,573,509.64
Interest receivable		
Dividends receivable		
Other receivables	54,910,749.80	45,236,748.46
Inventories	795,329,785.95	599,275,043.05
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	5,056,933,793.39	4,854,284,042.83
Non-current assets:		
Available-for-sale financial assets	5,000,000.00	5,000,000.00

Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	833,369,872.61	791,879,895.59
Investment property	12,279,792.66	12,753,681.33
Fixed assets	885,435,282.76	825,467,943.47
Construction in progress	48,527,533.03	44,630,882.53
Project materials		
Disposal of fixed assets	43,404,954.71	43,307,418.01
Productive biological assets		
Oil and natural gas assets		
Intangible assets	434,092,342.78	444,942,445.00
Research and development costs	509,879.01	
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	76,189,511.02	69,171,492.26
Other non-current assets		
Total non-current assets	2,338,809,168.58	2,237,153,758.19
Total assets	7,395,742,961.97	7,091,437,801.02
Current liabilities:		
Short-term borrowings	373,242,339.07	25,340,889.00
Financial liability measured by fair value and with variation reckoned into current gains/losses	81,170.00	
Derivative financial liability		
Notes payable	1,036,334,282.38	1,156,825,213.50
Accounts payable	1,151,471,839.41	1,100,326,742.67
Accounts received in advance	152,745,865.71	192,083,732.72
Wage payable	77,090,385.79	54,448,381.02
Taxes payable	23,323,462.51	-7,709,679.63
Interest payable		
Dividend payable	2,237,640.91	1,767,979.23
Other accounts payable	712,029,942.44	743,651,849.94
Divided into liability held for sale		
Non-current liabilities due within 1 year	7,487,760.60	117,490,683.80

Other current liabilities		
Total current liabilities	3,536,044,688.82	3,384,225,792.25
Non-current liabilities:		
Long-term loans	7,932,800.00	9,523,700.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	40,317,465.61	43,020,744.89
Special accounts payable		
Projected liabilities	347,107,686.15	356,648,942.74
Deferred income	75,538,045.61	83,024,561.91
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	470,895,997.37	492,217,949.54
Total liabilities	4,006,940,686.19	3,876,443,741.79
Owners' equity:		
Share capita	763,739,205.00	763,739,205.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	1,497,987,059.46	1,497,898,194.51
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	359,638,940.46	337,684,570.07
Retained profit	767,437,070.86	615,672,089.65
Total owner's equity	3,388,802,275.78	3,214,994,059.23
Total liabilities and owner's equity	7,395,742,961.97	7,091,437,801.02

Legal Representative: Liu Tabin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin



### 3. Consolidated Profit Statement

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Total operating income	10,764,808,259.00	10,538,933,941.29
Including: Operating income	10,764,808,259.00	10,538,933,941.29
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	10,467,843,678.53	10,262,721,797.36
Including: Operating cost	8,234,200,354.49	7,994,756,769.44
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	78,871,049.42	103,778,248.74
Sales expenses	1,770,150,215.75	1,829,094,848.49
Administration expenses	468,258,865.37	401,591,306.97
Financial expenses	-100,881,397.01	-81,041,860.90
Losses of devaluation of asset	17,244,590.51	14,542,484.62
Add: Changing income of fair value(Loss is listed with "-")	-81,170.00	
Investment income (Loss is listed with "-")	-1,703,917.37	-149,450.68
Including: Investment income on affiliated company and joint venture	-445,938.81	-1,218,444.63
Exchange income (Loss is listed with "-")		
III. Operating profit (Loss is listed with	295,179,493.10	276,062,693.25

“-”)		
Add: Non-operating income	58,282,708.52	33,929,380.90
Including: Disposal gains of non-current asset	2,048,964.19	739,922.85
Less: Non-operating expense	6,057,181.88	3,883,226.46
Including: Disposal loss of non-current asset	2,480,137.41	3,558,964.71
IV. Total Profit (Loss is listed with “-”)	347,405,019.74	306,108,847.69
Less: Income tax expense	66,998,094.57	29,972,625.12
V. Net profit (Net loss is listed with “-”)	280,406,925.17	276,136,222.57
Net profit attributable to owner’s of parent company	294,508,518.37	274,068,195.60
Minority shareholders’ gains and losses	-14,101,593.20	2,068,026.97
VI. Net after-tax of other comprehensive income	-1,081,375.78	-1,100,725.42
Net after-tax of other comprehensive income attributable to owners of parent company	-1,323,501.43	-660,435.25
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	-1,323,501.43	-660,435.25
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of		

available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements	-1,323,501.43	-660,435.25
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders	242,125.65	-440,290.17
VII. Total comprehensive income	279,325,549.39	275,035,497.15
Total comprehensive income attributable to owners of parent Company	293,185,016.94	273,407,760.35
Total comprehensive income attributable to minority shareholders	-13,859,467.55	1,627,736.80
VIII. Earnings per share:		
(i) Basic earnings per share	0.3856	0.3589
(ii) Diluted earnings per share	0.3856	0.3589

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

#### 4. Profit Statement of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Operating income	6,495,639,344.31	6,648,408,593.59
Less: Operating cost	5,502,450,266.54	5,761,939,957.52
Operating tax and extras	30,721,017.41	56,391,265.49
Sales expenses	529,254,265.32	565,380,145.45
Administration expenses	243,734,874.28	194,497,458.80
Financial expenses	-82,800,894.21	-66,314,184.45
Losses of devaluation of asset	49,068,931.16	18,297,688.73
Add: Changing income of fair	-81,170.00	

value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	3,000,082.78	4,482,850.78
Including: Investment income on affiliated company and joint venture	865,521.39	382,993.38
II. Operating profit (Loss is listed with “-”)	226,129,796.59	122,699,112.83
Add: Non-operating income	44,143,337.64	22,382,368.37
Including: Disposal gains of non-current asset	680,984.51	103,553.28
Less: Non-operating expense	4,003,019.30	3,093,945.16
Including: Disposal loss of non-current asset	1,825,011.46	3,093,945.16
III. Total Profit (Loss is listed with “-”)	266,270,114.93	141,987,536.04
Less: Income tax expense	46,726,411.03	12,967,750.12
IV. Net profit (Net loss is listed with “-”)	219,543,703.90	129,019,785.92
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising		

from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	219,543,703.90	129,019,785.92
VII. Earnings per share:		
(i) Basic earnings per share	0.2875	0.1689
(ii) Diluted earnings per share	0.2875	0.1689

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

## 5. Consolidated Cash Flow Statement

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	7,835,232,156.10	7,362,125,570.16
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		

Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	173,537,535.83	104,614,942.45
Other cash received concerning operating activities	32,517,028.08	539,186,468.96
Subtotal of cash inflow arising from operating activities	8,041,286,720.01	8,005,926,981.57
Cash paid for purchasing commodities and receiving labor service	5,882,368,847.26	5,510,924,303.61
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	938,669,338.25	853,130,441.46
Taxes paid	433,472,917.45	544,075,855.50
Other cash paid concerning operating activities	621,312,686.57	558,804,227.36
Subtotal of cash outflow arising from operating activities	7,875,823,789.53	7,466,934,827.93
Net cash flows arising from operating activities	165,462,930.48	538,992,153.64
II. Cash flows arising from investing activities:		

Cash received from recovering investment	676,076.88	724,722.07
Cash received from investment income	2,610,105.76	1,729,002.25
Net cash received from disposal of fixed, intangible and other long-term assets	44,326,304.67	19,367,717.79
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	117,764,368.54	88,471,556.37
Subtotal of cash inflow from investing activities	165,376,855.85	110,292,998.48
Cash paid for purchasing fixed, intangible and other long-term assets	88,796,624.94	81,335,768.82
Cash paid for investment	3,028,299.00	4,561,836.68
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained	-213,848.32	
Other cash paid concerning investing activities		1,632,667.09
Subtotal of cash outflow from investing activities	91,611,075.62	87,530,272.59
Net cash flows arising from investing activities	73,765,780.23	22,762,725.89
III. Cash flows arising from financing activities		
Cash received from absorbing investment	7,280,005.60	
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	1,754,828,497.78	594,148,968.88
Cash received from issuing bonds		
Other cash received concerning financing activities	88,864.95	
Subtotal of cash inflow from financing activities	1,762,197,368.33	594,148,968.88

Cash paid for settling debts	1,538,680,307.73	591,218,222.17
Cash paid for dividend and profit distributing or interest paying	64,415,092.32	44,395,648.03
Including: Dividend and profit of minority shareholder paid by subsidiaries	230,948.53	1,328,017.39
Other cash paid concerning financing activities	3,068,420.75	2,577,487.76
Subtotal of cash outflow from financing activities	1,606,163,820.80	638,191,357.96
Net cash flows arising from financing activities	156,033,547.53	-44,042,389.08
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	11,732,622.14	19,864,068.92
V. Net increase of cash and cash equivalents	406,994,880.38	537,576,559.37
Add: Balance of cash and cash equivalents at the period -begin	2,238,884,137.50	1,701,307,578.13
VI. Balance of cash and cash equivalents at the period -end	2,645,879,017.88	2,238,884,137.50

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

## 6. Cash Flow Statement of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,761,689,695.88	4,798,560,899.35
Write-back of tax received	124,242,655.84	50,347,019.18
Other cash received concerning operating activities	31,720,648.00	440,193,603.62
Subtotal of cash inflow arising from operating activities	4,917,652,999.72	5,289,101,522.15



Cash paid for purchasing commodities and receiving labor service	4,016,451,734.29	4,022,428,056.41
Cash paid to/for staff and workers	353,297,766.94	395,088,638.23
Taxes paid	129,438,993.02	186,392,103.87
Other cash paid concerning operating activities	236,803,329.13	115,011,184.80
Subtotal of cash outflow arising from operating activities	4,735,991,823.38	4,718,919,983.31
Net cash flows arising from operating activities	181,661,176.34	570,181,538.84
II. Cash flows arising from investing activities:		
Cash received from recovering investment		45,000,000.00
Cash received from investment income	2,460,105.76	4,616,453.40
Net cash received from disposal of fixed, intangible and other long-term assets	1,020,720.81	18,997,413.44
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	104,247,387.42	71,757,183.97
Subtotal of cash inflow from investing activities	107,728,213.99	140,371,050.81
Cash paid for purchasing fixed, intangible and other long-term assets	56,028,661.18	52,229,579.46
Cash paid for investment	40,950,000.00	
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	1,100,000.00	
Subtotal of cash outflow from investing activities	98,078,661.18	52,229,579.46
Net cash flows arising from investing activities	9,649,552.81	88,141,471.35
III. Cash flows arising from financing		

activities		
Cash received from absorbing investment		
Cash received from loans	1,518,245,064.01	478,815,844.97
Cash received from issuing bonds		
Other cash received concerning financing activities	43,122,952.26	190,523,788.66
Subtotal of cash inflow from financing activities	1,561,368,016.27	669,339,633.63
Cash paid for settling debts	1,305,890,284.75	485,156,502.78
Cash paid for dividend and profit distributing or interest paying	60,743,594.54	42,774,994.70
Other cash paid concerning financing activities	2,707,282.98	53,957,163.09
Subtotal of cash outflow from financing activities	1,369,341,162.27	581,888,660.57
Net cash flows arising from financing activities	192,026,854.00	87,450,973.06
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	10,531,107.94	14,810,823.34
V. Net increase of cash and cash equivalents	393,868,691.09	760,584,806.59
Add: Balance of cash and cash equivalents at the period -begin	1,996,577,625.49	1,235,992,818.90
VI. Balance of cash and cash equivalents at the period -end	2,390,446,316.58	1,996,577,625.49

Legal Representative: Liu Tabin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

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

Prepared by Hefei Meiling Co., Ltd.

This Period

In RMB

Item	This Period												
	Owners' equity attributable to parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
	Preferr ed stock	Perpet ual capital securit ies	Other										
I. Balance at the end of the last year	763,739,205.00				1,478,904,455.90		-1,939,397.56		337,902,735.75		608,723,517.81	20,399,491.82	3,207,730,008.72
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	763,739,205.00				1,478,904,455.90		-1,939,397.56		337,902,735.75		608,723,517.81	20,399,491.82	3,207,730,008.72

III. Increase/ Decrease in this year (Decrease is listed with “-”)					-11,944,516.87		-1,323,501.43		21,954,370.39		226,729,795.68	-4,765,301.99	230,650,845.78
(i) Total comprehensive income							-1,323,501.43				294,508,518.37	-13,859,467.55	279,325,549.39
(ii) Owners’ devoted and decreased capital					-11,944,516.87							7,308,772.91	-4,635,743.96
1.Common shares invested by shareholders												7,308,772.91	7,308,772.91
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other					-11,944,516.87								-11,944,516.87
(III) Profit distribution									21,954,370.39		-67,778,722.69	1,785,392.65	-44,038,959.65
1. Withdrawal of surplus reserves									21,954,370.39		-21,954,370.39		
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)											-45,824,352.30	1,785,392.65	-44,038,959.65
4. Other													
(IV) Carrying forward internal owners’ equity													
1. Capital reserves conversed to capital (share capital)													

2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	763,739,205.00				1,466,959,939.03		-3,262,898.99		359,857,106.14		835,453,313.49	15,634,189.83	3,438,380,854.50

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
	Preferr ed stock	Perpet ual capita l securi ties	Other										
I. Balance at the end of the last year	763,739,205.00				1,482,582,391.41		-1,278,962.31		325,000,757.16		385,744,261.05	25,682,269.34	2,981,469,921.65

Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	763,739,205.00			1,482,582,391.41	-1,278,962.31	325,000,757.16	385,744,261.05	25,682,269.34	2,981,469,921.65				
III. Increase/ Decrease in this year (Decrease is listed with “-”)				-3,677,935.51	-660,435.25	12,901,978.59	222,979,256.76	-5,282,777.52	226,260,087.07				
(i) Total comprehensive income					-660,435.25		274,068,195.60	1,627,736.80	275,035,497.15				
(ii) Owners’ devoted and decreased capital				-3,677,935.51					-3,677,935.51				
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other				-3,677,935.51									-3,677,935.51
(III) Profit distribution							12,901,978.59	-51,088,938.84	-6,910,514.32	-45,097,474.57			
1. Withdrawal of surplus reserves							12,901,978.59	-12,901,978.59					
2. Withdrawal of general risk provisions													



This Period

In RMB

Item	This Period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	763,739,205.00				1,497,898,194.51				337,684,570.07	615,672,089.65	3,214,994,059.23
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,898,194.51				337,684,570.07	615,672,089.65	3,214,994,059.23
III. Increase/Decrease in this year (Decrease is listed with "-")					88,864.95				21,954,370.39	151,764,981.21	173,808,216.55
(i) Total comprehensive income										219,543,703.90	219,543,703.90
(ii) Owners' devoted and decreased capital					88,864.95						88,864.95
1.Common shares invested by shareholders											



2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other					88,864.95						88,864.95
(III) Profit distribution									21,954,370.39	-67,778,722.69	-45,824,352.30
1. Withdrawal of surplus reserves									21,954,370.39	-21,954,370.39	
2. Distribution for owners (or shareholders)										-45,824,352.30	-45,824,352.30
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the											

report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	763,739,205.00				1,497,987,059.46			359,638,940.46	767,437,070.86	3,388,802,275.78	

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	763,739,205.00				1,497,898,194.51				324,782,591.48	537,741,242.57	3,124,161,233.56
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,898,194.51				324,782,591.48	537,741,242.57	3,124,161,233.56
III. Increase/ Decrease in this year (Decrease is listed with "-")									12,901,978.59	77,930,847.08	90,832,825.67
(i) Total comprehensive										129,019,785.92	129,019,785.92

income											
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution									12,901,978.59	-51,088,938.84	-38,186,960.25
1. Withdrawal of surplus reserves									12,901,978.59	-12,901,978.59	
2. Distribution for owners (or shareholders)										-38,186,960.25	-38,186,960.25
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss											

with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	763,739,205.00				1,497,898,194.51				337,684,570.07	615,672,089.65	3,214,994,059.23

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Tang Bin

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

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### **I. Company profile**

#### **(I) Historical Origin**

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

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

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

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

On October 29, 2008, Changhong Group Company signed Agreement on Equity Transfer of Hefei Meiling Co., Ltd with Sichuan Changhong, in which 32,078,846 tradable A-shares with conditional subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On 23 December 2008, “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders”[GZCQ(2008) No. 1412] issued by SASAC agrees the above said share transferring.

On 24 December 2010, being deliberated and approved in 32<sup>nd</sup> Meeting of 6<sup>th</sup> Session of the Board and 2<sup>nd</sup> Extraordinary Shareholders’ General Meeting of 2010 as well as approval of document [ZJXP(2010) No.

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

1715] from CSRC, totally 116,731,500 RMB ordinary shares (A stock) were offering privately to target investors with issue price of RMB 10.28/share. Capital collecting amounting to RMB 1,199,999,820 after issuing expenses RMB 22,045,500 deducted, net capital collected amounting to RMB 1,177,954,320, and paid-in capital (share capital) increased RMB 116,731,500 with capital reserve (share premium) RMB 1,061,106,088.5 increased. The increasing capital has been verified by Capital Verification Report No.: [XYZH2010CDA6021] issued from Shinwing CPA Co., Ltd.

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

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

Ended as 31 December 2014, total share capital of the Company amounting to 763,739,205 shares with ordinary shares in full. Among which, 600,875,205 shares of A-share accounting 78.68% in total shares while B-share with 162,864,000 shares accounting 21.32% in total shares. Detail share capital as:

Type of stock	Quantity	Proportion
<b>(I)Restricted shares</b>	<b>10,658,357.00</b>	<b>1.40%</b>
1. State-owned shares	-	-
2. State-owned legal person's shares	540,692.00	0.07%
3. Other domestic shares	9,453,171.00	1.24%
Including: Domestic legal person's shares	7,052,279.00	0.92%
Domestic natural person's shares	2,400,892.00	0.32%
4. Foreign shares	664,494.00	0.09%
<b>(II)Unrestricted shares</b>	<b>753,080,848.00</b>	<b>98.60%</b>
1. RMB Ordinary shares	590,881,342.00	77.36%
2. Domestically listed foreign shares	162,199,506.00	21.24%
3. Overseas listed foreign shares	-	-
4. Others	-	-
<b>Total shares</b>	<b>763,739,205.00</b>	<b>100.00%</b>

### (2) Business nature and its business activities

The Company belongs to the manufacture of light industry, and engaged in the production and sale of refrigerator, freezer and air-conditioner. Registration No. of the Business License of Corporation Legal

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

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Person: 340000400001278; Address: No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei City; Legal Representative: Liu Tibin; register capital(paid-in capital): RMB 763,739,205; type of company: limited liability company(joint venture and listed of Taiwan, Hong Kong and Macau) Business Scope: Manufacture of cooling apparatus, air-conditioner, washing machine, injection plastic machine of computer controlling, computer heater, plastic products, packaging products and decorations. Business of self-produced products, technology export and import&export of the raw&auxiliary materials, machinery equipment, instrument and technology; department sales and transportation

(3) Name of the parent Company and final actual controller of the Group

Ended Dec. 31, 2014, Sichuan Changhong and its accord actionist totally held 24.88% shares of the Company and is the first largest shareholder; Changhong Group held 23.20% shares of Sichuan Changhong accounting and is the first largest shareholder of Sichuan Changhong; State-owned Assets Supervision & Administration Commission of Mianyang Municipality held 100% equities of Changhong Group and is the final actual controller of the Company.

### **II. Scope of consolidated financial statement**

The Company's consolidated financial statement included 48 subsidiaries including but not limited to Sichuan Changhong Air Conditioner CO., Ltd, Zhongshan Changhong Home Appliances Company Limited and Zhongke Meiling Low Temperature Technology Co., Ltd, etc. as compared to previous year, Mianyang Meiling Software Technology Company was newly included due to direct investment in this year, and Guangxi Huidian Household Electrics Company Limited was newly included due to business combination not under common control; Xinxiang Meiling Appliances Marketing Company Limited, Liu'an Meiling Appliances Marketing Company Limited and Hefei Meiling Environment Protection Package Materials Co., Ltd were excluded due to liquidation, and Hefei Meiling Precise Pipe Co., Ltd was cancelled due to consolidation.

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

### **III. Basis for preparation of financial statement**

#### **1. Basis for preparation**

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

#### **2. Continuous operation**

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

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

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

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

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

### **2. Accounting period**

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

### **3. Standard currency for accounting**

The Company takes RMB as the standard currency for accounting.

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

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

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

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

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

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

All the material inter-company transactions, non-extraordinary items and unrealized profit within the combination scope are written-off when preparing consolidated financial statement. Owners' equity of



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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

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subsidiary not attributable to parent company and current net gains and losses, other comprehensive income and total comprehensive income attributable to minority shareholders are recognized as non-controlling interests, minority interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders in consolidated financial statement respectively.

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

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

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

As for equity interests of the investee not under common control acquired through various transactions which eventually formed business combination, the Company shall supplement disclosure of the accounting

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

From 1 January 2014 to 31 December 2014

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

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

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

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

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

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

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As for asset transaction relating to purchase and sales with the jointly controlled entity which does not constitute business activity, part of the gains and losses arising from such transaction attributable to other participators of the jointly controlled entity is only recognized.

### 2. Cash and cash equivalents

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

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

#### (1) Foreign currency business

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

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

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

Financial assets and financial liabilities

### 9. Financial assets and financial liabilities

#### (1) Financial assets

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### 1) Classification of financial assets

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

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

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

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

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

### 2) Recognition and measurement for financial assets

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

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

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

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

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

### 3) Impairment of financial assets

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

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

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

### 4) Transfer of financial assets

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

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

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If the entire transfer of financial assets satisfies the demand for derecognition, reckon the balance between the book value of the transferred financial assets and the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income in the current profits and losses.

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

### (2) Financial liabilities

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

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

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

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

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

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

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pricing model.

### 10. Bad debt provision for accounts receivable

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

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

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

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

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

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

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

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

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

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Over 5 years	100	100
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(3) Account receivable with single minor amount but withdrawal single item bad debt provision:

Reasons for withdrawal single item bad debt provision	Account with minor amount but have significant inflow risk on predicted future cash flow
Withdrawal method for bad debt provision	Impairment test on the current value of predicted future cash flow, bad debt provision withdrawal.

### 11. Inventories

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

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

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

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

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

#### 1) Refrigerator, freezer and washing machine

Grade	Stock duration	Withdrawal proportion for obsolete provision
Grade-A	Within 3 months	0%
	4-6 months	5%
	7-12 months	15%
	1-2 years	25%
	2-3 years	40%
	Over 3 years	100%
Qualified		40%
Grade-B		50%
Grade-C		60%
Unqualified		60%



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Grade	Stock duration	Withdrawal proportion for obsolete provision
Disposal		65%
Sample machine		30%
Special user type that exceed the order quantity		50%

### 2) Air-conditioner

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

The Company re-checks the above mentioned proportion at every end of the year. Calculated the net realizable value by difference between the estimated sale price less the estimated sales expense and relevant taxation; after comparison with the book value of commodity stocks and goods in transit, determined whether adjusted the proportion or not.

Mould expense will amortize in installment in usual times. Once the use-life of mould being terminated, than transfer its remaining cost into gains/losses, and no withdrawal of obsolete provision at period-end.

#### 12. Long-term equity investment

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

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

*Excluding the long-term equity investment acquired through business combination, there is also a kind of long-term equity investment acquired through cash payment, for which the actual payment for the purchase shall be investment cost; If Long-term equity investments are acquired by issuing equity securities, fair value of issuing equity investment shall be investment cost; for Long-term equity investments which are invested by investors, the agreed price in investment contract or agreement shall be investment cost; and for long-term*

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equity investment which is acquired through debt reorganization and non-monetary assets exchange, regulations of relevant accounting standards shall be referred to for confirming investment cost.

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

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

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

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

13. Investment real estate

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The investment real estate of the Company includes leased houses and buildings, and is accounted value by its cost. Cost of purchased-in investment real estate consists of payment for purchase, relevant taxes and other expenditure which is attributable to the assets directly; while cost of self-built investment real estate is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state.

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

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

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

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

### 14. Fixed assets

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

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

Consequent expenditure related to fixed assets consists of expenditures for repair and update reform. For those meeting requirements for recognition of fixed assets, they would be accounted as fixed asset cost;

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and for the part which is replaced, recognition of its carrying value shall cease; for those not meeting requirements for recognition of fixed assets, they shall be accounted in current gains and losses as long as they occur. When fixed asset is disposed, or no economic benefit would be predicted to obtain through utilization or disposal of the asset, the Company shall terminate recognition of such fixed asset. The amount of income from disposal, transfer, discarding as scrap or damage of fixed asset after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

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

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

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

### 15. Construction in process

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

### 16. Borrowing expense

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

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

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

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

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

### 17. Intangible assets

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

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

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

### 18. Research and development

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

- (1) Completions of the intangible assets makes it available for application or sell in technology;

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(2) Equipped with plan to complete the intangible asset and apply or sell it;

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

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

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

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

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

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

Indications for impairment are as follows:

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

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

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

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

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

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

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(7) Other indications showing possible impairment of assets

### 20. Goodwill

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

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

### 21. Long-term deferred expenses

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

### 22. Staff remuneration

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

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

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

The early retirement policy for staff and workers of the Company is the compensation for encouraging staff and workers to accept the reduction voluntarily. The employees make applications voluntarily, the two parties sign the compensation agreement after approved by the Company and calculate the compensation amount according to the compensation standard passed by the staff representative conference, and the

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Company confirms it as dismiss welfare and reckons it in current profits and losses. As the Company promises to adjust the treatment for early retiring staff and workers with the increase of social basic cost of living allowances, the discount elements will not be considered for calculating the dismiss welfare.

### 23. Estimated liabilities

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

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

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

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

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

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

### 25. Government subsidies

Government subsidy at the Company be able to meet its attached conditions, and can be confirmed when received. Government grants for monetary assets, in accordance with the measurement of the amount actually received, according to a fixed quota for the allocation of the grant criteria, in accordance with the amount of accounts receivable measurement; government subsidies for non-monetary assets, in accordance



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with the fair value, fair value should not reliably achieved, in accordance with the notional amount (RMB 1.00) measurement.

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

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

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

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

### **27. Lease**

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

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

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

### **28. Income tax accounting**

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

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except for that above, the income tax expense shall be included in the profit or loss in the current period.

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

### 29. Segment information

Business segment was the major reporting form of the Company, which divided into 4 parts: air-conditioner, refrigerator and freezer, marketing and others. The transfer price among the segments will recognize based on the market price, common costs will allocated by income proportion between segments except for the parts that without reasonable allocation.

### 30. Explanation on significant accounting estimation

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

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

#### (1) Inventory impairment provision

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

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

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

If the management amends the gross profit margin and discount rate adopted in calculation of future cash flow of assets and assets group and the amended gross profit margin is lower than the currently adopted one or the amended discount rate is higher than the currently adopted one, the Company needs to increase

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provision of impairment provision. If the actual gross profit margin is higher (or the discount rate is lower) than the estimation of management, the Company can not transfer back the long term assets impairment provision provided already.

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

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

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

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

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

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

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

## 31. Other comprehensive income

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

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

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

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

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

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

1)Date of the chang: 1 July 2014

2)reason and content of the change

since January 26, 2014, the Ministry of Finance has revised and newly issued "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments", "Accounting Standards for Business Enterprises No. 9 - Employee Remuneration"etc. seven specific standards ; On July 23, 2014, the Ministry of Finance released the decision of revising "Accounting Standards for Business Enterprises - Basic Standards". The company has implemented the above-mentioned eight new accounting standards since July 1, 2014 according to the relevant regulations and requirements of the Ministry of Finance, and the company has revised the existing accounting policies and accounting system in accordance with the provisions and requirements. As for the standards not covered by the revision, the company still implements the relevant accounting standards, accounting standards application guide, accounting standards interpretations and other relevant provisions issued by the Ministry of Finance on February 15, 2006.

3) Procedures of examination and approval:the relevant accounting policy change had been approved by the 6<sup>th</sup> meeting of the 8<sup>th</sup> session board of directors.

4) Items and amount of statement that impacted

Note 1: prior to 2014, the Company adopted cost method for measuring the equity investment , for which there was no quotation in an active market and the fair value can not be reliably measured, in the investee over which the Company had no common control or significant influence, and recognize such equity investment as long-term equity investment. Under the amended Enterprise Accounting Principles No.2-Long-term Equity Investment, the aforesaid equity investment shall be applicable to Enterprise Accounting Principles No.22-Recognition and Measurement of Financial Instrument. The Company adopted retrospective adjustment for the change of accounting policy and the 2014 comparative statement has been restated. The long-term equity investment reduced by RMB6.50 million in 2013 consolidated balance sheet, while available-for-sale financial assets increased by RMB6.50 million, which meant the total assets was not affected.

Note 2: the Company's annual performance incentive fund belongs to short-term profit sharing plan. Under the previous accounting policies, the performance incentive fund withdrew in the performance year was early

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charged in the expenses before tax of next year pursuant to Implementation of the Annual Performance Incentive Fund of Hefei Meiling Company Limited (the “Incentive Scheme”) approved at the second general meeting of 2012. Currently under the amended Enterprise Accounting Principles No.9- Staff Remuneration, the aforesaid treatment changes to: performance incentive fund withdrew in the performance year is charged in the expenses before tax of that year. Under the amended Enterprise Accounting Principles No.9- Staff Remuneration, short-term profit sharing plan is not applicable to retrospective adjustment method. Therefore, change of this accounting policy would not affect the Company’s financial statements of 2013 and before. As for 2014 which is the first year since relevant adjustment, expenses before tax shall include two batches of incentive funds, namely 2013 annual performance incentive fund of RMB26,357,500.00 (based on previous accounting policy) granted by the Company in 2014 and the performance incentive fund of RMB32,186,723.32 accrued for 2014 assessment year (based on new accounting policy).

Note 3: Under the amended Enterprise Accounting Principles No.30-Presentation of Financial Statement, the deferred income originally presented in other non-current liabilities should be presented separately. The Company has made presentation and disclosure in its 2013 and current financial statements according to the provisions of the newly amended principles. This change has no effect on the Company’s financial position, operating results and cash flow in 2013.

Note 4: under the amended Enterprise Accounting Principles No.30-Presentation of Financial Statement, the long-term staff remuneration payable originally presented in staff remuneration payable should be presented separately. The Company has made presentation and disclosure in its 2013 and current financial statements according to the provisions of the newly amended principles. This change has no effect on the Company’s financial position, operating results and cash flow in 2013.

The change of accounting policy effected the statement at year-begin:

The effected item	2013-1-1		
	(Jan.-Dec.2012)		
	Before the adjustment	Adjustment account	After the adjustment
Total assets	<b>7,886,140,432.47</b>	-	<b>7,886,140,432.47</b>
Including: Finance asset available for sales	-	10,420,000.00	10,420,000.00
Long-term equity investment	35,150,428.02	-10,420,000.00	24,730,428.02
<b>Total liabilities</b>	<b>4,904,670,510.82</b>		<b>4,904,670,510.82</b>
Including: Wage payable	137,325,501.89	-43,562,574.06	93,762,927.83
Long-term wage payable	-	43,562,574.06	43,562,574.06
Other non-current liabilities	92,645,296.80	-92,645,296.80	-
Deferred income	-	92,645,296.80	92,645,296.80
<b>Total owner’s equity</b>	<b>2,981,469,921.65</b>		<b>2,981,469,921.65</b>

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Including:Balance difference of foreign currency translation	-1,278,962.31	1,278,962.31	-
Other comprehensive income	-	-1,278,962.31	-1,278,962.31
<b>Net Profit</b>	<b>161,177,400.62</b>		<b>161,177,400.62</b>
<b>Net of other comprehensive income after-tax</b>	<b>-1,278,962.31</b>		<b>-1,278,962.31</b>

(Continued)

The effected item	2013-12-31		
	(Jan.-Dec.2013)		
	Before the adjustment	Adjustment account	After the adjustment
Total assets	<b>8,522,171,841.34</b>	-	<b>8,522,171,841.34</b>
Including:Finance asset available for sales	-	6,500,000.00	6,500,000.00
Long-term equity investment	29,495,387.39	-6,500,000.00	22,995,387.39
<b>Total liabilities</b>	<b>5,314,441,832.62</b>		<b>5,314,441,832.62</b>
Including:Wage payable	168,217,307.27	-43,020,744.89	125,196,562.38
Long-term wage payable		43,020,744.89	43,020,744.89
Other non-current liabilities	107,073,628.76	-107,073,628.76	-
Deferred income		107,073,628.76	107,073,628.76
<b>Total owner's equity</b>	<b>3,207,730,008.72</b>		<b>3,207,730,008.72</b>
Including:Balance difference of foreign currency translation	-1,939,397.56	1,939,397.56	-
Other comprehensive income	-	-1,939,397.56	-1,939,397.56
<b>Net Profit</b>	<b>276,136,222.57</b>		<b>276,136,222.57</b>
<b>Net of other comprehensive income after-tax</b>	<b>-1,100,725.42</b>		<b>-1,100,725.42</b>

(2) Change of significant accounting estimates: Nil

## V. Taxation

### 1. Major taxes (expenses) and tax rates

Tax(expenses)	Tax base	Tax rate
VAT	Income from sales of goods and from processing	17%
Business tax	Rental income and off-price expense	5%
Urban maintenance and construction tax	Turnover tax	5% or 7%
Education surcharge	Turnover tax	3%
Local education surcharge	Turnover tax	2%
Corporate income tax	Taxable income	15% or 25%

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Tax(expenses)	Tax base	Tax rate
House Property Tax	Original Book value of house property×(1-30%)or annual rent income	1.2% or 12%
Land use tax	Actual land area used	RMB 2.5/M <sup>2</sup> to RMB 7 /M <sup>2</sup>

### 2. Preferential tax and approval documents

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

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

Subsidiary Sichuan Changhong Air Conditioner Co., Ltd. approved the re-examination of high-tech enterprise dated 25 December 2013, and was granted the “Certificate of High-tech Enterprise” (certificate No.: GR201051000154) with a maturity of three years. Being approved and file by First Branch of Local Tax Bureau of Mianyang City on 2 May 2013, Sichuan Changhong Air Conditioner Co., Ltd. was subject to enterprise income tax at a rate of 15%.

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

On May 9<sup>th</sup> 2014, subsidiary Mianyang Meiling Refrigerator Co., Ltd. passed review and reply [Chuan Jin Xin Changye Han (2014) No.408] from Sichuan Province Commission of Economy and Information Technology, the Company belongs to the industries that encourage by the Country which is carried out in “Industrial Restructuring Guidance Directory” (2011) Revised (National Fa Gai Wei No.21); enjoyed the preferential income tax policy for the West Development Enterprise. And being filed in the Taxation Bureau, enterprise income tax shall tax on 15% rates since 2014 with validity of 7 years.

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

With respect to the financial statements figures disclosed below, unless otherwise specified, “year-beginning” refers to Jan. 1, 2014; “year-end” refers to Dec. 31, 2014; “the year” refers to Jan. 1 to Dec. 31, 2014; “the last year” refers to Jan. 1 to Dec. 31, 2013; the currency is RMB.

#### 1. Monetary fund

Item	Amount at year-end	Amount at year-begin
Cash	34,327.48	107,261.58
Bank deposit	2,602,664,703.52	2,181,795,210.30
Other Monetary fund	62,519,982.80	84,290,332.28
<b>Total</b>	<b>2,665,219,013.80</b>	<b>2,266,192,804.16</b>
Including:total amount deposited in overseas	7,023,527.63	2,673,029.04

Other monetary fund:

Item	Amount at year-end
Bank acceptance deposits	31,794,792.43
Foreign currency for verification	11,226,634.45
Bank of deposit—pledge ticket for booking	10,498,043.68
Current deposit for the bank notes pool	4,000,000.00
UnionPay online	97,728.90
Taobao account	4,902,783.34
<b>Total</b>	<b>62,519,982.80</b>

In other currency capital, including current deposit for the bank notes pools RMB 4,000,000.00, pledge margin RMB 10,498,043.68 and bank acceptance bill margin RMB 31,794,792.43, of which bank acceptance margin RMB 19,339,995.92 with over 3 months are not consider as the cash and cash equivalent. Taobao account and UnionPay online are the third party payment platform and with trading carry on-line

The amount saving in Sichuan Changhong Group Finance Co., Ltd. (Changhong Finance Company) at year-end converted as RMB 1,040,209,426.68 in total, including RMB demand deposit RMB 29,209,426.68, RMB 1,000,000,000.00 fixed deposit and RMB 11,000,000.00 agreemnt savings.

According to the policy from foreign exchange manageemnt, the foreign amount from the enterprise are entered in verification account, before verification, teh amount are restricte for use temporary

#### 2. Notes receivable

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

Item	Amount at year-end	Amount at year-begin
Bank acceptance bill	1,222,204,923.98	1,707,852,913.72
Commercial acceptance bill	1,263,120.07	14,187,009.29



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Item	Amount at year-end	Amount at year-begin
<b>Total</b>	<b>1,223,468,044.05</b>	<b>1,722,039,923.01</b>

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

Item	Amount mortgaged by end of the year
Bank acceptance	101,830,822.94

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

Item	Termination confirmation amount at year-end	No termination confirmation amount at year-end
Bank acceptance	2,621,793,470.05	-

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

## 3. Accounts receivable

### (1) Account receivable by category

Category	Amount at year-end				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Significant account receivable and withdrawal bad debt provision single	-	-	-	-	
Account receivable withdrawal bad debt provision by combination	—	—	—	—	
Combination 1	1,001,798,140.69	82.31	56,282,407.74	5.62	945,515,732.95
Combination 2	211,449,366.71	17.37			211,449,366.71
Subtotal of combination	1,213,247,507.40	99.68	56,282,407.74	4.64	1,156,965,099.66
Account receivable with single minor amount but withdrawal bad debt provision singly	3,878,543.12	0.32	651,365.78	16.79	3,227,177.34
<b>Total</b>	<b>1,217,126,050.52</b>	<b>100.00</b>	<b>56,933,773.52</b>	<b>4.68</b>	<b>1,160,192,277.00</b>

(Continued)

Category	Amount at year-begin				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Significant account receivable and withdrawal bad debt provision single	2,081,116.25	0.23	427,600.03	20.55	1,653,516.22
Account receivable withdrawal bad debt provision by combination	—	—	—	—	
Combination 1	728,155,238.01	80.80	43,658,146.52	6.00	684,497,091.49

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Combination 2	168,104,645.76	18.65			168,104,645.76
Subtotal of combination	896,259,883.77	99.45	43,658,146.52	4.87	852,601,737.25
Account receivable with single minor amount but withdrawal bad debt provision singly	2,896,238.75	0.32	1,887,405.09	65.17	1,008,833.66
<b>Total</b>	<b>901,237,238.77</b>	<b>100.00</b>	<b>45,973,151.64</b>	<b>5.10</b>	<b>855,264,087.13</b>

(2) No account receivable with single major amount but withdrawal bad debt provision singly at year-end.

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

Book Age	Amount at year-end			Amount at year-begin		
	Amount	Provision proportion	Bad debt provision	Amount	Provision proportion	Bad debt provision
Within 1 year	987,327,112.39	5%	49,366,355.62	713,653,885.00	5%	35,682,694.25
1-2 years	8,222,166.64	15%	1,233,325.00	2,592,597.30	15%	388,889.60
2-3 years	251,693.39	35%	88,092.69	4,272,472.40	35%	1,495,365.34
3-4 years	479,555.01	55%	263,755.26	2,663,437.79	55%	1,464,890.78
4-5 years	1,244,893.93	85%	1,058,159.84	2,310,259.77	85%	1,963,720.80
Over 5 years	4,272,719.33	100%	4,272,719.33	2,662,585.75	100%	2,662,585.75
<b>Total</b>	<b>1,001,798,140.69</b>		<b>56,282,407.74</b>	<b>728,155,238.01</b>		<b>43,658,146.52</b>

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

Combination	Book balance
Account connect with related parties	172,229,026.64
Letter of Credit	39,220,340.07
<b>Total</b>	<b>211,449,366.71</b>

(5) Account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables, and withdrawal bad debt provision by combination shows no risk characteristic of the receivables, 7 clients involved:

(6) Reversal of reserve for bad debts

Name	Amount of reversal (or withdraw) in the year	Methods of withdraw	Reason of reversal (or withdraw) in the year
Guiyang Honghua Trade Co., Ltd.	741,623.00	Bank payment	Payment had been withdraw

(7) No account receivable actually written-off in the Year.

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

(8) In the Year, top five receivables collected by arrears party amounting to RMB 399,244,709.71 in total, accounted for 32.80% of the receivables at balance of the year-end, the bad debt provision accrual correspondingly amounting to RMB 13,182,140.14 at year-end balance

(9) Details of account receivable from related parties found in XI(III)

### 4. Accounts paid in advance

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

Item	Amount at year-end		Amount at year-begin	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	90,498,929.82	97.83	67,141,425.60	91.18
1-2 years	1,080,459.71	1.17	3,356,947.39	4.56
2-3 years	367,366.72	0.40	2,575,885.77	3.50
Over 3 years	554,947.81	0.60	562,650.12	0.76
<b>Total</b>	<b>92,501,704.06</b>	<b>100.00</b>	<b>73,636,908.88</b>	<b>100.00</b>

(2) top 5 account paid in advance in balance at year-end amounting to RMB 53,026,535.36, accounted for 57.32% of the account

(3) The accounts paid in advance at the end of the year did not include any arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company

Unit	Amount at year-end		Amount at year-begin	
	Amount	Bad debt amount	Amount	Bad debt amount
Sichuan Changhong Electric Co., Ltd.	7,756,082.59	-	1,486.00	-

(4) Account paid in advance for related party found in XI (III)

### 5. Other accounts receivable

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

Category	Amount at year-end				Bookvalue
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Significant other account receivable and withdrawal bad debt provision single	-	-	-	-	
Other account receivable withdrawal bad debt provision by combination	—	—	—	—	
Combination 1	9,411,515.36	29.25	3,211,084.50	34.12	6,200,430.86
Combination 2	22,528,897.94	70.02	-	-	22,528,897.94
Subtotal of combination	<b>31,940,413.30</b>	<b>99.27</b>	<b>3,211,084.50</b>	<b>100.5</b>	<b>28,729,328.80</b>
Other account receivable with single minor amount but withdrawal bad	234,079.31	0.73	234,079.31	100	-

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

From 1 January 2014 to 31 December 2014

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

Category	Amount at year-end				Bookvalue
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
debt provision singly					
<b>Total</b>	<b>32,174,492.61</b>	<b>100</b>	<b>3,445,163.81</b>	<b>10.71</b>	<b>28,729,328.80</b>

(Continued)

Category	Amount at year-begin				Bookvalue
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Significant other account receivable and withdrawal bad debt provision single	-	-	-	-	-
Other account receivable withdrawal bad debt provision by combination	—	—	—	—	—
Combination 1	11,451,452.92	48.75	3,174,935.19	27.73	8,276,517.73
Combination 2	11,839,101.99	50.40	-	-	11,839,101.99
Subtotal of combination	<b>23,290,554.91</b>	<b>99.14</b>	<b>3,174,935.19</b>	<b>13.63</b>	<b>20,115,619.72</b>
Other account receivable with single minor amount but withdrawal bad debt provision singly	201,989.26	0.86	201,989.26	100.00	-
<b>Total</b>	<b>23,492,544.17</b>	<b>100.00</b>	<b>3,376,924.45</b>	<b>14.37</b>	<b>20,115,619.72</b>

(2) No significant other account receivable and no withdrawal bad debt provision single at year-end.

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

Book Age	Amount at year-end			Amount at year-begin		
	Amount	Provision proportion	Bad debt provision	Amount	Provision proportion	Bad debt provision
Within 1 year	2,351,526.09	5%	117,576.30	2,162,967.80	5%	108,148.39
1-2 years	847,086.25	15%	127,062.94	4,457,462.50	15%	668,619.38
2-3 years	4,107,832.50	35%	1,437,741.38	3,223,545.66	35%	1,128,240.98
3-4 years	1,224,148.09	55%	673,281.45	370,000.00	55%	203,500.00
4-5 years	170,000.00	85%	144,500.00	1,140,336.75	85%	969,286.24
Over 5 years	710,922.43	100%	710,922.43	97,140.21	100%	97,140.21
<b>Total</b>	<b>9,411,515.36</b>		<b>3,211,084.50</b>	<b>11,451,452.92</b>		<b>3,174,935.20</b>

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

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

Combination	Book balance
Contact with related party	13,500.00
Employee's reserve loans	15,396,501.21
Export tax rebate receivable	7,118,896.73
<b>Total</b>	<b>22,528,897.94</b>

(5) Account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables, and withdrawal bad debt provision by combination shows no risk characteristic of the receivables, 22 clients involved:

(6) No reversal (or withdraw) of reserve for bad debts in the Year.

(7) classification of other accounts receivable according to the nature of account

Nature	Book balance at year-end	Book balance at year-begin
Non-consolidated related party	13,500.00	55,788.80
Employee's reserve loans	15,396,501.21	10,165,331.03
Deposit	6,479,826.61	5,417,481.74
Other	1,332,919.97	2,339,220.40
Advance money temporary	868,700.00	2,482,028.04
Export tax rebate	7,118,896.73	1,617,982.16
Deposit of migrant works wages	964,148.09	1,414,712.00
<b>Total</b>	<b>32,174,492.61</b>	<b>23,492,544.17</b>

(8) top 5 other receivables collected by arrears party at balance of year-end

Name	Nature of account	Balance at year-end	Bookage	Proportion in total other receivables at year-end	Bad Balance at year-end of debt provision
Zhongshan Revenue Service	Internal Export tax rebate	7,118,896.73	Within 1 year	22.13%	-
Hefei Labor & Social Protection Bureau	Deposit of migrant works wages	964,148.09	3-4 years	3.00%	530,281.45
Yang Hao	Reserve fund	696,000.00	Within 1 year	2.16%	-
Zhou Bin	Reserve fund	650,000.00	Within 1 year	2.02%	-
Tao Jiabing	Reserve fund	500,000.00	Within 1 year	1.55%	-
<b>Total</b>		<b>9,929,044.82</b>			<b>530,281.45</b>

(9) other account receivable involved government subsidies: Nil

(10) other receivables terminated recognition due to the transfer of financial assets: nil

(11) assets and liability transferr other receivables and continues to involve: nil

## 6. Inventories

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

From 1 January 2014 to 31 December 2014

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

### (1) Classification of inventories

Item	Amount at year-end		
	Book balance	Impairment provision	Book value
Raw materials	107,161,337.95	271,868.17	106,889,469.78
Stock commodities	1,540,132,511.00	73,008,115.56	1,467,124,395.44
Low value consumable articles	18,346,189.76	-	18,346,189.76
Goods in transit	107,492,452.70	1,934,302.89	105,558,149.81
Goods-in-process	33,074,721.00	-	33,074,721.00
Deferred expense for moulds	34,768,482.07	-	34,768,482.07
<b>Total</b>	<b>1,840,975,694.48</b>	<b>75,214,286.62</b>	<b>1,765,761,407.86</b>

(Cont.)

Item	Amount at year-begin		
	Book balance	Impairment provision	Book value
Raw materials	71,923,621.81	501,704.56	71,421,917.25
Stock commodities	1,354,962,908.66	69,703,217.45	1,285,259,691.21
Low value consumable articles	12,946,861.34	-	12,946,861.34
Goods in transit	183,200,610.83	7,680,480.12	175,520,130.71
Goods-in-process	19,473,924.69	-	19,473,924.69
Deferred expense for moulds	29,242,787.74	-	29,242,787.74
<b>Total</b>	<b>1,671,750,715.07</b>	<b>77,885,402.13</b>	<b>1,593,865,312.94</b>

### (2) Inventory falling price reserves

Item	Amount at year-begin	Increased in the year	Decreased in the year		Amount at year-end
			Switch-back	Other switch-out	
Raw materials	501,704.56	863,487.38	-	1,093,323.77	271,868.17
Stock commodities	69,703,217.45	11,880,099.28	-	8,575,201.17	73,008,115.56
Goods in transit	7,680,480.12	-5,746,177.23	-	-	1,934,302.89
<b>Total</b>	<b>77,885,402.13</b>	<b>6,997,409.43</b>	<b>-</b>	<b>9,668,524.94</b>	<b>75,214,286.62</b>

## 7. Finance asset available for sales

### (1) Finance asset available for sales

Item	Balance at year-end			Balance at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

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

From 1 January 2014 to 31 December 2014

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

Item	Balance at year-end			Balance at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Equity instrument available for sales	5,500,000.00	-	5,500,000.00	6,500,000.00	-	6,500,000.00
Including: measured by fair value	-	-	-	-	-	-
Measured by cost	5,500,000.00	-	5,500,000.00	6,500,000.00	-	6,500,000.00
<b>Total</b>	<b>5,500,000.00</b>	<b>-</b>	<b>5,500,000.00</b>	<b>6,500,000.00</b>	<b>-</b>	<b>6,500,000.00</b>

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

Invested Unit	Year-begin	Increase in the year	Decrease in the year	Year-end	Holding proportion in invested unit	Cash dividend for the year
Huishang Bank Co., Ltd.	5,000,000.00	-	-	5,000,000.00	0.097%	1,675,061.39
Guangxi Huidian Household Electrics Co., Ltd	1,000,000.00	-	1,000,000.00	-	-	-
Fuyang. Jiujiang Meiling Appliance Marketing Co., Ltd.	500,000.00	-	-	500,000.00	10%	150,000.00
<b>Total</b>	<b>6,500,000.00</b>	<b>-</b>	<b>1,000,000.00</b>	<b>5,500,000.00</b>		<b>1,825,061.39</b>

### (3) Impairment reserve of finance asset available for sales: Nil

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

From 1 January 2014 to 31 December 2014

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### 8. Long-term equity investment

Invested Unit	Balance at year-begin	Change in the year								Balance at year-end	Impairment reserve balance at year-end
		Additional investment	Disinvestment	Investment profit and loss confirmed by equity method	Other comprehensive income adjustment	Other changes of equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associated companies											
1.Hefei Meiling Sole Energy Technology Co., Ltd.	1,338,217.25	-	-	-1,338,217.25	-	-	-	-	-	-	-
2.ChanghongRubaElectricCompany (Private)Ltd.	9,125,362.23	-	-	-6,299,453.04	-1,686,689.91	-	-	-	-	1,139,219.28	-
3.Hefei Xingmei Assets Management Co., Ltd.	12,531,807.91	-	-	865,521.39	-	-	325,544.37	-	-	13,071,784.93	-
<b>Total</b>	<b>22,995,387.39</b>	<b>-</b>	<b>-</b>	<b>-6,772,148.90</b>	<b>-1,686,689.91</b>	<b>-</b>	<b>325,544.37</b>	<b>-</b>	<b>-</b>	<b>14,211,004.21</b>	<b>-</b>



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

From 1 January 2014 to 31 December 2014

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

### 8. Investment properties

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

Item	Houses and buildings	Land use rights	Total
<b>I.Original book value</b>			
<b>1.Balance at year-begin</b>	<b>23,142,172.83</b>	<b>916,691.38</b>	<b>24,058,864.21</b>
<b>2.Increased in the year</b>	-	-	-
(1) outsourcing	-	-	-
(2) stock\fixed assets\Construction in progress transfer-in	-	-	-
(3) increase of enterprise merger	-	-	-
<b>3.Decreased in the year</b>	-	-	-
(1) dispose	-	-	-
(2) other transfer-out	-	-	-
<b>4.Balance at year-end</b>	<b>23,142,172.83</b>	<b>916,691.38</b>	<b>24,058,864.21</b>
<b>II. Accumulated depreciation and accumulated amortization</b>			
<b>1.Balance at year-begin</b>	<b>8,017,794.11</b>	<b>339,692.37</b>	<b>8,357,486.48</b>
2.Increased in the year	770,213.55	38,368.56	808,582.11
(1) provision or amortization	770,213.55	38,368.56	808,582.11
<b>3.Decreased in the year</b>	-	-	-
(1) dispose	-	-	-
(2) other transfer-out	-	-	-
<b>4.Balance at year-end</b>	<b>8,788,007.66</b>	<b>378,060.93</b>	<b>9,166,068.59</b>
<b>III. Provision for impairment</b>			
<b>1.Balance at year-begin</b>	-	-	-
<b>2.Increased in the year</b>	-	-	-
(1) provision	-	-	-
<b>3、 Decreased in the year</b>	-	-	-
(1) dispose	-	-	-
(2) other transfer-out	-	-	-
<b>4.Balance at year-end</b>	-	-	-
<b>IV. Book value</b>			
<b>1.Book value at year-end</b>	<b>14,354,165.17</b>	<b>538,630.45</b>	<b>14,892,795.62</b>
<b>2.Book value at year-begin</b>	<b>15,124,378.72</b>	<b>576,999.01</b>	<b>15,701,377.73</b>

(2) Investment real estate measured by fair value: Nil

(3) Particular about mortgage of investment property: Nil

(4) Investment real estate has not completed the property right certificate: Nil

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

From 1 January 2014 to 31 December 2014

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### 9. Fixed assets

#### (1) Details of fixed assets

Item	Houses and buildings	Mechanical equipment	Transport equipment	Others equipment	Total
<b>I Original book value</b>					
<b>1. Balance at year-begin</b>	763,122,277.25	1,007,168,913.55	23,517,116.62	101,398,902.68	1,895,207,210.10
<b>2. Increased in the year</b>	84,075,267.39	113,805,863.64	2,929,209.58	50,266,220.83	251,076,561.44
(1) purchase	57,801.93	9,801,307.00	1,482,232.52	3,426,697.46	14,768,038.91
(2) Construction in progress transfer-in	84,017,465.46	104,004,556.64	1,110,635.12	9,594,289.09	198,726,946.31
(3) increase of enterprise merger	-	-	274,800.00	116,839.27	391,639.27
(4) inventory transfer-in	-	-	-	37,119,642.94	37,119,642.94
(5) increase of exchange rate	-	-	61,541.94	8,752.07	70,294.01
<b>3. Decreased in the year</b>	10,456,778.51	162,581,993.92	1,183,199.18	5,388,186.66	179,610,158.27
(1) dispose or retirement	10,456,778.51	73,196,951.45	1,183,199.18	5,388,186.66	90,225,115.80
(2) transfer Construction in progress	-	89,379,230.50	-	-	89,379,230.50
(3) decrease of enterprise merger	-	-	-	-	-
(4) other decrease	-	5,811.97	-	-	5,811.97
<b>4. Balance at year-end</b>	836,740,766.13	958,392,783.27	25,263,127.02	146,276,936.85	1,966,673,613.27
<b>II Accumulated depreciation</b>					-
<b>1. Balance at year-begin</b>	98,878,160.08	584,585,167.09	15,038,417.18	46,254,453.49	744,756,197.84
<b>2. Increased in the year</b>	25,013,678.67	88,808,618.43	2,530,735.11	13,517,470.52	129,870,502.73
(1) provision	25,013,678.67	88,808,618.43	2,385,701.78	13,491,413.51	129,699,412.39
(2) increase of assets reclassification	-	-	-	-	-
(3) increase of enterprise merger	-	-	145,033.33	26,057.01	171,090.34
<b>3. Decreased in the year</b>	664,725.74	130,784,423.05	1,121,806.97	3,719,233.07	136,290,188.83
(1) dispose or retirement	664,725.74	69,216,532.89	1,121,806.97	3,719,233.07	74,722,298.67
(2) transfer Construction in progress	-	61,567,890.16	-	-	61,567,890.16
(3) decrease of enterprise merger	-	-	-	-	-
<b>4. Balance at year-end</b>	123,227,113.01	542,609,362.47	16,447,345.32	56,052,690.94	738,336,511.74
<b>III Provision for impairment</b>					-
<b>1. Balance at year-begin</b>	1,240,639.77	8,603,887.45	306,688.19	1,549,165.48	11,700,380.89
<b>2. Increased in the year</b>	-	-	-	-	-

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Item	Houses and buildings	Mechanical equipment	Transport equipment	Others equipment	Total
(1) provision	-	-	-	-	-
<b>3.Decreased in the year</b>	-	5,488,945.21	291,522.02	1,346,732.99	7,127,200.22
(1) dispose or retirement		5,488,945.21	291,522.02	1,346,732.99	7,127,200.22
<b>4.Balance at year-end</b>	1,240,639.77	3,114,942.24	15,166.17	202,432.49	4,573,180.67
<b>IV. Book value</b>					
<b>1.Book value at year-end</b>	<b>712,273,013.35</b>	<b>412,668,478.56</b>	<b>8,800,615.53</b>	<b>90,021,813.42</b>	<b>1,223,763,920.86</b>
<b>2.Book value at year-begin</b>	<b>663,003,477.40</b>	<b>413,979,859.01</b>	<b>8,172,011.25</b>	<b>53,595,283.71</b>	<b>1,138,750,631.37</b>

The new fixed assets in this year mainly due to the RMB 198,726,946.31 transfer from construction in process, and RMB 37,119,642.94 transfer to fixed assets by Changhong AC for rented; decrease of the fixed assets in the Year mainly because the assets renewal transfer to construction in process and assets dispose for retirement

(2) Fixed assets temporary idle: Nil

(3) Fixed assets for collateral :Nil.

(4) Fixed assets leased through operating lease: Nil

(5) Fixed assets leased through operating lease

Items	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	40,920.00	25,916.01	-	15,003.99
Transport equipment	197,640.00	187,758.00	-	9,882.00
Other equipment	37,119,642.94	2,852,094.45	-	34,267,548.49
<b>Total</b>	<b>37,358,202.94</b>	<b>3,065,768.46</b>	<b>-</b>	<b>34,292,434.48</b>

Other equipments leased under operating lease refer to the air conditioners leased out by Changhong Air Conditioner to university dormitories. Changhong Air Conditioner installed air conditioners at the places designated by the university, and the university is responsible for use and maintenance of the air conditioners. The leasing fee paid by the university consists of: air conditioner leasing fee, installment and dismantle fee, repair and maintenance fee, normal maintenance fee and depreciation fee. The leasing fee is subject to payment per study year. Upon expiration of the leasing agreement, the university has the right to choose new service provider or continue cooperation with Changhong Meiling.

(6) Fixed assets without property certificate(House and buildings)

Assets	Original value
7#Freezer Plant	35,579,365.82
8#Freezer Plant	32,656,840.25
9#Freezer Plant	37,631,002.85

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Freezer salvage station	349,166.88
Freezer subsidiary station	4,165,499.83
3#Big refrigerator Plant	90,748,323.65
3#Big refrigerator finished-goods Plant	49,011,509.67
Canteen	2,415,806.73
1# dormitory building for cadresmen	7,274,044.55
2# dormitory building for cadresmen	7,272,362.29
3# makeshift shelter	5,689,907.18
4# makeshift shelter	6,651,069.97
5# makeshift shelter	5,140,247.60
6# building for cadresmen	8,936,534.60
7# building for cadresmen	8,221,302.20
8# makeshift shelter	5,178,824.74
<b>Total</b>	<b>306,921,808.81</b>

For individual acceptance procedure not done for the above house and buildings, no property certificate has been done temporary.

(7) Fixed assets ready for sale at year-end: Nil

### 11. Construction in progress

(1) Details of construction in progress

Item	Amount at year-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
The project of ice cube capacity expansion	-	-	-	8,050,156.67	-	8,050,156.67
Phase II of industry park capacity expansion	-	-	-	11,302,274.61	-	11,302,274.61
Construction project of Phase II for matching life district of Industrial Park	18,466,267.38	-	18,466,267.38	5,037,289.54	-	5,037,289.54
Manufacture base project of the Athena luxury refrigerator	-	-	-	7,811,391.54	-	7,811,391.54
Efficiency improvement project for manufae 2 <sup>nd</sup> plant DE line	1,092,770.90	-	1,092,770.90	-	-	-
Project of mid-large volume environment icebox production annual output for 0.6 million	15,222,608.26	-	15,222,608.26	-	-	-
Relocation and capacity expansion project of Zhongke Meiling	24,578.48	-	24,578.48	302,564.12	-	302,564.12
Capacity expansion of energy-saving and environmental refrigerator with annual output of 2 millions sets	564,428.79	-	564,428.79	173,539.20	-	173,539.20
Equipments pending for installation	11,249,312.19	-	11,249,312.19	6,285,825.57	-	6,285,825.57
Technical innovation project of Zhongshan Changhong	2,400,855.08	-	2,400,855.08	1,106,357.93	-	1,106,357.93

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

From 1 January 2014 to 31 December 2014

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Item	Amount at year-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Shift work dormitory building of Non-ferrous Metal Company	-	-	-	15,472.75	-	15,472.75
Other miscellaneous items	13,745,886.49	-	13,745,886.49	12,429,770.17	-	12,429,770.17
<b>Total</b>	<b>62,766,707.57</b>	<b>-</b>	<b>62,766,707.57</b>	<b>52,514,642.10</b>	<b>-</b>	<b>52,514,642.10</b>

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

Projects	Book balance at year-begin	Increase during the year	Transfer to fixed assets in the year	Other decrease	Book balance at year-end	Source of funds
Manufacture base project of the Athena luxury refrigerator a)	7,811,391.54	36,543,946.93	44,355,338.47	-	-	Mainly raised
project of ice cube capacity expansion b)	8,050,156.67	23,408,790.19	31,458,946.86	-	-	Mainly raised
<b>Total</b>	<b>15,861,548.21</b>	<b>59,952,737.12</b>	<b>75,814,285.33</b>	<b>-</b>	<b>-</b>	

(Continued)

Projects	Budget	Proportion of project investment in budget (%)	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year
Manufacture base project of the Athena luxury refrigerator	793 亿	66.39%	100%			
project of ice cube capacity expansion	375 亿	81.83%	100%			

a) Manufacture base of Athena luxury refrigerator constructed expected to invest RMB 793,303,800. Raised fund RMB 730 million plans to invested, and rest of the capital will collect by the company. As of the year-end the project had been completed.

b) The freezer capacity expansion project plans to invest RMB 375.1778 million in total. Raised fund RMB 300 million will invest and rest of the capital will collect by the company. Phase I has completed and put into production in January 2011, 1<sup>st</sup> stage of phase II was completed and put into production in March 2012, and the 2<sup>nd</sup> stage of phase II had exercised trial production in May 2013, as of the year-end the project had been completed.

(3) Depreciation reserves for construction in process: Nil

## 12. Disposal of fixed assets

Item	Closing amount	Opening amount	Reasons for disposal transferred
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## Annotations to Financial Statements of Hefei Meiling Co., Ltd.

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Item	Closing amount	Opening amount	Reasons for disposal transferred
Relevant assets disposal for reserved lands	75,808,843.84	76,129,471.41	Relocation for land reserve

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

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

### 13. Intangible assets

(1) according to intangible assets item

Item	Land use right	Trademark special right	Non-patent technology	Total
<b>I.Original book value</b>				
<b>1.Balance at year-begin</b>	<b>593,245,146.16</b>	<b>283,292,439.34</b>	<b>87,563,002.33</b>	<b>964,100,587.83</b>
<b>2.Increased in the year</b>	-	-	-	-
(1)purchase	-	-	-	-
(2)internal R&D	-	-	-	-

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

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Item	Land use right	Trademark special right	Non-patent technology	Total
<b>3.Decreased in the year</b>	-	-	-	-
(1)dispose	-	-	-	-
<b>4.Balance year-end at</b>	<b>593,245,146.16</b>	<b>283,292,439.34</b>	<b>87,563,002.33</b>	<b>964,100,587.83</b>
<b>II.Accumulated amortization</b>				
<b>1.Balance year-begin at</b>	<b>78,186,917.02</b>	<b>258,281,960.64</b>	<b>34,577,539.59</b>	<b>371,046,417.25</b>
<b>2.Increased in the year</b>	<b>12,376,464.44</b>	<b>4,911,570.00</b>	<b>13,901,926.51</b>	<b>31,189,960.95</b>
(1) provision	12,376,464.44	4,911,570.00	13,901,926.51	31,189,960.95
<b>3.Decreased in the year</b>	-	-	-	-
(1)dispose	-	-	-	-
<b>4.Balance year-end at</b>	<b>90,563,381.46</b>	<b>263,193,530.64</b>	<b>48,479,466.10</b>	<b>402,236,378.20</b>
<b>III.Provision for impairment</b>				
<b>1.Balance year-begin at</b>	-	-	-	-
<b>2.Increased in the year</b>	-	-	-	-
(1) provision	-	-	-	-
<b>3.Decreased in the year</b>	-	-	-	-
(1)dispose	-	-	-	-
<b>4.Balance year-end at</b>	-	-	-	-
<b>IV. Book value</b>				
<b>1.Book value at year-end</b>	<b>502,681,764.70</b>	<b>20,098,908.70</b>	<b>39,083,536.23</b>	<b>561,864,209.63</b>
<b>2.Book value at year-begin</b>	<b>515,058,229.14</b>	<b>25,010,478.70</b>	<b>52,985,462.74</b>	<b>593,054,170.58</b>

(2) As of the end of 2014, mortgage of intangible assets is as follows:

Name	Property certificate serials	Area(M <sup>2</sup> )	Net book value	Note
Land use right	HGYJCZi No.: 0121	27,120.22	21,358,684.18	See Note IV:27

### 14. Development expense

Item	Balance at year-begin	Increase during the year	Decrease during the year	Balance at year-end
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		Internal development expenditure	other	Included in current profits and losses	Confirmed as intangible assets	Other	
Technology development for Air-conditioner	9,516,070.34	29,799,135.89	-	14,630,928.15	-	-	24,684,278.08
Technology development for refrigerator	-	509,879.01	-	-	-	-	509,879.01
<b>Total</b>	<b>9,516,070.34</b>	<b>30,309,014.90</b>	<b>-</b>	<b>14,630,928.15</b>	<b>-</b>	<b>-</b>	<b>25,194,157.09</b>

### 15. Goodwill

#### (1) original value of goodwill

Assets group/Unit	Goodwill	Impairment provision	Net value
Hefei Meiling Group Holding Co., Ltd. not under the same control merger	10,922,803.73	10,922,803.73	-
Guangxi Huidian Household Electrics Co., Ltd not under the same control merger	5,313,913.50	-	5,313,913.50
<b>Total</b>	<b>16,236,717.23</b>	<b>10,922,803.73</b>	<b>5,313,913.50</b>

#### (2) impairment provision of goodwill

Assets group/Unit	Balance at year-begin	Increase during the year	Decrease during the year	Balance at year-end
Hefei Meiling Group Holding Co., Ltd. not under the same control merger	10,922,803.73	-	-	10,922,803.73

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

#### (1) Deferred income tax assets

Item	Balance at year-end		Balance at year-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deferred income tax assets recognized from property depreciation preparation	107,473,949.07	16,242,800.33	70,899,467.97	11,141,283.74
Deferred income tax assets recognized from accrual liability	347,107,686.15	52,066,152.92	356,648,942.73	53,497,341.41
Deferred income tax assets recognized from Dismission welfare	47,406,511.04	7,110,976.66	50,265,351.93	7,539,802.79
Deferred income tax assets recognized from deferred income	23,778,399.30	3,566,759.90	11,098,671.27	1,664,800.69
Deferred income tax assets recognized from provision performance incentive	32,186,723.32	4,828,008.50	-	-
Deferred income tax assets recognized from provision accrued expenses	-	-	8,208,823.78	2,052,205.95
Deferred income tax assets recognized from changes in the fair value	81,170.00	12,175.50	-	-
<b>Total</b>	<b>558,034,438.88</b>	<b>83,826,873.81</b>	<b>497,121,257.68</b>	<b>75,895,434.58</b>



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### (2) details of unrecognized deferred income tax assets

Item	Balance at year-end	Balance at year-begin
Deductible <i>temporary</i> difference	31,224,787.59	70,734,792.06
Deductible loss	270,797,755.64	138,937,599.29
<b>Total</b>	<b>302,022,543.23</b>	<b>209,672,391.35</b>

## 17. Short-term loans

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

Type of loans	Balance at year-end	Balance at year-begin
Loan in pledge	34,266,400.00	41,092,190.86
Loan in credit	373,242,339.07	25,340,889.00
<b>Total</b>	<b>407,508,739.07</b>	<b>66,433,079.86</b>

### (2) New loans in the Year:

1) the Company entered into the TF Comprehensive Credit Agreement with Hefei Branch of CEB, total trade financing agreed with RMB 300 million at most; on 29 September 2014, signing the “TF Comprehensive Credit Agreement” No. HFCJXLZSXY20140026 for discount and L/G business under the operation of issuing letter of credit, import bill advance, bill purchased and term credit, balance at period-end amounting to \$ 32.75 million.

2) the Company entered into the Banking Facilities with Hefei Branch of CMB, total credit agreed with RMB 150 million; credit period was 12 months from May 6<sup>th</sup> 2014 to May 5<sup>th</sup> 2014; the credit limite including business of working capital loans, accept, domestic LC, business ticket conformed to stick and international trade financing, balance at period-end amounting to \$ 17,942,914.31.

3) the Company entered into the International Trade Remittance Financing Agreement with Hefei Branch of CITIC Bank, total financing agreed with \$ 150 million; the credit limite including business of: export receivables, import payables; credit period valid from December 2014 to December 2015, balance at period-end amounting to \$ 5,011,463.27.

4) the Company entered into the Trade Finance Credit Contract with Hefei Luyang Branch of CCB, contract no. Jian He Lu Guo Ji Mao No. 201401 and “attachment2: special provisions on trust receipt loans”, LC No.: 3404601001083201; LC currency amounting as \$ 252,700.00; amount for trust receipt loans are \$252,700.00; terms for trust receipt loans was 90 days from 31 Oct. 2014 to 29 Jan. 2015; balance at period-end amounting to \$733,880.00.

5) the Company entered into the Import Trade Fianncing Contract with international department of Anhui Branch of BOCOM, loans period respectively from December 2014 to March 2015, from November 2014 to Feburary 2015, from December 2014 to March 2015 and from October 2014 to January 2015; balance at period-end amounting to \$1,092,816.00.

6) the Company entered into the Invoice Discount Agreement with Economy and Development Zone Branch

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of BOC, loans period respectively from October 2014 to January 2015, from December 2014 to March 2015; balance at period-end amounting to \$3,466,203.60.

7) subsidiary of the Company Zhongshan Changhong entered into the Account Receivables Secured Borrowings Contract with Zhongshan Nantou Branch of ICBC, loans period from 17 October 2014 to 13 January 2015 with 3 months terms; borrowing amounting to \$ 1.6 million, equivalence RMB 9,790,400.00; secured receivables have book value of \$ 1,547,449.87, equivalence RMB9,468,845.75; the borrowings have paid due in January 2015.

8) subsidiary of the Company Zhongshan Changhong entered into the Account Receivables Secured Borrowings Contract with Zhongshan Nantou Branch of ICBC, loans period from 17 November 2014 to 26 March 2015 with 3 months terms; borrowing amounting to \$ 4 million, equivalence RMB 24,476,000.00; secured receivables have book value of \$ 3,877,347.74, equivalence RMB23,725,490.82

### 18. financial liabilities at fair value through gains and losses

Item	Balance at year-end	Balance at year-begin
Transaction financial liabilities	81,170.00	-
Including:issuance of transaction nomds	-	-
Derivative financial liabilities*	81,170.00	-
Other	-	-
Specified as financial liabilities at fair value through gains and losses	-	-
Other	-	-
<b>Total</b>	<b>81,170.00</b>	<b>-</b>

\*details of derivative financial liabilities

Item	Fairvalue at year-end	Note
Forward foreign exchange contracts (NDF)	81,170.00	NDF contract aims at \$21 million

### 19. Notes payable

Type	Balance at year-end	Balance at year-begin
Bank acceptance bill	1,524,218,423.10	1,415,811,668.96
Commercial acceptance bill	28,891,869.45	104,277,046.22
<b>Total</b>	<b>1,553,110,292.55</b>	<b>1,520,088,715.18</b>

Notes expired at year-end without paid

### 19. Account payable

(1) age of account payable

Item	Balance at year-end	Balance at year-begin
<b>Total</b>	<b>1,681,116,965.38</b>	<b>1,692,121,242.19</b>
Including: over 1 year	23,178,949.48	21,167,501.13

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### (2) Account payable with over one year book age

Name of unit	Balance at year-end	Reasons of un-paid or carry-over
Fuhuang Steel Structure Co., Ltd.	2,223,035.25	Failure to carry out completion settlement
Yicheng Construction Group Co., Ltd.	1,500,000.00	Failure to carry out completion settlement
Jiangsu Jiangjian Group Co., Ltd.	1,345,357.53	Failure to carry out completion settlement
<b>Total</b>	<b>5,068,392.78</b>	—

### (3) Account payable for related parties found in XI(III)

#### 21. Account received in advance

##### (1) age of account received in advance

Item	Balance at year-end	Balance at year-begin
<b>Total</b>	<b>296,641,377.09</b>	<b>363,233,745.71</b>
Including: over 1 year	57,986,602.90	44,357,910.56

##### (2) Account received in advance with over one year book age

Name of unit	Balance at year-end	Reasons of un-paid or carry-over
Client 1	2,180,000.00	Has not been settled
Client 2	1,057,783.03	Has not been settled
<b>Total</b>	<b>3,237,783.03</b>	—

### (3) Account receivable from related parties found in XI(III)

#### 22. Wages payable

##### (1) types of wages payable

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Short-term compensation	101,144,561.82	930,652,280.19	898,174,131.62	133,622,710.39
After-service welfare- defined contribution plans	16,732,377.45	87,793,543.99	88,700,464.97	15,825,456.47
Dismiss welfare	7,319,623.11	7,595,732.70	7,826,310.38	7,089,045.43
Other	-	-	-	-
<b>Total</b>	<b>125,196,562.38</b>	<b>1,026,041,556.88</b>	<b>994,700,906.97</b>	<b>156,537,212.29</b>

##### (2) Short-term compensation

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Wages, bonuses, allowances and subsidies	93,634,954.42	754,463,511.99	756,785,172.06	91,313,294.35
Welfare for workers and staff	-	32,079,266.42	31,980,571.42	98,695.00
Social insurance	3,015,349.08	41,682,186.38	41,682,055.79	3,015,479.67

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Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Including: Medical insurance	2,685,520.31	36,225,809.87	36,154,923.43	2,756,406.75
Work injury insurance	164,063.64	2,896,778.59	2,946,976.26	113,865.97
Maternity insurance	165,765.13	2,559,597.92	2,580,156.10	145,206.95
Housing accumulation fund	3,342,957.50	41,315,778.46	38,802,347.88	5,856,388.08
Labor union expenditure and personnel education expense	1,151,300.82	2,567,313.62	2,566,484.47	1,152,129.97
Short-term absence with pay	-	-	-	-
Short-term profit sharing plan	-	58,544,223.32	26,357,500.00	32,186,723.32
Other	-	-	-	-
<b>Total</b>	<b>101,144,561.82</b>	<b>930,652,280.19</b>	<b>898,174,131.62</b>	<b>133,622,710.39</b>

According to the annual performance incentive plan implementation plans, actually RMB 26,357,500.00 distributed for year of 2013 incentive plan, RMB 32,186,723.32 accrual in the Year for 2014 performance incentive

The Company withdrew the outstanding salary, bonus and subsidy from the closing balance of staff salary payables which were granted in January and February 2015.

### (3) Defined contribution plans

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Basic endowment insurance	15,806,600.66	80,186,511.91	81,070,519.21	14,922,593.36
.Unemployment insurance	925,776.79	7,607,032.08	7,629,945.76	902,863.11
<b>Total</b>	<b>16,732,377.45</b>	<b>87,793,543.99</b>	<b>88,700,464.97</b>	<b>15,825,456.47</b>

### 23. Tax payable

Item	Balance at year-end	Balance at year-begin
Value-added tax	5,453,680.54	-35,747,545.58
Business tax	241,751.51	277,597.82
Enterprise income tax	18,942,889.47	2,362,871.31
Individual income tax	1,479,738.78	1,430,048.73
Urban maintenance and construction tax	2,594,882.87	3,564,625.15
House property tax	4,475,549.98	6,339,993.88
Land-use right tax	4,256,449.87	2,275,452.26
Educational surtax	1,854,826.07	2,503,014.12
Stamp tax	1,789,821.03	2,137,812.64
Construction fund of Water Conservancy Projects	491,300.68	581,528.53
Treatment fund for abandon electric & electronics products	8,097,219.00	8,465,782.00
Other	1,475,240.38	888,772.81
<b>Total</b>	<b>51,153,350.18</b>	<b>-4,920,046.33</b>

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Tax payable at year-end has major growth over last year, mainly because deferral VAT in the year and VAT retained at beginning of the Period

### 24. Dividends payable

Item	Balance at year-end	Balance at year-begin
Entrust Hefei Office of Provincial ABC	412,524.09	279,729.45
City Insurance company	229,180.05	155,405.25
Bank of Communications, Hefei Branch	153,697.50	153,697.50
Huishang Bank Co., Ltd.	103,333.85	103,333.85
Hefei Technology Bank	92,088.75	92,088.75
Other piecemeal units	1,246,816.67	997,832.96
<b>Total</b>	<b>2,237,640.91</b>	<b>1,782,087.76</b>

Payable dividend at year-end refers to the common dividends that not receiving by shareholders

### 25. Other payable

(1) classification of other payable according to nature of account

Nature	Balance at year-end	Balance at year-begin
1. Accrued expenses(expenses occurred without reimbursed)	775,705,911.82	755,855,079.39
2. receivables recived temporary and deducted temporary	46,001,012.19	48,234,440.23
3.deposit, margin	35,889,023.53	60,170,026.43
4.not the come-and-go with related parties in statement scope	5,743,253.29	23,205,740.42
5.purchase of minority shareholders' equity	-	1,097,787.00
6.other	9,386,506.85	26,420,241.71
<b>Total</b>	<b>872,725,707.68</b>	<b>914,983,315.18</b>

(2) large other payable with over one year age

Name	Balance at year-end	Reasons of un-paid or carry-over
Wuhan Xingda Electronic Cable Co., Ltd.	500,000.00	Purchase of margin
Mianyang Haili Appliance Co., Ltd.	527,934.86	Purchase of margin
Henan Bingxiong Electrical Co., Ltd.	1,301,573.64	Purchase of margin
<b>Total</b>	<b>2,329,508.50</b>	

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

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

Item	Balance at year-end	Balance at year-begin
Long-term loans due within one year	-	110,000,000.00
Deferred income transfer to gains and losses within one year	11,153,512.52	9,256,114.30
<b>Total</b>	<b>11,153,512.52</b>	<b>119,256,114.30</b>

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Long-term due within one year had been repaid on 24 July 2014.

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

Item of government subsidies	Amount at year-begin	Subsidy increase during this period	Amount reckoned into non-operation revenue in the Period	Other changes	Amount at year-end	Assets-related/Income-related
Demolition compensation of Jiangxi Meiling	1,751,512.50	-	1,751,512.50	1,797,880.32	1,797,880.32	Assets-related
Demolition compensation of Hefei Meiling	2,484,289.29	-	2,484,289.29	2,467,448.08	2,467,448.08	Assets-related
technical reform for Athena Project	4,286,250.00	-	4,286,250.00	4,286,250.00	4,286,250.00	Assets-related
Freezer project of Hefei Meiling	734,062.51	-	734,062.51	734,062.52	734,062.52	Assets-related
New generation of intelligent energy-saving AC and industrialization for key apponents	-	-	-	1,700,000.00	1,700,000.00	Assets-related
Adaptability improvement R290D52/13-R290 project for production of FTXS	-	-	-	167,871.60	167,871.60	Assets-related
<b>Total</b>	<b>9,256,114.30</b>	<b>-</b>	<b>9,256,114.30</b>	<b>11,153,512.52</b>	<b>11,153,512.52</b>	

The deferred income transfer to gains/losses in the Year refers to the deferred income transfer to the non-current liability due within one year, which will expected to amortized next year

### 27. Long-term loans

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

Type	Amount at year-end	Amount at year-begin
Loan in pledge	11,014,200.00	-
Loan in mortgage	4,480,000.00	5,120,000.00
Loan in assurance	-	-
Loan in credit	3,452,800.00	4,403,700.00
<b>Total</b>	<b>18,947,000.00</b>	<b>9,523,700.00</b>

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

Loan unit	Borrowing day	Returning day	Foreign currency	Interest rate	Amount at year-end (RMB)	Amount at year-begin (RMB)
Zhongshan Branch of China Guangfa Bank <sup>Note1</sup>	2014-12-24	2017-12-24	USD	3.20%	11,014,200.00	-
Ministry of Finance of Hefei <sup>Note2</sup>	2002-11-21	2017-11-20	RMB	3.30%	1,952,800.00	2,603,700.00
Ministry of Finance of	2004-12-10	2019-12-10	RMB	3.30%	1,500,000.00	1,800,000.00

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Hefei <sup>Note3</sup>						
Ministry of Finance of Hefei <sup>Note4</sup>	2006-11-9	2021-11-8	RMB	3.30%	4,480,000.00	5,120,000.00
<b>Total</b>					<b>18,947,000.00</b>	<b>9,523,700.00</b>

Note1: On 24 December 2014, the Company entered into Foreign Currency Mid-Longterm Loan Contract with Zhongshan Branch of China Guangfa Bank, agreed that issuing foreign currency USD1,800,000.00 to the Company with loans term of 3 years, and annual interest rate of 3.2%. Interest of the loans calculated from 24 December 2014, the 20<sup>th</sup> of end of the quarterly is the expiry date for interest, 21<sup>st</sup> is the payment date. The loans are contribute for the joint venture project in Pakistan, that is Zhongshan Changhong Electrics and RUBA GENERAL TRADING FZE

Note 2: on 1 November 2002, the Company entered into the Agreement Relating to Implementing Construction Projects through Lending Treasury Bond Funds with the finance office of Hefei, pursuant to which, the finance office of Hefei lent the treasure bonds or RMB7.16 million related to our “Technology Reform Project in relation to Nanometer Materials for Retaining Freshness” to our Company, with a terms of 15 years. The lent funds have begun to carry interest commencing from the date of appropriation of funds by the finance office of Hefei (namely 21 November 2002), and the Company shall pay the interests to the finance office of Hefei annually on an average basis during the lending period. The first four years of the loan is grace period. The interest rate per annum applicable to the lent funds is floating interest rate since 1999 (for interest rate per annum in respect of each batch of Treasury bond lending capital, it is determined by reference to one-year time deposit rate per annum on value date of the prevailing year as published by the PBOC, plus 0.3 percentage points). The Company repaid principal of RMB650,900.00 and interest of RMB85,900.00 in this year.

Note3: It was the special treasury bond capital appropriated by Ministry of Finance of Hefei for enterprises’ information reform, received on Dec. 10<sup>th</sup>, 2004. The principal repaid in this year was RMB 300,000.00, and interest was RMB 59,400.00.

Note 4: In August of 2006, the Company signed Asset Mortgage Agreement with Ministry of Finance of Hefei. It takes five industry crusher chambers which cover an area of 2,322.98 square meters as mortgage for the Company to get the lending of treasury bond fund which has 15-year term and worthy of RMB 7,040,000 from the Ministry of Finance of Hefei. The capital on-lending began to bear interest from the appropriate date (November 9, 2006), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, during which the annual interest rate was subject to floating interest rate (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). On 1 March 2013, according to the Letter Relating to Ceasing Process of Other Securities in respect of the Properties in Feidong Longgang Industrial Park of Hefei Meiling Co., Ltd. (HCJ(2006)No.85) issued by the finance office of Hefei, Meiling commenced the national purchase of its land parcels in Longgang in compliance with the land planning of Hefei municipal government, which required its properties in Longgang land parcel to be unrestricted. Four property ownership certificates (No.: 028277, 028282, 028283, 028284) obtained by Meiling in 2006 were exchanged for the property with registration No. HG YJCZ

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No.0121 which was used as the security for treasury bonds lending capital (details were set out in Note VI.13). The Company repaid principal of RMB640,000.00 and interest of RMB169,000.00 in this year.

(3) Renewal long-term loans at year-end: nil

### 28. long-term wage payable

Item	Balance at year-end	Balance at year-begin
After-service welfare- net liability of the defined benefit plans	-	-
Dismissal welfare	40,317,465.61	43,020,744.89
Other long-term welfare	-	-
<b>Total</b>	<b>40,317,465.61</b>	<b>43,020,744.89</b>

According to the internal early retirement policy, the long-term payable dismissal welfare bear by the Company up to end of the year amounting to RMB 40,317,465.61

### 29. Projected liability

Item	Balance at year-end	Balance at year-begin	Reason
Product quality guarantee	11,030,437.10	12,413,883.47	Guarantee of product
Guarantee fund for quality service	336,077,249.05	344,235,059.27	Guarantee of product
<b>Total</b>	<b>347,107,686.15</b>	<b>356,648,942.74</b>	

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

### 30. Deferred income

(1) classification of deferred income

Item	Amount at year-end	Amount at year-begin
Government subsidies---subsidies of development project a)	47,219,392.56	41,812,108.75
Government subsidies---subsidies of Relocation b)	84,775,835.21	65,261,520.01
<b>Total</b>	<b>131,995,227.77</b>	<b>107,073,628.76</b>

a) Represents the special subsidy granted by government for the Company's technology development. It was recognized as deferred income upon receipt, and allocated averagely into each year's non-operating income when the relevant project is completed and transferred into assets commencing depreciation against the term which is the same as the depreciation period of the assets. The amount predicted to be amortized in next year is reflected in other non-current liabilities due within one year.

b) Mianyang Meiling received loss compensation of RMB40,000,000.00 this year for relocating



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production base. Under the relevant compensation terms and relocation progress, RMB16,221,600.70 of which has been transferred into non-operating income of the current year, and the remaining RMB23,778,399.30 has been recognized as deferred income.

### (2) Government subsidy

Item	Amount at year-begin	New subsidy in the Year	Amount reckoned into non-operating income	Other changes	Amount at year-end	Concerned with assets/earnings
Demolition compensation of Hefei Meiling	52,311,124.43	-	-1,244.30	2,467,448.08	49,844,920.65	Assets concerned
technical reform for Athena Project	26,309,062.50	-	-	4,286,250.00	22,022,812.50	Assets concerned
Freezer project of Hefei Meiling	4,404,374.98	-	-	734,062.52	3,670,312.46	Assets concerned
Relocation of Mianyang Meiling production base	-	40,000,000.00	16,221,600.70	-	23,778,399.30	Assets concerned
promotion project of conditioner for energy-saving rooms	124,530.00	-	124,530.00	-	-	Assets concerned
VISA research and application	5,100,000.00	5,000,000.00	-	-	10,100,000.00	Assets concerned
New generation of intelligent energy-saving AC and industrialization for key components	1,700,000.00	-	-	1,700,000.00	-	Assets concerned
Adaptability improvement R290D52/13-R290 project for production of FTXS	4,174,141.27	3,914,468.97	494,471.04	167,871.60	7,426,267.60	Assets concerned
Intelligent white-goods software platform and research and industrialization of typical applications	-	4,000,000.00	-	-	4,000,000.00	Assets concerned
Demolition compensation of Jiangxi Meiling	12,950,395.58	-	-	1,797,880.32	11,152,515.26	Assets concerned
<b>Total</b>	<b>107,073,628.76</b>	<b>52,914,468.97</b>	<b>16,839,357.44</b>	<b>11,153,512.52</b>	<b>131,995,227.77</b>	

For the year, the relocation compensation of Hefei Meiling included in non-operating income was RMB-1,244.30, which was due to that the 2014 accrued non-operating income estimated at the end of 2013 exceeded 2014 actual non-operating income of RMB1,244.30 which was then transferred back accordingly. Other change for the year represents those reclassified into non-current liabilities due within one year.

### 31. Share capital

Item	Balance at year-begin	Change during the year (+, -)					Balance at year-end
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Shares with conditional subscription	67,523,544.00	-	-	-	-56,865,187.00	-56,865,187.00	10,658,357.00

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Item	Balance at year-begin	Change during the year (+, -)					Balance at year-end
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Including: State-owned legal person shares	56,571,812.00	-	-	-	-56,031,120.00	-56,031,120.00	540,692.00
Domestic legal person shares	8,634,071.00	-	-	-	-1,581,792.00	-1,581,792.00	7,052,279.00
<b>Shares with no restricted condition</b>	<b>696,215,661.00</b>	-	-	-	<b>56,865,187.00</b>	<b>56,865,187.00</b>	<b>753,080,848.00</b>
<b>Total shares</b>	<b>763,739,205.00</b>	-	-	-	-	-	<b>763,739,205.00</b>

### 32. Capital reserve

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Share premium	1,430,823,897.08	-	12,033,381.82	1,418,790,515.26
Other capital reserve	48,080,558.82	88,864.95	-	48,169,423.77
<b>Total</b>	<b>1,478,904,455.90</b>	<b>88,864.95</b>	<b>12,033,381.82</b>	<b>1,466,959,939.03</b>

Share premium refers to the difference by purchasing minority equity from subsidiaries, other capital reserve refers to the allotment tails

### 33. Other comprehensive income

Item	Balance at year-begin	Account in the year					Balance at year-end
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Other comprehensive income re-divided into gains/losses							
Including: conversion difference arising from foreign currency financial statement	-1,939,397.56	-1,081,375.78	-	-	-1,323,501.43	242,125.65	-3,262,898.99

### 34. Surplus reserves

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Statutory surplus reserve	222,295,033.59	21,954,370.39	-	244,249,403.98
Discretionary surplus reserve	115,607,702.16	-	-	115,607,702.16
<b>Total</b>	<b>337,902,735.75</b>	<b>21,954,370.39</b>	-	<b>359,857,106.14</b>

### 35. Retained profit

Item	This year	Last year
Amount at the end of last year	608,723,517.81	385,744,261.05

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Item	This year	Last year
Add: adjustment from undistributed profit at year-begin	-	-
Including: retroactive adjustment by Accounting Standards for Business Enterprise	-	-
change of accounting policy	-	-
Correction of former material error	-	-
Change of combination scope under common control	-	-
Other adjustment factors	-	-
<b>Amount at the beginning of this year</b>	<b>608,723,517.81</b>	<b>385,744,261.05</b>
Add: net profit attributable to shareholders of parent company for this year	294,508,518.37	274,068,195.60
Less: withdraw of statutory surplus reserve	21,954,370.39	12,901,978.59
withdraw of discretionary surplus reserve	-	-
Withdraw of general risk provision	-	-
Dividend payable for ordinary shares	45,824,352.30	38,186,960.25
Dividend of ordinary shares transferred to share capital	-	-
<b>Amount at the end of this year</b>	<b>835,453,313.49</b>	<b>608,723,517.81</b>

### 36. Operating income and operating cost

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

Item	Amount for this year	Amount for last year
Main business income	10,235,295,432.94	10,070,381,834.02
Other business income	529,512,826.06	468,552,107.27
<b>Total</b>	<b>10,764,808,259.00</b>	<b>10,538,933,941.29</b>
Main business cost	7,778,559,232.09	7,563,992,423.62
Other business cost	455,641,122.40	430,764,345.82
<b>Total</b>	<b>8,234,200,354.49</b>	<b>7,994,756,769.44</b>

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

Product	Amount for this year		Amount for last year	
	Operation income	Operation cost	Operation income	Operation cost
Refrigerator, freezer	6,040,444,418.68	4,570,710,308.05	6,388,641,645.42	4,854,879,637.13
Air-condition	3,713,322,713.63	2,815,201,211.17	3,277,612,170.37	2,386,868,401.02
Washing machine	300,842,410.21	241,891,596.98	259,699,692.28	208,290,063.91
Other	180,685,890.42	150,756,115.89	144,428,325.95	113,954,321.56
<b>Total</b>	<b>10,235,295,432.94</b>	<b>7,778,559,232.09</b>	<b>10,070,381,834.02</b>	<b>7,563,992,423.62</b>

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

Region	Amount for this year		Amount for last year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic	8,357,078,580.03	6,090,036,935.91	8,533,067,393.00	6,136,485,197.51

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Region	Amount for this year		Amount for last year	
	Operation income	Operation cost	Operation income	Operation cost
Overseas	1,878,216,852.91	1,688,522,296.18	1,537,314,441.02	1,427,507,226.11
<b>Total</b>	<b>10,235,295,432.94</b>	<b>7,778,559,232.09</b>	<b>10,070,381,834.02</b>	<b>7,563,992,423.62</b>

Top five clients have income in sales of RMB 3,159,626,586.65 in total, a 29.35% in total operation income.

### 37. Business tax and extra charges

Item	Amount for this year	Amount for last year
Business tax	1,195,351.94	989,722.73
City construction tax	18,668,607.86	29,731,113.75
Extra charge for education and local education surcharge	14,171,990.54	21,899,949.95
Real estate tax	369,754.98	435,206.58
Treatment fund for abandon electrics & electronics	44,463,708.00	50,502,252.00
Other	1,636.10	220,003.73
<b>Total</b>	<b>78,871,049.42</b>	<b>103,778,248.74</b>

### 38. Sales expense

Item	Amount for this year	Amount for last year
Market support	456,838,187.64	491,189,300.61
Transport expenses	416,862,719.78	409,269,234.49
Salary , extra charges and laboring charge	254,834,861.58	272,773,494.22
Air conditioner installation fee	203,937,738.12	216,659,284.32
National three guarantees expense	140,438,110.90	129,275,019.91
Storage lease expenses	106,346,363.07	89,128,450.03
House-lease expenses	5,297,530.33	6,624,424.99
Advertisement expenses	49,596,475.30	63,319,952.39
Exhibition expenses	21,651,878.74	48,166,642.52
Travelling expenses	33,525,290.43	31,833,329.35
Operation activities expenses	22,319,414.93	16,806,563.70
Meeting organization	11,898,047.59	14,280,905.75
Communication expenses	6,314,292.86	6,756,128.59
Vehicle consumption	4,665,777.44	5,433,302.47
Office expenses	1,531,479.80	1,127,083.59
Depreciation expenses	5,065,509.28	3,099,150.53
Other expenses	29,026,537.96	23,352,581.03
<b>Total</b>	<b>1,770,150,215.75</b>	<b>1,829,094,848.49</b>

### 39. Administration expense

Item	Amount for this year	Amount for last year
Salary and social insurance etc.	218,044,853.79	211,364,195.15

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Item	Amount for this year	Amount for last year
Amortized intangible assets	31,239,932.31	33,225,587.27
Trial fee of R&D	43,555,339.21	25,360,055.70
Tax	41,944,611.92	28,478,074.24
Depreciation	14,751,540.92	18,367,533.28
Inspection and authentication fee	8,847,930.85	6,729,375.13
Business activities	5,721,184.73	9,680,299.79
Office charge	7,383,697.75	5,204,946.84
Domestic travelling fee	8,967,790.41	8,606,366.57
Utilities	8,383,041.49	6,932,782.34
Use charge of software	1,485,354.61	1,615,558.49
Property insurance	1,107,828.00	743,623.46
Funds of Board	1,257,343.43	1,305,418.11
Assets leasing	1,476,300.20	2,561,958.86
Others	74,092,115.75	41,415,531.74
<b>Total</b>	<b>468,258,865.37</b>	<b>401,591,306.97</b>

### 40. Financial expense

Item	Amount for this year	Amount for last year
Interest expenditure	18,797,291.23	12,575,169.51
Less: Interest income	104,701,782.31	63,973,985.10
Add: exchange loss	-26,094,028.36	-15,969,763.29
procedure charge expenditure	45,444,661.06	17,249,387.75
discount expenditure	-28,280,471.36	-30,618,368.98
Cash discount	-4,132,327.05	-
other expenditure	-1,914,740.22	-304,300.79
<b>Total</b>	<b>-100,881,397.01</b>	<b>-81,041,860.90</b>

### 41. Loss from Assets depreciation

Item	Amount for this year	Amount for last year
Bad debt losses	10,247,181.08	5,276,863.88
Provision for falling price of inventory	6,997,409.43	3,735,778.65
Provision for devaluation of goodwill	-	5,529,842.09
<b>Total</b>	<b>17,244,590.51</b>	<b>14,542,484.62</b>

### 42. changes in fair value gains/losses

Item	Amount for this year	Amount for last year
Transaction finance asset	-	-
Including :Income of fair value changes from derivative financial instruments	-	-
Income of fair value changes from stock investment	-	-
Transaction financial liabilities	-81,170.00	-

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Item	Amount for this year	Amount for last year
Including :Income of fair value changes from derivative financial instruments	-81,170.00	-
Investment real estate measured by fair value	-	-
<b>Total</b>	<b>-81,170.00</b>	<b>-</b>

### 43. Investment income

#### (1) Sources of investment income

Item	Amount for this year	Amount for last year
Long-term equity investment income by equity method	-445,938.81	-1,218,444.63
Investment income obtained from held of finance asset available for sales	1,825,061.39	1,073,757.30
Investment income obtained from disposal of transaction finance asset	459,500.00	-
Investment income obtained from disposal of finance asset available for sales	-	-4,763.35
Other	-3,542,539.95	-
<b>Total</b>	<b>-1,703,917.37</b>	<b>-149,450.68</b>

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

Item	Amount for this year	Amount for last year	Reason of change of this year than last year
Hefei Meiling Sole Energy Technology Co., Ltd.	-1,338,217.25	-1,206,637.03	Changes of net profit of the invested unit
Hefei Xingmei Assets Management Co., Ltd.	865,521.39	382,993.38	Changes of net profit of the invested unit
ChanghongRuba ElectricCompany(Private)Li mited	26,757.05	-394,800.98	Changes of net profit of the invested unit and counter current transaction offset
<b>Total</b>	<b>-445,938.81</b>	<b>-1,218,444.63</b>	

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

Item	Amount for this year	Amount for last year
Huishang Bank Co., Ltd.	1,675,061.39	1,073,757.30
Fuyang, Jiujiang Meiling Appliance Marketing Co., Ltd.	150,000.00	-
<b>Total</b>	<b>1,825,061.39</b>	<b>1,073,757.30</b>

(4)Investment income obtained from disposal of transaction finance asset is the income from NDF trade.

#### (5) Investment income obtained from disposal of finance asset available for sales:

Item	Amount for this year	Amount for last year
Haozhou Meiling Appliance Marketing Co., Ltd.	-	14,871.71
Changzhou Meiling Appliance Marketing Co., Ltd.	-	175,788.73
Guangyuan Meiling Appliance Marketing Co., Ltd.	-	80,112.18
Jiujiang Meiling Appliance Marketing Co., Ltd.	-	-319,201.03

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Item	Amount for this year	Amount for last year
Xuancheng Meiling Appliance Marketing Co., Ltd.	-	43,665.06
<b>Total</b>	<b>-</b>	<b>-4,763.35</b>

(6) On 31 July 2014, the Company increase additional capital to Guangxi Huidian Household Electrics Co., Ltd (Guangxi Huidian for short), and constitute the enterprise combine under the different control, as for the acquiree's equity, held before acquisition date, will re-measured its fair value on purchasing date, and recognized as investment income RMB -3,542,539.95.

### 44. Non-operation revenue

#### (1) Non-operation revenue

Item	Current Year	Last Year	Amount reckoned into non-recurring gains/losses in the Year
Gains from disposal of non-current assets	2,048,964.19	739,922.85	2,048,964.19
Including: Gains from disposal of fixed assets	2,048,964.19	739,922.85	2,048,964.19
Government subsidy	41,165,417.52	29,142,603.41	41,165,417.52
Income of penalty	680,237.53	1,040,205.97	680,237.53
Other	14,388,089.28	3,006,648.67	14,388,089.28
<b>Total</b>	<b>58,282,708.52</b>	<b>33,929,380.90</b>	<b>58,282,708.52</b>

#### (2) Government subsidy

Item	Current Year	Last Year	Resource and basis	Assets/benefit related
The second post allowance of trouble business for year of 2012	-	7,409,880.00	][HRSM (2013) No., 271]	Benefit related
Fund of foreign trade policy project	474,000.00	4,872,740.00	Foreign trade promotion policy of Commerce bureau of Hefei City	Benefit related
New general energy-saving intelligent AC and key dept.	-	1,800,000.00	[MCJ (2013) No.: 56]	Benefit related
VAT award for hi-tech products	-	1,613,600.00	[HZ(2013) No.: 68]	Benefit related
The first technology plan project for year of 2013	-	700,000.00	[MCJ(2013) No.: 29]	Benefit related
Rewards of brand model enterprise	-	500,000.00	[GXKJH(2012) No.: 103]	Benefit related
Rewards for new products	162,150.00	300,000.00	[HZ (2012) No.:53]	Benefit related
Development supporting fund for electronic information industry	3,000,000.00	-	[GXBC(2014)No.425]	Benefit related
Key supporting subsidy for enterprise position	1,160,600.00	-	[HRSM(2014)No.169]	Benefit related
Foreign Trade and Economic development policy fund	1,720,100.00	-	[HZM(2013)No.115]	Benefit related
Cash for foreign trade promotion policy for year of 2013	2,158,000.00	-	[CQ(2014)No.170]	Benefit related
Skill grant for position	915,500.00	-	[HRM(2013)No.139]	Benefit related
Instruments detection cost subsidy	588,515.00	-	[HZ(2014)No.35]	Benefit related

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

From 1 January 2014 to 31 December 2014

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

Item	Current Year	Last Year	Resource and basis	Assets/benefit related
Other	4,923,530.62	4,082,215.21		Benefit related
Project of Athena Luxury Refrigerators	4,286,250.00	3,337,500.00	Deferred income transfer-in	Assets related
Staff dormitory building project	2,469,126.98	2,470,372.08	Deferred income transfer-in	Assets related
Relocation project of Jiangxi Meiling Refrigeration	1,797,880.32	1,322,233.61	Deferred income transfer-in	Assets related
Freezer project	734,062.52	734,062.51	Deferred income transfer-in	Assets related
Removal compensation	16,221,600.70	-	Deferred income transfer-in	Assets related
Other Deferred income transfer-in	554,101.38		Deferred income transfer-in	Assets related
<b>Total</b>	<b>41,165,417.52</b>	<b>29,142,603.41</b>		

### 45. Non-operating expenditure

Item	Current Year	Last Year	Amount reckoned into non-recurring gains/losses in the Year
Loss from disposal of non-current assets	2,480,137.41	3,558,964.71	2,480,137.41
Including: loss from disposal of fixed assets	2,480,137.41	3,558,964.71	2,480,137.41
External donation	14,142.00	3,000.00	14,142.00
Penalty and late fee	2,287,159.26	321,248.40	2,287,159.26
Other	1,275,743.21	13.35	1,275,743.21
<b>Total</b>	<b>6,057,181.88</b>	<b>3,883,226.46</b>	<b>6,057,181.88</b>

### 46. Income tax expenses

Item	Current Year	Last Year
Current income tax	74,929,533.80	29,334,564.81
Deferred Income Tax	-7,931,439.23	638,060.31
<b>Total</b>	<b>66,998,094.57</b>	<b>29,972,625.12</b>

### 47. Other comprehensive income

Found more in "VI. 33. Other comprehensive income" in the Note

### 48. Items to cash flow statement

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

1) Cash received from other activities relating to operation

Item	Current Year	Last Year
Government subsidy and rewards	16,354,662.03	514,590,031.55
Margin, deposit	2,583,264.63	10,342,955.05



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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

Item	Current Year	Last Year
Collection of social security fund	6,284,804.12	7,762,591.95
Rent income	2,551,574.39	2,939,841.30
Refund of margin for home appliance going rural	-	1,214,792.65
Royalty for trademark right	154,678.74	635,777.00
Reserved fund collected	76,287.25	405,944.45
Compensations	2,747,941.96	-
Other Income	1,763,814.96	1,294,535.01
<b>Total</b>	<b>32,517,028.08</b>	<b>539,186,468.96</b>

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

Item	Current Year	Last Year
Market expenses	189,171,500.28	142,801,983.80
AD charge	72,673,005.91	47,048,151.43
Business travel, meeting and exhibition expenses	62,451,431.15	58,781,062.39
Rental expense	26,155,095.62	18,609,229.61
Labor service charge	22,291,862.53	23,148,991.00
Transport and vehicle charges	18,496,511.32	17,288,042.44
Business activities expenses	17,174,713.29	17,908,154.19
Promotion expenses	14,885,231.59	7,852,425.94
Technology cooperation fee and consultancy charge	13,857,650.62	5,008,086.47
Charge of inspection, testing, certification and evaluation	12,258,797.57	10,056,492.22
labor insurance premium	10,332,666.65	12,135,588.65
handling Charges	9,672,790.21	3,604,512.44
Communication fee	9,535,309.68	9,933,461.53
Deposit loans	7,650,964.55	14,670,377.65
Office expenses	6,690,451.67	3,351,552.93
Others	128,014,703.93	166,606,114.67
<b>Total</b>	<b>621,312,686.57</b>	<b>558,804,227.36</b>

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

Item	Current Year	Last Year
Interest income arising from bank savings	104,701,782.31	63,973,985.10
Government investment granted	12,914,468.97	24,497,571.27
Margin	148,117.26	-
<b>Total</b>	<b>117,764,368.54</b>	<b>88,471,556.37</b>

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

Item	Current Year	Last Year
Tender bond of projects returned	-	1,632,667.09

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

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

Item	Current Year	Last Year
Odd shares returned by stock exchange	88,864.95	-

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

Item	Current Year	Last Year
Amount refund to minority shareholders due to the cancellation of subsidiary	2,973,468.35	2,500,000.00
Handling charge of dividend	94,952.40	77,487.76
<b>Total</b>	<b>3,068,420.75</b>	<b>2,577,487.76</b>

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

<b>1. Net profit is adjusted to cash flow of operation activities:</b>	<b>2014</b>	<b>2013</b>
Net profit	280,406,925.17	276,136,222.57
Add: provision for depreciation of assets	17,244,590.51	14,542,484.62
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	129,699,412.39	139,456,496.63
Amortization of intangible assets	31,189,960.95	34,007,196.15
Amortization of long-term retained expense	-	-
Loss from disposal of fixed assets, intangible assets and other long term assets(gain is listed with "-")	431,173.22	2,822,796.07
Loss from discarding fixed assets as useless (gain is listed with "-")	-	-
Loss from change of fair value(gain is listed with "-")	81,170.00	-
Financial expense (gain is listed with "-")	-111,998,519.44	-51,398,815.59
Investment loss (gain is listed with "-")	1,703,917.37	144,687.33
Decrease of deferred income tax assets (increase is listed with "-")	-7,931,439.23	638,060.31
Increase of deferred income tax liabilities (decrease is listed with "-")	-	-
Decrease of inventories (increase is listed with "-")	-169,224,979.41	-75,209,784.38
Decrease of operational accounts receivable (increase is listed with "-")	159,704,041.25	-109,038,585.66
Increase of operational accounts payable (decrease is listed with "-")	-175,717,193.34	298,914,081.07
Other	9,873,871.04	7,977,314.52
Net cash flow arising from operation activities	165,462,930.48	538,992,153.64

### (3) Net cash paid for subsidiary obtained in the Year

Item	Current Year
<b>Cash or cash equivalent paid in the Year for enterprise combination</b>	<b>5.00</b>
Including: Guangxi Huidian	5.00
<b>Less: Cash and cash equivalent held by subsidiary on purchasing day</b>	<b>213,853.32</b>
Including:Guangxi Huidian	213,853.32
<b>Net cash paid for subsidiary obtained</b>	<b>-213,848.32</b>

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

(4) Cash received by disposal of subsidiary in the Year: Nil

(5) Cash and cash equivalent

Item	Current Year	Last Year
<b>Monetary fund imbalance sheet</b>	<b>2,665,219,013.80</b>	<b>2,266,192,804.16</b>
Including: stock cash	34,327.48	107,261.58
Bank deposit	2,602,664,703.52	2,181,795,210.30
Other Monetary fund	62,519,982.80	84,290,332.28
<b>Less: margin for over 3 months (amount not consider as cash)</b>	<b>19,339,995.92</b>	<b>27,308,666.66</b>
Including: margin of the bank acceptance over 3 months	19,339,995.92	27,308,666.66
<b>Cash in cash flow statement</b>	<b>2,645,879,017.88</b>	<b>2,238,884,137.5</b>

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

Item	Ending Book value	Reasons
Monetary fund	19,339,995.92	Margin for over 3 months
Notes receivable	101,830,822.94	Issued bank acceptance
Account receivable	33,194,336.57	Pledge loans of account receivable for Zhongshan Changhong
Intangible assets	21,358,684.18	Mortgage loan
<b>Total</b>	<b>175,723,839.61</b>	

### 50. Foreign currency

#### (1) Foreign currency

Item	Ending foreign currency balance	Exchange rate	Ending RMB converted balance
<b>Monetary fund</b>			<b>246,850,208.48</b>
Including: USD	38,436,416.39	6.1190	235,192,431.91
Euro	10,984.36	7.4556	81,894.99
AUD	907,313.34	5.0174	4,552,353.94
Rupi	115,930,021.93	0.0606	7,023,527.64
<b>Account receivable</b>			<b>242,583,018.35</b>
Including: USD	34,748,961.57	6.1190	212,628,895.85
AUD	2,050,684.84	5.0174	10,289,106.12
Rupi	324,505,220.77	0.0606	19,665,016.38
<b>Other receivables</b>			<b>6,065,263.41</b>
Including: Rupi	100,086,855.01	0.0606	6,065,263.41
<b>Accounts payable</b>			<b>44,556,664.91</b>
Including: USD	84,577.60	6.1190	84,583.72
Rupi	734,105,004.77	0.0606	44,472,081.19
<b>Other accounts payable</b>			<b>7,982,636.85</b>

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

Item	Ending foreign currency balance	Exchange rate	Ending RMB converted balance
Including:Rupi	131,726,680.76	0.0606	7,982,636.85
<b>Short-term loans</b>			<b>407,508,739.07</b>
Including:USD	66,597,277.18	6.1190	407,508,739.07
<b>Long-term loans</b>			<b>11,014,200.00</b>
Including:USD	1,800,000.00	6.1190	11,014,200.00

### (2) Foreign operational entity

The foreign operational entity of the Company was Changhong Ruba Trading Company (Private) Limited, mainly operates in Lahore, Pakistan; recording currency is Rupi.

51. Hedging: Nil

52. Other: Nil

### VII. Changes of consolidation range

#### 1. Enterprise combined under the different control

##### (1) Enterprise combined under the different control in the Year

Acquiree	Equity obtained time point	Costs of equity obtained Cost	Ratio of the equity obtained Ratio	Obtained way	Acquisition date	Determination basis for acquisition date	Income on purchasing date from purchasing date to year-end 购 Income	Net profit on purchasing date from purchasing date to year-end
Guangxi Huidian Home Appliance Co., Ltd.	2014.7.26	5.00	41.80%	purchase	2014.7.31	Totally equity money have paid	15,497,762.28	5,504,274.45

The Company originally holds 20 percent equity of the Guangxi Huidian, purchased 41.80 percent equity from other shareholders with price of RMB 5 in July 2014. Then the Company holds 61.80 percent of the Guangxi Huidian; In December 2014, the Company purchased 2.20 percent equity of Huidian from other shareholders again, accumulated 64 percent equity of Guangxi Huidian are held by the Company up to end of the Year.

##### (2) Combined cost and Goodwill

Item	Guangxi Huidian
Monetary fund	5.00
Fair value of non-cash assets	-
Fair value, on acquisition date, of the equity held before acquisition date	-2,542,539.95
Total Combined cost	-2,542,534.95

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

From 1 January 2014 to 31 December 2014

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

Item	Guangxi Huidian
Less: portion of the fair value for identifiable net assets obtained	-7,856,448.45
Goodwill Amount of goodwill/combined cost lower than the portion of the fair value for identifiable net assets obtained	5,313,913.50

### (3) Identifiable assets and liabilities on acquisition date for acquiree

Item	Guangxi Huidian	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary fund	213,853.32	213,853.32
Notes receivable	10,000.00	10,000.00
Account receivable	11,691,256.65	11,691,256.65
Accounts paid in advance	50,681.97	50,681.97
Other receivables	1,374,882.40	1,374,882.40
Inventories	183,117.72	183,117.72
Fixed assets	220,548.93	220,548.93
Liabilities:		
Accounts payable	25,800,290.21	25,800,290.21
Accounts received in advance	449,497.36	449,497.36
Wage payable	23,547.10	23,547.10
Taxes payable	93,522.10	93,522.10
Other accounts payable	90,183.97	90,183.97
Net assets	-12,712,699.75	-12,712,699.75
Less: Minority's interest	-4,856,251.30	-4,856,251.30
Net assets obtained (61.80%)	-7,856,448.45	-7,856,448.45

### (4) Gains or losses re-measured by fair value for the equity held before acquisition date

Acquiree	Book value of equity on acquisition date, which is originally held before acquisition date	Fair value of the equity originally held before acquisition date on acquisition date	Gains or losses re-measured by fair value for the equity held before acquisition date	Determination method and main hypothesis for the fair value of the equity on acquisition date, which originally held before acquisition date	Other comprehensive income transferred into investment income, which related with the equity originally held before acquisition date
Guangxi Huidian	1,000,000.00	-2,542,539.95	-3,542,539.95	Recognized as fair value directly for the book net assets	-

2. Enterprise combined under the same control: Nil

3. Reversed takeover: Nil

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

From 1 January 2014 to 31 December 2014

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

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4. Disposal of subsidiary: Nil

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

### 5. Subsidiary liquidated

Subsidiary	Price of the equity disposed	Ratio of the equity disposed	Way of the equity disposed	Time point of control right lose	Determination basis for the time point of control right lose	Difference between the disposal price and proportion of the subsidiary's net assets enjoy in aspect of the consolidated financial statement, which is respond to the disposal investment	Proportion of the residual equity on date when control rights lose	Book value of the residual equity on date when control rights lose	Fair value of the residual equity on date when control rights lose	Gains or losses of the residual equity re-measured by fair value	Determination method and main hypothesis for the residual equity's fair value on the date when control right lose	Other comprehensive income transferred into investment income, which related with the equity investment of original subsidiary
Xinxiang Meiling Appliance Marketing Co., Ltd.	-	86%	Liquidation cancelled	2014-3	Liquidation completed	-	-	-	-	-	Not applicable	-
Liu'An Meiling Appliance Marketing Co., Ltd.	-	36%	Liquidation cancelled	2014-1	Liquidation completed	-	-	-	-	-	Not applicable	-
Hefei Meiling Environment Packaging Material Co., Ltd.	-	100%	Liquidation cancelled	2014-12	Liquidation completed	-	-	-	-	-	Not applicable	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-

### 6. Subsidiary established

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

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(Unless otherwise specified. RMB for record in the statement)

<b>Subsidiary</b>	<b>Type</b>	<b>Registered place</b>	<b>Business nature</b>	<b>RC (10 thousand Yuan)</b>	<b>Capital actually paid at year-end (10 thousand Yuan)</b>	<b>Other balance that consider as the net investment for subsidiary in nature</b>	<b>Share-holding Ratio (%)</b>	<b>Ratio of voting right (%)</b>	<b>Consolidated (Y/N)</b>	<b>Minority's interest</b>
Mianyang Meiling Software Technology Co., Ltd.	Limited company	Mianyang	Software development	500	500	-	100.00	100.00	Y	-



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

From 1 January 2014 to 31 December 2014

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### VIII. Equity in other entity

#### 1. equity in subsidiary

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

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Zhongke Meiling Cryogenic Technology Co., Ltd.1)	Hefei	Hefei	Manufactures, sales	70.00	-	Investment
Mianyang Meiling Software Technology Co., Ltd. 2)	Mianyang	Mianyang	Software development	99.00	1.00	Investment
Mianyang Meiling Refrigeration Co., Ltd.3)	Mianyang	Mianyang	Manufactures, sales	95.00	5.00	Investment
Jiangxi Meiling Appliance Co., Ltd.4)	Jingdezhen	Jingdezhen	Manufactures, sales	98.75	1.25	Investment
Hefei Meiling Appliance Marketing Co., Ltd.5)	Hefei	Hefei	Sales	99.82	0.18	Investment
Guangxi Huidian Home Appliance Co., Ltd.6)	Nanning	Nanning	Sales	-	64.00	Enterprise combined under the different control
Luohe Meiling Appliance Marketing Co., Ltd.7)	Luohe	Luohe	Sales	-	99.60	Investment
Wuhu Meiling Appliance Marketing Co., Ltd.8)	Wuhu	Wuhu	Sales	-	98.00	Investment
Changchun Meiling Appliance Marketing Co., Ltd.9)	Changchun	Changchun	Sales	-	97.00	Investment
Bengbu Meiling Appliance Marketing Co., Ltd.10)	Bengbu	Bengbu	Sales	-	93.50	Investment
Hengyang Meiling Appliance Marketing Co., Ltd.11)	Hengyang	Hengyang	Sales	-	85.00	Investment
Nanchang Meiling Appliance Marketing Co., Ltd.12)	Nanchang	Nanchang	Sales	-	85.00	Investment
Jingzhou Meiling Appliance Marketing Co., Ltd.13)	Jingzhou	Jingzhou	Sales	-	81.00	Investment
Shengyang Meiling Appliance Marketing Co., Ltd.14)	Shengyang	Shengyang	Sales	-	94.80	Investment
Wuhan Meiling Appliance Marketing Co., Ltd.15)	Wuhan	Wuhan	Sales	-	91.00	Investment
Zhengzhou Meiling Appliance Marketing Co., Ltd.16)	Zhengzhou	Zhengzhou	Sales	-	46.00	Investment
Shijiazhuang Meiling Appliance Marketing Co., Ltd.17)	Shijiazhuang	Shijiazhuang	Sales	-	63.33	Investment
Mianyang Meiling Appliance Marketing Co., Ltd.18)	Mianyang	Mianyang	Sales	-	85.00	Investment
Chengdu Meiling Appliance Marketing Co., Ltd.19)	Chengdu	Chengdu	Sales	-	85.00	Investment
Guiyang Meiling Appliance Marketing Co., Ltd.20)	Guiyang	Guiyang	Sales	-	44.00	Investment

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

From 1 January 2014 to 31 December 2014

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

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio(%)		Acquire way
				Directly	Indirectly	
Fuzhou Meiling Appliance Marketing Co., Ltd.21)	Fuzhou	Fuzhou	Sales	-	99.00	Investment
Nanjing Meiling Appliance Marketing Co., Ltd.22)	Nanjing	Nanjing	Sales	-	99.00	Investment
Hefei Meiling White Appliance Marketing Co., Ltd.23)	Hefei	Hefei	Sales	-	85.00	Investment
Taiyuan Meiling Appliance Marketing Co., Ltd.24)	Taiyuan	Taiyuan	Sales	-	85.25	Investment
Changsha Meiling Appliance Marketing Co., Ltd.25)	Changsha	Changsha	Sales	-	86.00	Investment
Hohhot Meiling Appliance Marketing Co., Ltd.26)	Hohhot	Hohhot	Sales	-	83.00	Investment
Hangzhou Meiling Appliance Marketing Co., Ltd.27)	Hangzhou	Hangzhou	Sales	-	88.50	Investment
Chongqing Meiling Appliance Marketing Co., Ltd.28)	Chongqing	Chongqing	Sales	-	85.00	Investment
Kunming Meiling Appliance Marketing Co., Ltd.29)	Kunming	Kunming	Sales	-	86.50	Investment
Shanghai Meiling Appliance Marketing Co., Ltd.30)	Shanghai	Shanghai	Sales	-	99.00	Investment
Nantong Meiling Appliance Marketing Co., Ltd.31)	Nantong	Nantong	Sales	-	92.00	Investment
Neijiang Meiling Appliance Marketing Co., Ltd.32)	Neijiang	Neijiang	Sales	-	95.00	Investment
Tianjin Meiling Appliance Marketing Co., Ltd.33)	Tianjin	Tianjin	Sales	-	85.50	Investment
Urumchi Meiling Appliance Marketing Co., Ltd.34)	Urumchi	Urumchi	Sales	-	90.00	Investment
Harbin Meiling Appliance Marketing Co., Ltd.35)	Harbin	Harbin	Sales	-	77.50	Investment
Beijing Meiling Appliance Marketing Co., Ltd.36)	Beijing	Beijing	Sales	-	99.00	Investment
Lanzhou Meiling Appliance Marketing Co., Ltd.37)	Lanzhou	Lanzhou	Sales	-	51.50	Investment
Xi'an Meiling Appliance Marketing Co., Ltd.38)	Xi'an	Xi'an	Sales	-	85.00	Investment
Guangzhou Meiling Appliance Marketing Co., Ltd.39)	Guangzhou	Guangzhou	Sales	-	98.00	Investment
Jinan Meiling Appliance Marketing Co., Ltd.40)	Jinan	Jinan	Sales	-	36.00	Investment
Changhong Ruba Trading Company41)	Pakistan	Pakistan	Sales	-	60.00	Investment
Sichuan Changhong Air Conditioner Co., Ltd.42)	Mianyang	Mianyang	Manufactures, sales	100.00	-	Enterprise combined under the same control
Zhongshan Changhong Appliance Co.,	Zhongshan	Zhongshan	Manufactures,	90.00	10.00	Enterprise combined under

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

From 1 January 2014 to 31 December 2014

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

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Ltd43)			sales			the same control
Hefei Meiling Group Holding Co., Ltd.44)	Hefei	Hefei	Manufactures, sales	100.00	-	Enterprise combined under the different control
Meiling Equator Electric (Hefei) Co., Ltd. 45)	Hefei	Hefei	Manufactures, sales	-	100.00	Enterprise combined under the different control
Hefei Equator Electric Co., Ltd. 46)	Hefei	Hefei	Manufactures, sales	-	100.00	Enterprise combined under the different control
Hefei Hefei Meiling Non-ferrous Metal Product Co., Ltd. 47)	Hefei	Hefei	Manufactures, sales	-	100.00	Enterprise combined under the different control
Hefei Hefei Meiling Packaging Products Co., Ltd. 48)	Hefei	Hefei	Manufactures, sales	48.28	51.72	Enterprise combined under the different control

1) Zhongke Meiling Cryogenics Technology Limited Company (hereinafter referred to as Zhongke Meiling Company) was established on Oct. 29, 2002 by the company and CAS's Physical & Chemical technology Research, whose registered capital was RMB 60 million including material contribution of RMB 35,573,719.70 which accounted for 70% of registered capital and cash contribution of RMB 6,426,280.30. CAS's Physical & Chemical technology Research made contributions by New mixed throttle refrigeration technology and technical License of Application research in super low temperature storage box that was appraised RMB 18,000,000 accounting for 30% of registered capital. The actual received of the register capital have been verified by verification report of [Huazheng Yanzi No.(2002) B157] issued by Huazheng CPAs Co., Ltd..

Registration No. of the Business License of Corporation Legal Person: 3401001006416; organization code: 74309835-2; Legal Representative: Li Wei; Address: No. 2163, Lianhua Road, Economy and Technology Development Zone, Hefei City. Business Scope: R & D, exploitation, manufacture, sales and service of cryogenic cooling equipment and products; self-operating and agency for the import&export business of various commerce and technology. (Excluding the commodity and technology that restricted for operation or import and export prohibit by the State)

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

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Registration No. of the Business License of Corporation Legal Person: 510703000059200; Registered capital: RMB 5 million; Address: No. 303, Jiuzhou Revenue, Peicheng District, Mianyang City. Legal Representative: Zhang Xiaolong; Business Scope: Research and sales of the controlling and intelligent software for AC, Washing machine, Refrigerator and freeze and appliance etc.

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

Registration No. of the Business License of Corporation Legal Person: 510706000014939; organization code: 68610561-5; Address: No.35 Mianxing East Road, Gaoxin District, Mianyang City, Sichuan Province; Legal Representative: Liao Tao; Business Scope: R & D, manufacture and sales of cooling apparatus, electronic products and other fittings; import and export of the goods and technology (excluding the items prohibte by the laws and regulations, license required for restriction items)

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

Registration No. of the Business License of Corporation Legal Person: 360200110004455; organization code:

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57364516-4; Address: South part of Wutong Revenue, High-Tech Industrial Development District, Jingdezhen; Legal Representative: Liao Tao; Business Scope: R&D, manufacturing and sales of refrigerator and its accessories.

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

Registration No. of the Business License of Corporation Legal Person: 340107000030092; Address: Woyun Road North, Lianhua Road East, Economy and Technology Development Zone, Hefei City; Legal Representative: Deng Xiaohui; Business Scope: refrigeration appliance, air-conditioner, washing machine, computer numerical control injection molding machine, computer water heater, plastic products, packaging and decorations, electronic products and assessories, department strore sales.

6) Guangxi Huidian Home Appliance Co., Ltd. (Guangxi Huidian for short) established in March 2010 with registered capital of RMB 5 million. the Company invested RMB 1 million, accounted for 20% of the registered capital; in 2014, some of the shareholders entered into the equity transfer agreement, transferred 44% equity of the Guangxi Huidian transferred respectively in July 2014 and December 2014; after equity transferred, the Company holds totally 64% equity of Guangxi Huidian; enterprise type: limited company; address: Room 402, 403, 404 and 407, 4/F, Plant, Central District, No. 9 Huoju Road, Nanning City. Legal Representative: Zhou Wenhui; Business Scope: sales, installment and maintenance of Refrigerator and freezer, Washing machine and AC.

7) Luohe Meiling Appliance Marketing Co., Ltd. (Luohe Meiling for short) was established dated 10 December 2010 with registered capital of RMB 5 million. the Company invested RMB 1.85 million, accounted for 37% of the registered capital. In 2013, the Company purchased minority equity of 27%; on 9 Sept.2014, entered into equity transferred agreement with minority shareholders, transferred 35.6% equity of Luohe Meiling held by the minority, after equity transferred completed in December 2014, the Company totally holds 99.6% equity of the Luohe Meiling; enterprise type: limited company; address and business place: Middle section of the Huanghe Road, Yancheng District, Luohe City. Legal Representative: Liu Xiangyang Business Scope: sales and maintenance of home appliance.

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8) Wuhu Meiling Appliance Marketing Co., Ltd. (Wuhu Meiling for short) was established dated 24 December 2010 with registered capital of RMB 6 million; the Company invested RMB 2.16 million, accounted for 36% of the registered capital. In 2014, the Company entered into equity transferred agreement with minority shareholders, transferred 62% equity of Wuhu Meiling held by the minority respectively in May 2014 and December 2014, after equity transferred completed, the Company totally holds 98% equity of the Wuhu Meiling; enterprise type: limited company; address and business place: No.1002, Qiaohong International Mall, Jinghu District, Wuhu City. Legal Representative: Cui Lianbin; Business Scope: sales and maintenance of home appliance.

9) Changchun Meiling Appliance Marketing Co., Ltd. (Changchun Meiling for short) was established dated 22 December 2010 with registered capital of RMB 3million; the Company invested RMB 2.91 million, accounted for 97% of the registered capital; enterprise type: limited company; address and business place: South Section 301, No. 21, Xi Minzhu Revenue, Chaoyang District, Changchun City; Legal Representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

10) Bengbu Meiling Appliance Marketing Co., Ltd. (Bengbu Meiling for short) was established dated 27 December 2010 with registered capital of RMB 3 million; the Company invested RMB 2.55 million, accounted for 85% of the registered capital. In 2013, the Company purchased 2.4% equity from the minority; and entered into equity transferred agreement with minority shareholders in 2014, transferred 6.1% equity of Bengbu Meiling held by the minority respectively, after equity transferred completed in December 2014, the Company totally holds 93.5% equity of the Bengbu Meiling; enterprise type: other limited company; address and business place: East house, 6/F, Office Building, East 9-18 Floor, New Shiji Sqaure, No. 1028, Huaihe Road, Bengbu City. Legal Representative: Cui Lianbin; Business Scope: sales and maintenance of home appliance.

11) Hengyang Meiling Appliance Marketing Co., Ltd. (Hengyang Meiling for short) was established dated 24 December 2010 with registered capital of RMB 3 million; the Company invested RMB 1.23 million, accounted for 41% of the registered capital. In 2014, the Company entered into equity transferred agreement with minority shareholders, transferred 44% equity of Hengyang Meiling held by the minority, after equity transferred completed in July 2014, the Company totally holds 85% equity of the Hengyang Meiling; enterprise type: limited company; address and business place: No.302, Yujia Community, Yujia Team, Jiangdong Village, Zhuhuai District, Hengyang City. Legal Representative: Liu Xiangyang; Business Scope: sales and maintenance of home appliance.

12) Nanchang Meiling Appliance Marketing Co., Ltd. (Nanchang Meiling for short) was established dated 5 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. In 2014, the Company entered into equity transferred agreement

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with minority shareholders, transferred 49% equity of Nanchang Meiling held by the minority, after equity transferred completed in July 2014, the Company totally holds 85% equity of the Nanchang Meiling; enterprise type: limited company; address and business place: No. 192, Gaoxin 7# Rd., Gaoxin District, Nanchang City; Legal representative: Liu Xiangyang; Business Scope: wholesales, sales and maintenance of home appliance.

13) Jingzhou Meiling Appliance Marketing Co., Ltd. (Jingzhou Meiling for short) was established dated 10 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 2.4 million, accounted for 60% of the registered capital. In 2013, the Company purchased 20% equity from minority; and entered into equity transferred agreement with minority shareholders, transferred 1% equity of Jingzhou Meiling held by the minority, after equity transferred completed in July 2014, the Company totally holds 81% equity of the Jingzhou Meiling; enterprise type: limited company; address and business place: Room 1104, B Tower, (Jun Lin Tian Xia) Yuanlin Road, Shashi District, Jingzhou City; Legal representative: Liu Xiangyang; Business Scope: sales and maintenance of home appliance.

14) Shengyang Meiling Appliance Marketing Co., Ltd. (Shengyang Meiling for short) was established dated 26 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.844 million, accounted for 94.8% of the registered capital. enterprise type: limited company; address and business place: No.30, Renao Rd., Shenhe District, Shenyang City; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

15) Wuhan Meiling Appliance Marketing Co., Ltd. (Wuhan Meiling for short) was established dated 10 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.55 million, accounted for 91% of the registered capital. enterprise type: limited company; Room 4, Room 5, 4/F, Building C, No.50 Jiefang Gongyuan Rd., Jiang'an District, Wuhan City; Legal representative: Liu Xiangyang; Business Scope: refrigerator machine, air-conditioner, washing machine, electronic products and accessories and sales of general merchandise.

16) Zhengzhou Meiling Appliance Marketing Co., Ltd. (Zhengzhou Meiling for short) was established dated 17 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. In 2013, after the Company purchased 10% equity from minority, the Company totally holds 46% equity of the Zhengzhou Meiling; enterprise type: limited company; address and business place: No.11, 4/F, No.18 Chengdong Rd. East, Guancheng District, Zhengzhou City; Legal representative: Liu Xiangyang; Business Scope: sales and maintenance of home appliance.

17) Shijiazhuang Meiling Appliance Marketing Co., Ltd. (Shijiazhuang Meiling for short) was established dated 14 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in July 2014, transferred 27.33% equity of Shijiazhuang Meiling held

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by the minority, after equity transferred completed in August 2014, the Company totally holds 63.33% equity of the Shijiazhuang Meiling; enterprise type: limited company; address and business place: No.669, Chengjiao Street South, Qiaoxi District, Shijiazhuang City; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

18) Mianyang Meiling Appliance Marketing Co., Ltd. (Mianyang Meiling for short) was established dated 27 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 2.6 million, accounted for 52% of the registered capital. In 2013, after the Company purchased 33% equity from minority, the Company totally holds 85% equity of the Mianyang Meiling; enterprise type: limited company; address and business place: Commercial & Trade Plaza, Gaoxin District, Mianyang; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

19) Chengdu Meiling Appliance Marketing Co., Ltd. (Chengdu Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.17 million, accounted for 83.4% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in August 2014, transferred 1.6% equity of Chengdu Meiling held by the minority, after equity transferred completed in September 2014, the Company totally holds 85% equity of the Chengdu Meiling; enterprise type: limited company; address and business place: No.22, Shuangfeng West Rd., Wuhou District, Chengdu City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

20) Guiyang Meiling Appliance Marketing Co., Ltd. (Guiyang Meiling for short) was established dated 24 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 0.78 million, accounted for 26% of the registered capital; In 2013, after the Company purchased 18% equity from minority, the Company totally holds 44% equity of the Guiyang Meiling; enterprise type: limited company; address and business place: No.16-3, Pubu Business Building, No. 19 Yan'an West Rd., Yunyan District, Guiyang City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

21) Fuzhou Meiling Appliance Marketing Co., Ltd. (Fuzhou Meiling for short) was established dated 25 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital; enterprise type: limited company; address and business place: 05, 22/F, Jin'an Building, Jinyuan Garden, No. 328 Liuyi North Rd., Ji'an District, Fuzhou City; Legal representative: Zhou Wenhui; Business Scope: sales and maintenance of home appliance.

22) Nanjing Meiling Appliance Marketing Co., Ltd. (Nanjing Meiling for short) was established dated 14 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital; enterprise type: limited company; address and business place: 14/F, Dongheng International Business Building, No. 288 Zhongshan South Rd., Baixia District, Nanjing City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

23) Hefei Meiling Appliance Marketing Co., Ltd. (White Appliance for short) was established dated 21



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January 2011 with registered capital of RMB 6 million; Meiling Marketing invested RMB 5.1 million, accounted for 85% of the registered capital; enterprise type: limited company; address and business place: A-201, Huayi Science & Technology Park, Gaoxin District, Hefei City; Legal representative: Zhou Wenhui; Business Scope: sales and maintenance of home appliance.

24) Taiyuan Meiling Appliance Marketing Co., Ltd. (Taiyuan Meiling for short) was established dated 18 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 1.59 million, accounted for 39.75% of the registered capital; In 2013, after the Company purchased 45.5% equity from minority, the Company totally holds 85.25% equity of the TaiyuanMeiling; enterprise type: limited company; address and business place: 6/F, Hanyuan Building, Qinxian North Street, Xiaodian District, Taiyuan City; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

25) Changsha Meiling Appliance Marketing Co., Ltd. (Changsha Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 1.8 million, accounted for 36% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in 2014, transferred 50% equity of Changsha Meiling held by the minority, after equity transferred completed in December 2014, the Company totally holds 86% equity of the Changsha Meiling; enterprise type: limited company; address and business place: Room 301, Oriental Ginza, No. 348 Yuanda No.1 Rd., Furong District, Changsha City; Legal representative: Liu Xiangyang; Business Scope: sales and maintenance of home appliance.

26) Hohhot Meiling Appliance Marketing Co., Ltd. (Hohhot Meiling for short) was established dated 21 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.65 million, accounted for 55% of the registered capital; In 2013, after the Company purchased 28% equity from minority, the Company totally holds 83% equity of the Hohhot Meiling; enterprise type: limited company; address and business place: No. 516, 4/F, Comprehensive Building, Jiangjun Garden, No. 139 Dongku Street, Xincheng District, Hohhot City; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

27) Hangzhou Meiling Appliance Marketing Co., Ltd. was established dated 17 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.655 million, accounted for 88.5% of the registered capital; enterprise type: limited company; address and business place: Room 609, 1# building, Nanbei Shangwugang, Gongshu District, Hangzhou City; Legal representative: Zhou Wenhui; Business Scope: sales and maintenance of home appliance.

28) Chongqing Meiling Appliance Marketing Co., Ltd. (Chongqing Meiling for short) was established dated 1 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.55 million, accounted for 85% of the registered capital; enterprise type: limited company; address and business place: No. 105, No. 106 and No.111, Dayang Gongqiao, Shapingba District, Chongqing City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

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29) Kunming Meiling Appliance Marketing Co., Ltd. (Kunming Meiling for short) was established dated 28 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.395 million, accounted for 46.5% of the registered capital; In 2013, after the Company purchased 40% equity from minority, the Company totally holds 86.5% equity of the Kunming Meiling; enterprise type: limited company; address and business place: 6/F, No. 13 Longquan Rd., Kunming City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

30) Shanghai Meiling Appliance Marketing Co., Ltd. (Shanghai Meiling for short) was established dated 9 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital; enterprise type: limited company; address and business place: Room 201-9, No. 15, 152 Lane, Yanchang Rd., Shanghai City; Legal representative: Zhou Wenhui; Business Scope: sales and maintenance of home appliance.

31) Nantong Meiling Appliance Marketing Co., Ltd. (Nantong Meiling for short) was established dated 8 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.74 million, accounted for 58% of the registered capital; In 2013, after the Company purchased 34% equity from minority, the Company totally holds 92% equity of the Nantong Meiling; enterprise type: limited company; address and business place: Room 201, Funan Building, zhongbei Mansion, No. 351, Gongnong Road, Nantong City; Legal representative: Zhou Wenhui; Business Scope: sales and maintenance of home appliance.

32) Neijiang Meiling Appliance Marketing Co., Ltd. (Neijiang Meiling for short) was established dated 8 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.4 million, accounted for 80% of the registered capital; the Company purchased 12.33% equity from minority, and entered into equity transferred agreement with minority shareholders in 2014, transferred 2.67% equity of Neijiang Meiling held by the minority, after equity transferred completed in September 2014, the Company totally holds 95% equity of the Neijiang Meiling; enterprise type: limited company; address and business place: middle layer, No. 386 Yuxi Rd., Zhong District, Neijiang City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

33) Tianjin Meiling Appliance Marketing Co., Ltd. (Tianjin Meiling for short) was established dated 2 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.565 million, accounted for 85.5% of the registered capital; enterprise type: limited company; address and business place: middle layer, No. 3001-96, economy and development centre, No. 9 Junling Rd., Electronic Industrial Park, North Gate, Jinnan District; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

34) Urumchi Meiling Appliance Marketing Co., Ltd. (Urumchi Meiling for short) was established dated 4 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.7 million, accounted for 90% of the registered capital; enterprise type: limited company; address and business place: Room 505, Yinzuo Centre, No. 196 Tianjin South Rd., Urumchi City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

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35) Harbin Meiling Appliance Marketing Co., Ltd. (Harbin Meiling for short) was established dated 6 April 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in September 2014, transferred 41.5% equity of Harbin Meiling held by the minority, after equity transferred completed in December 2014, the Company totally holds 77.5% equity of the Harbin Meiling; enterprise type: limited company; address and business place: No.4, Hengshan Rd., Nangang Centre District, Jinkai Zone, Harbin City; Legal representative: Tang Yiliang; Business Scope: sales and maintenance of home appliance.

36) Beijing Meiling Appliance Marketing Co., Ltd. (Beijing Meiling for short) was established dated 28 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital; enterprise type: limited company; address and business place: No.23, Xinhua West Street, Majuqiao Town, Tongzhou District, Beijing; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

37) Lanzhou Meiling Appliance Marketing Co., Ltd. (Lanzhou Meiling for short) was established dated 25 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.215 million, accounted for 40.50% of the registered capital; In 2013, after the Company purchased 11% equity from minority, the Company totally holds 51.5% equity of the Lanzhou Meiling; enterprise type: limited company; address and business place: No. 134, Jiayuguan West Rd., Chengguan District, Lanzhou City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

38) Xi'an Meiling Appliance Marketing Co., Ltd. (Xi'an Meiling for short) was established dated 13 April 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.83 million, accounted for 61% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in August 2014, transferred 24% equity of Xi'an Meiling held by the minority, after equity transferred completed in September 2014, the Company totally holds 85% equity of the Xi'an Meiling; enterprise type: limited company; address and business place: No.10715, 7/F, 1 Unit, #12 Building, Xinxing Junjin Garden, No. 369 Jinhua Rd., Xincheng District, Xi'an City; Legal representative: Hu Zhaogui; Business Scope: sales and maintenance of home appliance.

39) Guangzhou Meiling Appliance Marketing Co., Ltd. (Guangzhou Meiling for short) was established dated 13 May 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.3 million, accounted for 86% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in 2014, transferred 12% equity of Guangzhou Meiling held by the minority, after equity transferred completed in December 2014, the Company totally holds 98% equity of the Guangzhou Meiling; enterprise type: limited company; address and business place: 2/F, No. 98 Tanxin Street, Dongheng Rd., Baiyun District, Guangzhou City; Legal representative: Zhou Wenhui; Business Scope: wholesales and maintenance of home appliance.

40) Jinan Meiling Appliance Marketing Co., Ltd. (Jinan Meiling for short) was established dated 3 June 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for

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36% of the registered capital; enterprise type: limited company; address and business place: No.249, Huangqiao Industry Park, Donglihe West Rd., Tianqiao District, Jinan City; Legal representative: Liu Xiangyang; Business Scope: sales and maintenance of home appliance.

41) ChanghongRubaTradingCompany (Private) Limited (ChanghongRuba for short) was approved by “Reply on Review of Jointly Established a Manufacture and Sales Platform Project in Pakistan by Zhongshan Changhong Appliance Co., Ltd” [Yue Fa Gai Wai Zi (2011) No. 958] issued by Development and Reform Commission of Guangdong Province dated 5 August 2011, and jointly invested by Zhongshan Changhong Appliance Co., Ltd and UAE RUBAGENERALTRADINGFZE (UAE RUBA for short). Registered capital amounting to \$ 6 million, Zhongshan Changhong Appliance Co., Ltd invested \$ 3.6 million in cash, accounted for 60% of the shareholding, while UAE RUBA contributes \$ 2.4 million in cash with 40% of the shares held. Registered place located in Lahore, Pakistan; legal representative: Teng Guangsheng; business scope: sales of AC products and other home appliance.

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

Registration No. of the Business License of Corporation Legal Person: 510706000013788; organization code of No. 68236997-1; Address: No.35, Mianxing East Road, Gaoxin District, Mianyang City; Legal Representative: Li Wei; Business Scope: R&D, manufacturing, sales and after-sales services of air conditioners, ASHPWH and parts, equipment rental, external processing services of spare parts, and sales of metal materials (excluding gold and silver), sales, installment and services of mechanical and electrical equipment.

43) Zhongshan Changhong Electric Co., Ltd.( Zhongshan Changhong), was the original Guangdong Changhong Electric Co., Ltd., and is a limited liability company jointly set up by Sichuan Changhong and China Minmetals on May 22, 2001. Its registered capital was RMB 80 million upon establishment, of which, Sichuan Changhong invested RMB 72 million, including RMB 69.3 million bidding for the estate/ non-estate from original Zhongshan Sanrong Air-conditioner Co., Ltd. And its patent use-right of RMB2.7 million, accounting for 90% of the registered capital; Chine Minmetals invested RMB 8 million in monetary capital accounting 10% of the registered capital. The Company changed its name originally from Guangdong Changhong Electric Co., Ltd in July 2003. In December 2009, the Company obtained 90% equity of Zhongshan Changhong by consolidated under same control. 10% equity held by China Minmetals has been

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transferred by Changhong Air-conditioner on April 11, 2010. On 25 May 2014, the Company increased RMB 36 million to Zhongshan Changhong, Changhong AC increased RMB 4 million. After capital increased, registered capital of Zhongshan Changhong turns to RMB 120 million, including RMB 108 million contributed by the Company, accounted for 90% of the registered capital, Changhong AC invested RMB 12 million, accounted for 10% of the registered capital.

Ended as 31 December 2014, registration No. of the Business License of Corporation Legal Person: 442000000290879; Legal Representative: Du Zhixiao; Address: Central Nantou Avenue, Nantou Town, Zhongshan City; Business Scope: air-conditioner, frigerator and freezer, heat pump, water heater, air cooler, electric fan, humidifier, electric heater and spareparts of the above mentioned products, sales of products in and out of China. Engaged in import and export business of the self-produced products and raw materials, equipment and technology (excluding the items restricted by the State; no manage products of the state trading involved; pursuit to the procedures of the State for products with quota, license and trade management involved )

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

Registration No. of the Business License of Corporation Legal Person: 340100000010841; address: Main plant of 2# South, Tangkou Road, Lianhua Road East, Economy&Technology Development Zone, Hefei; Legal Representative: Li Wei; Business Scope: Manufacture of washing machine, plastic products, fine welded pipe, cooling fittings, package products and decoration products; Self-produced products and raw&auxiliary materials, machinery equipment, instrument and department sales.

45) Meiling Equator Appliance (Hefei) Co., Ltd.( Equator Appliance for short) was the Sino-foreign joint venture jointly set up by original Meiling Group and EQUATOR INVESTMENTS (USA) INC.( EQUATOR for short), which have been approved by the [SWZWFZZ(2004) No.0103] of Approval Certificate of Foreign Enterprise from People's Government of Anhui Province. Its registered capital was US\$ 3 million upon establishment, of which, Sino company invested US\$ 2.25 million in machinery equipment, accounting 75% of the registered capital while foreign company invested US\$ 0.5 million in monetary capital and US\$ 0.25 million in intangible assets, amounting to US\$0.75 million, accounting 25% of the registered capital. The above mentioned investment verified by the verification report of [WYAYZ (2004) No. 135] from Anhui Yongan CPAs Co., Ltd. In July 2007, approved by [HWJ(2007) No.136] from Foreign Trade Economic Cooperation Bureau of Hefei City, 25% equity held by EQUATOR transferred to Anhui Meiling Electric Co., Ltd. Totally.

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The Company's register capital came into RMB 24,793,200 after transference, and was not the joint-venture any more. 25% equity owned by Anhui Meiling Electric Co., Ltd has been transferred totally to original Meiling Group in July 2009.

Registration No. of the Business License of Corporation Legal Person: 340100000004040; address: Meiling Industry Zone, Development Zone, Feidong Xinchang, Hefei City; Legal Representative: Huang Danian; Business Scope: Research, manufacture and sales of Roller washing machine, wave automatically washing machine, wave double-tube washing machine and other appliance; Manufactures and sales of the controller and matching line of refrigerator, washing machine, air-conditioner and other household appliance

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

Registration No. of the Business License of Corporation Legal Person: 340122000001532; address: (No.15 Jinyang Road) Meiling Industrial Zone, Development Zone, Feidong Xinchang, Hefei City; Legal Representative: Huang Danian; Business Scope: Manufacture and operation on cooling appliance, washing machine and plastic products; operational of the self-produced products on raw&auxiliary materials as well as import&export business( projects limited by the national excluded)

47) Hefei Meiling Nonferrous Metal Products Co., Ltd. (Nonferrous Metal) was the Sino-foreign joint venture jointly set up by original Meiling Group, Hefei Meiling Copper Co., Ltd. And Singapore Kim Shin Development Co., Ltd., which have been originally approved by the [WJMWFFZZ(1996) No.349] of Foreign Trade and Economic Committee of Anhui Province. Its registered capital was US\$ 2.92 million upon establishment, of which, original Meiling Group invested US\$ 1.46 million (monetary capital), accounting 50% of the registered capital, Hefei Meiling Copper Co., Ltd invested US\$ 0.584 million (monetary capital of RMB 0.18 million and real assets of US\$ 0.404 million), accounting 20% of registered capital while Singapore Kim Shin Development Co., Ltd invested US\$ 0.876 million (monetary capital), accounting 30% of the registered capital. The above mentioned investment verified by the verification report of [HSWZ(1995) No. 0737], [HSWZ(1996) No. 328] and [HSWZ(1998) No. 088] from Anhui CPAs Co., Ltd. In July 2008, approved by [HWS(2008) No.53] from Foreign Trade Economic Cooperation Bureau of Hefei City, 30% equity and 20% equity held by Singapore Kim Shin Development Co., Ltd and Hefei Meiling Copper Co., Ltd respectively transferred to original Meiling Group Totally. The Company's register capital came into RMB 24,286,808.00 after transference, and was not the joint-venture any more.

Registration No. of the Business License of Corporation Legal Person: 340100000111925; address: Liaoyuan Road West, Xincheng Development Zone, Feidong County; Legal Representative: Huang Danian; Business Scope: Manufacture and sales various copper tube, line materials and other metal products

48) Hefei Meiling Packing Products Co., Ltd. (Packing Products) was the Sino-foreign joint venture jointly set up by Hefei Paper Box Plant, original Meiling Group and Singapore Anda Development Co., Ltd in December 1993,

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which approved by [HWJZ(1993) No. 0444] of Foreign Trade and Economic Committee of Hefei City with its register capital of US\$ 3.067 million. The register capital while established have been verified by [HKHY(1995) No. 5] from original Hefei CPAs Co., Ltd. On December 30, 2002, being approved by [HWJ(2002) No. 259] of foreign trade Economic Cooperation Bureau of Hefei City, 48.28% equity owned by Hefei Paper Box Plant transferred to the Company. On June 17, 2005, 25% equity owned by Singapore Anda Development Co., Ltd transferred to original Meiling Group freely by one-time. The Company turned into domestic-capital enterprise from foreign-capital enterprise with changed registered capital of RMB 18.4 million. The re-register of register capital being verified by [WCQYZ(2005) No. 256] from Anhui CHengqin CPAs Co., Ltd. After equity transferred, the Company invested RMB 8.88 million accounting 48.28% in register capital while Meiling Group invested RMB9.52 million with 51.72% in register capital. Resolution from the 46<sup>th</sup> meeting of 6<sup>th</sup> session of the Board, while purchasing Meiling Group, the assets and liabilities of Meiling Packaging Products Co., Ltd., which are not included in transfer-in assets, will derivate into the Hefei Xingmei Assets Management Co., Ltd., the former Meiling Packaging Products Co. reduced its capital as RMB 17.4 million, and registered changed for industrial and commerce have completed on 27 June 2011.

Registration No. of the Business License of Corporation Legal Person: 340100000266674; Address: Meiling Industry Zone, Dong twenty bu, Hefei City; Legal Representative: Huang Danian; Business Scope: Manufacture and sales of corrugated board, paper boxes, paper element, EPS, foam package materials and aluminium foil sealing tape and housing rental.

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

Subsidiary	Shareholding of minority	Gains/losses attributable to minority in the Year	Dividend distributed to minority announced in the Year	Balance of minority's interest at year-end
Zhongke Meiling Cryogenic Technology Co., Ltd.	30%	2,925,045.30	-	28,233,386.51

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

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhongke Meiling	128,850,510.99	4,947,756.41	133,798,267.40	39,686,979.03	-	39,686,979.03

(Continued)

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhongke Meiling	104,836,317.89	3,424,815.84	108,261,133.73	23,899,996.35	-	23,899,996.35

(Continued)

Subsidiary	Current Year			
	Operation income	Net profit	Total comprehensive	Cash flow from

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Subsidiary	Current Year			
			income	operation activity
Zhongke Meiling	85,502,644.66	9,750,150.99	9,750,150.99	15,390,186.51

(Continued)

Subsidiary	Last Year			
	Operation income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongke Meiling	68,184,291.51	8,252,105.01	8,252,105.01	8,967,879.52

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

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



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

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

Item	Luohe Meiling	Wuhu Meiling	Bengbu Meiling	Hengyang Meiling	Nanchang Meiling	Jingzhou Meiling	Shijiazhuang Meiling	Chengdu Meiling	Changsha Meiling	Neijiang Meiling	Guangxi Huidian	Harbin Meiling	Xi'an Meiling	Guangzhou Meiling	Total
Original ratio of shares held	64.00%	36.00%	87.40%	41.00%	36.00%	80.00%	36.00%	83.40%	36.00%	92.33%	61.80%	36.00%	61.00%	86.00%	-
Equity purchased from minority	35.60%	62.00%	6.10%	44.00%	49.00%	1.00%	27.33%	1.60%	50.00%	2.67%	2.20%	41.50%	24.00%	12.00%	-
Ratio of shares held at period-end	99.60%	98.00%	93.50%	85.00%	85.00%	81.00%	63.33%	85.00%	86.00%	95.00%	64.00%	77.50%	85.00%	98.00%	-
Cash	1,755,000.00	23.00	55,461.00	3.00	7.00	40,000.00	2.00	1.00	4.00	80,000.00	3.00	2.00	3.00	4.00	1,930,513.00
Acquisition cost/total disposal consideration	1,755,000.00	23.00	55,461.00	3.00	7.00	40,000.00	2.00	1.00	4.00	80,000.00	3.00	2.00	3.00	4.00	1,930,513.00
Less: net assets of subsidiary measured by equity shares obtained by disposed	2,051,121.11	-791,260.47	24,125.13	-725,373.51	-3,292,217.21	-8,379.43	49,410.98	-367,755.23	918,216.97	55,527.39	-158,585.36	-4,160,030.64	-500,573.15	-3,197,095.40	-10,102,868.82
Balance	-296,121.11	791,283.47	31,335.87	725,376.51	3,292,224.21	48,379.43	-49,408.98	367,756.23	-918,212.97	24,472.61	158,588.36	4,160,032.64	500,576.15	3,197,099.40	12,033,381.82
Including: Capital public reserve adjusted	296,121.11	-791,283.47	-31,335.87	-725,376.51	-3,292,224.21	-48,379.43	49,408.98	-367,756.23	918,212.97	-24,472.61	-158,588.36	-4,160,032.64	-500,576.15	-3,197,099.40	-12,033,381.82
Surplus public reserve adjusted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained profit adjusted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Purchased minority's equity of marketing subsidiary in the Period, balance between the long-term equity investment newly obtained and the net assets shares enjoy according to the new share-holding proportion since purchasing date amounting to -12,033,381.82 Yuan in total, and reckoned into capital public reserve

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

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

Joint venture or affiliated enterprise	Main office place	Register place	Business nature	Share holding (%)		Accounting treatment for investment of joint venture or affiliated enterprise
				Directly	Indirectly	
1.ChanghongRubaElectricCompany (Private)Ltd.	Lahore, Pakistan	Lahore	Manufactures, sales	40.00	-	Equity
2.Hefei Xingmei Assets Management Co., Ltd.	Hefei	Hefei	Rental, agency	48.28	-	Equity

(2) Financial information for major Joint venture: Nil

(3) Financial information for affiliated enterprise

Item	Ending balance /Current Year		Opening balance /Last Year	
	ChanghongRuba ElectricCompany (Private)Ltd.	Hefei Xingmei Assets Management Co., Ltd.	ChanghongRuba ElectricCompany (Private)Ltd	Hefei Xingmei Assets Management Co., Ltd.
Current assets:	61,531,111.48	3,967,411.07	40,841,418.95	3,934,534.11
Including: cash and cash equivalent	1,695,264.18	911,126.07	541,574.03	712,960.11
Non-current assets	16,469,584.73	25,009,461.78	16,814,443.64	25,997,951.58
Total assets	78,000,696.21	28,976,872.85	57,655,862.59	29,932,485.69
Current liability	58,747,740.71	1,901,924.77	39,845,465.52	1,811,024.12
Mom-current liability	-	-	-	-
Total liabilities	58,747,740.71	1,901,924.77	39,845,465.52	1,811,024.12
Minority's interest				
Equity attributable to shareholder of parent company	19,252,955.50	27,074,948.08	17,810,397.07	28,121,461.57
Share of net assets measured by shareholding	7,701,182.20	13,071,784.93	7,124,158.83	13,577,041.65
Adjustment itme	-	-	-	-
-Goodwill	-	-	-	-
Unrealized profit of the internal downstream transactions	6,561,962.92	-	-	-
Unrealized profit of the internal upstream transactions	235,752.83	-	-	-
Other	-	-	-	-
对联营企业权益投资的Book value of the equity investment for affiliate	1,139,219.28	13,071,784.93	9,125,362.23	12,531,807.91

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Fair value of equity investment for the affiliates with consideration publicly	-	-	-	-
Operation income	58,197,435.26	1,923,269.50	50,397,390.49	3,450,434.40
Financial expenses	62,647.42	-2,865.25	21,844.08	-1,673.63
Income tax expenses	-	-	-	369,236.37
Net profit	656,274.70	1,792,712.08	-987,002.45	793,275.43
Net profit of discontinuing operation	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Dividend received from affiliates in the Year	-	325,544.37	-	516,596.00

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

Item	Ending balance / Current Year	Opening balance / Last Year
<b>Affiliate:</b>		
Total book value of investment	-	1,338,217.25
Total amount measured by shareholding ratio		
--net profit	-6,977,806.68	-3,767,308.01
--Other comprehensive income	-	-
-- Total comprehensive income	-	-

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

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

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

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

4. major conduct joint operation: Nil

5. structured body excluding in consolidate financial statement: Nil

## IX. Relevant risks related with financial instrument

Major financial instruments of the company include loans, receivables, payables, trading financial assets, financial liabilities and other transactions, details of the financial instruments that see the note six. Risks associated with these financial instruments include the risk of exchange rate and interest rate risk. The company's management to these risk exposure management and monitoring to ensure that the risk control within limits.

According to the exchange rate risk, to circumvent the foreign currency transactions, foreign currency loans and interest payments to the exchange rate risk, the company and the bank has signed a number of forward foreign exchange contracts. The confirmation for the changes in the fair value of forward foreign exchange contracts of derivative financial instruments in December 31, 2014 have been

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recognised in the income statement. With the continuous improvement of the export business, if the occurrence of the appreciation of the Renminbi the company can not control the risk, the company will lower the risk through the adjustment of Sales policy.

The company's interest rate risk resulting from the bank loans and interest bearing debt. Floating interest rate financial liabilities to the company is exposed to cash flow interest rate risk, financial liabilities, fixed interest rates so that the company faces to fair value interest rate risk. The company decided to fixed rate and floating rate relative to Ratio of the contract according to the market environment. In December 31, 2014, the company's interest bearing debt is mainly denominated in yuan floating rate loan contract, Amount Total for 7932800 yuan, and USD denominated fixed rate contract, Amount for 418522939.07 yuan. The company due to changes in interest rates caused by the changes in the fair value of financial instruments risk mainly with the fixed interest rate bank loans related. For fixed rate loans, the company's goal is to keep its floating rate. The company due to changes in interest rates caused by changes in cash flow risk financial instruments mainly related to floating rate bank borrowings. The company's policy is to maintain a floating interest rate the loan, in order to eliminate the fair value of the risk of changes in interest rates.

### X. Fair value

#### 1.Assets and liabilities measured by fair value at year-end and level of fair value measurement

Item	Fair value at year-end			
	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level	Total
<b>一、 I. Continuous measure of fair value</b>				
(一) Financial assets measured by fair value and with variation reckoned into current gains/losses				
1. transactional financial assets				
(1) debt instrument investment				
(2) equity instrument investment				
(3) Derivative financial assets(3) derivative finance assets				
(4) Other				
2. Investment income from disposal of financial assets, which is measured by fair value and with its variation reckoned into current gains/losses 2. Assign financial assets measured by fair value and with variation reckoned into current gains/losses				
(1) debt instrument investment				
(2) equity instrument investment				
(3) Other				
(II) Financial assets available for sale				
(1) debt instrument investment				
(2) equity instrument investment				
(3) Other				
(III) Investment real estate				

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Item	Fair value at year-end			
	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level	Total
1. 1. land use right for rented				
2. buildings rented				
3land use right hold ready for transfer after value added				
(IV) biological assets				
1.consumptive biological assets				
2.Productive biological assets				
<b>Total assets continuous measure of fair value</b>				
(一) Financial liability measured by fair value and with variation reckoned into current gains/losses		81,170.00		81,170.00
1. transactional financial liability		81,170.00		81,170.00
(1) dealing bonds issued				
(2) derivative finance liability		81,170.00		81,170.00
(3) Other				
2. Financial liability measured by fair value and with variation reckoned into current gains/losses 2. Assign financial liability measured by fair value and with variation reckoned into current gains/losses				
<b>Total liability continuous measure of fair value</b>		<b>81,170.00</b>		<b>81,170.00</b>
<b>二、 Non-persistent fair value measures</b>				
(一) assets held-for-sale				
<b>Total assets non-persistent measure of fair value</b>				
<b>Total liability non-persistent measure of fair value</b>				

Fair value, is refers to the market participants in an orderly transaction occurred in the measurement, the sale of an asset can receive or transfer a liability to pay for the price. The company derivatives contracts in accordance with the second levels of the fair value measurement, namely the contract at the balance sheet date of the foreign exchange market to offer real-time.

1. assets and liabilities not measured by fair value but disclosed by fair value: Nil

### XI. Related parties and related transaction

#### (I) Relationship of related parties

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

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

Controlling shareholder and ultimate controller	Type of entity	Place of registration	Nature of business	Legal representative	Organization code
Sichuan Changhong Electric Co., Ltd.	Stock company	Mianyang	Manufacture and sales	Zhao Yong	20541230-8
Sichuan Changhong Electronics Group Co., Ltd.	Limited company	Mianyang	Manufacture and sales	Zhao Yong	72081866-0

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

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controlling shareholder	Opening balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Changhong Electric Co., Ltd.	4,616,244,222	-	-	4,616,244,222

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

controlling shareholder	Amount of shares held		Shareholding ratio(%)	
	Ending balance	Opening balance	Ratio at year-end	Ratio at year-begin
Sichuan Changhong Electric Co., Ltd.	189,994,153	189,994,153	24.88%	24.88%

### 2. Subsidiary

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

### 3. Joint venture and Affiliated enterprise

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

Joint venture and Affiliated enterprise	Relationship
Hefei Meiling Solar Energy Technology Co.,	Joint venture and Affiliated enterprise of Meiling Group
ChanghongRubaElectricCompany(Private)Ltd.	Joint venture and Affiliated enterprise of Subsidiary Zhongshan Changhong
Hefei Xingmei Assets Management Co., Ltd.	Joint venture and Affiliated enterprise of the company

### 4. Other Related parties

Other Related parties	Relationship
PT.ChangHongElectricInDonesia	Control by same controlling shareholder and ultimate controller
Chengdu Lejiayi Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller
Fuzhou Lejiayi Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangdong Changhong Electrics Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangdong Changhong Ridian Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hefei Changhong Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Huayi Compressor Co., Ltd.	Control by same controlling shareholder and ultimate controller
Jinan Lejiayi Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller

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Other Related parties	Relationship
Jiangxi Changhong Electronic Technology Development Co., Ltd.	Control by same controlling shareholder and ultimate controller
Kunming Yijiahong Trade Co., Ltd.	Control by same controlling shareholder and ultimate controller
Lejiayi Chain Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Hongfa Mould Design Co., Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Lejiayi Trading Chain Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongou Display Device Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongrui Electrics Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan CCO Display Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongxin Software Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Packing & Printing Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Power Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Electronic System Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Hotel Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Jijia Jinggong Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Precision Electronic Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Minsheng Logistic Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Mold Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Devices Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Xinrui Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong New Energy Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Taiyuan Lejiayi Trade Chain Co., Ltd.	Control by same controlling shareholder and ultimate controller
Tianjin Lejiayi Trade Co., Ltd.	Control by same controlling shareholder and ultimate controller
Changhong Electric (Australian) Co., Ltd.	Control by same controlling shareholder and ultimate controller



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Other Related parties	Relationship
Zhongshan Guanghong Mold Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Chongqing Hongshenghuo Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Hongrun Electronic Co., Ltd.	Control by same controlling shareholder and ultimate controller
Changhong (H.K.) Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Huafeng Corp. Group	Control by same controlling shareholder and ultimate controller
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongyu Metal Manufacture Co., Ltd.	Control by same controlling shareholder and ultimate controller
Wandao Network Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
ChangHongElectricMiddleeast FZE	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Control by same controlling shareholder and ultimate controller
Xi'an Lejiayi Trading Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Jiahong Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Power Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Lighting Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongwei Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Highly Electric Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Network Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Chengdu Changhong Electric Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangyuan Hongcheng Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangyuan Changhong Molding Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Travel Agency Ltd,	Control by same controlling shareholder and ultimate controller
BVCH Optronics (Sichuan) Co., Ltd.	Affiliate enterprise of controlling shareholder and actual controller

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

From 1 January 2014 to 31 December 2014

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

Other Related parties	Relationship
Sichuan Jinghong Package Products Co., Ltd.	Affiliate enterprise of controlling shareholder and actual controller
Sichuan Changhe Technology Co., Ltd.	Affiliate enterprise of controlling shareholder and actual controller
Sichuan Changxin Refrigeration Parts Co., Ltd.	Affiliate enterprise of controlling shareholder and actual controller
Mianyang Highly Electric Co., Ltd.	Affiliate enterprise of controlling shareholder and actual controller
Guangxi Huidian Home Appliance Co., Ltd.	A stock-jointly enterprise of the subsidiary before August 2014
Fuyang Meiling Appliance Marketing Co., Ltd.	A stock-jointly enterprise of the subsidiary

### (I) related transactions

#### 1. Purchasing commodity

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electric Co., Ltd.	Purchasing commodity	9,707.03	9,814.59
Huayi Compressor Co., Ltd.	Purchasing commodity	53,639.11	53,025.92
Sichuan Changhong Mold Technology Co., Ltd.	Purchasing commodity	35,062.48	34,081.73
Sichuan Changhong Jijia Jinggong Co., Ltd.	Purchasing commodity	18,969.79	18,383.51
Mianyang Hongfa Mould Design Co., Ltd.	Purchasing commodity	-	10.81
Sichuan Changhong Packing & Printing Co., Ltd.	Purchasing commodity	4,691.01	3,273.62
Sichuan Changhong Precision Electronic Technology Co., Ltd.	Purchasing commodity	590.14	401.26
Sichuan Jiahong Industrial Co., Ltd.	Purchasing commodity	74.88	-
Sichuan Changhong New Energy Technology Co., Ltd.	Purchasing commodity	69.59	66.82
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Purchasing commodity	919.33	1,056.88
Mianyang Hongrun Electronic Co., Ltd.	Purchasing commodity	1,159.66	1,032.18
Guangdong Changhong Electrics Co., Ltd.	Purchasing commodity	83.52	25.65
Zhongshan Guanghong Mold Technology Co., Ltd.	Purchasing commodity	10.84	4.74
Sichuan Hongyu Metal Manufacture Co., Ltd.	Purchasing commodity	56.80	22.19
Sichuan Changhong Electronic Devices Co., Ltd.	Purchasing commodity	3,854.88	3,749.18

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

From 1 January 2014 to 31 December 2014

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

<b>Related parties</b>	<b>Content</b>	<b>Current Year (10 thousand Yuan)</b>	<b>Last Year (10 thousand Yuan)</b>
Mianyang Hongfa Technology Co., Ltd.	Purchasing commodity	244.46	42.17
Guangdong Changhong Ridian Technology Co., Ltd.	Purchasing commodity	-	7.84
Sichuan Changhong Xinrui Technology Co., Ltd.	Purchasing commodity	9,819.97	5,505.14
Jingdezhen Honghua Home Appliance Parts Co., Ltd.	Purchasing commodity	-	398.88
Sichuan Changhong Power Co., Ltd.	Purchasing commodity	2.29	-
Sichuan Changhong Lighting Technology Co., Ltd.	Purchasing commodity	2.57	-
Sichuan Hongwei Technology Co., Ltd.	Purchasing commodity	3.72	-
Sichuan Changhe Technology Co., Ltd.	Purchasing commodity	339.04	45.41
Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchasing commodity	18,660.82	13,910.07
Mianyang Highly Electric Co., Ltd.	Purchasing commodity	19,068.53	2,763.32
Sichuan Jinghong Package Products Co., Ltd.	Purchasing commodity	-	796.71
<b>Total</b>		<b>177,030.46</b>	<b>148,418.62</b>

Except for the providing scarcity materials, and bulk stock with stable supplier, purchasing commodity with over 10000 Yuan shall purchase by invitation of tender; while 10000 Yuan lower will takes the inquiry/comparative price; related parties and non-related parties carried out bidding procedures with same price policy

### 2. labor service receive

<b>Related parties</b>	<b>Content</b>	<b>Current Year</b>	<b>Last Year</b>
Sichuan Hongxin Software Co., Ltd.	labor service receive	-	1,018,867.93
Sichuan Changhong Minsheng Logistic Co., Ltd.	labor service receive	400,763,146.06	380,394,667.55
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	labor service receive	134,553,661.98	93,107,399.39
Sichuan Changhong Electric Co., Ltd.	labor service receive	24,337,599.95	14,715,745.57
Sichuan Hongwei Technology Co., Ltd.	labor service receive	1,186,226.42	1,209,059.83
Sichuan Changhong Packing & Printing Co., Ltd.	labor service receive	-	3,023.28
Guangdong Changhong Electrics Co., Ltd.	labor service receive	66,923.93	290,394.00

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

From 1 January 2014 to 31 December 2014

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

Zhongshan Guanghong Mold Technology Co., Ltd.	labor service receive	-	66,830.40
Sichuan Changhong Precision Electronic Technology Co., Ltd.	labor service receive	-	10,342.80
Guangdong Changhong Ridian Technology Co., Ltd.	labor service receive	-	23,868.00
Chengdu Changhong Minsheng Logistic Co., Ltd.	labor service receive	123,611.49	-
Sichuan Changhong Mold Technology Co., Ltd.	labor service receive	44,609.86	-
Sichuan Changhong Jijia Jinggong Co., Ltd.	labor service receive	7,200.00	-
Sichuan Jiahong Industrial Co., Ltd.	labor service receive	1,456,232.68	-
Sichuan Changhong International Travel Agency Ltd,	labor service receive	33,740.00	-
<b>Total</b>		<b>562,572,952.37</b>	<b>490,840,198.75</b>

### 3. receive fuels and energy

Related parties	Content	Current Year	Last Year
Huayi Compressor Co., Ltd.	receive fuels and energy	698,413.00	738,566.33
Sichuan Changhong Electric Co., Ltd.	receive fuels and energy	14,622,529.22	-
<b>Total</b>		<b>15,320,942.22</b>	<b>738,566.33</b>

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

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electric Co., Ltd.	Sales of goods	138,282.94	126,369.45
Sichuan Changhong Electronics Group Co., Ltd.	Sales of goods	-4.87	277.64
PT.CHANGHONGELECTRICINDONESIA	Sales of goods	-	7,500.14
Sichuan Changhong Jijia Jinggong Co., Ltd.	Sales of goods	2,315.69	2,599.73
Sichuan Changhong Mold Technology Co., Ltd.	Sales of goods	9,854.84	9,771.63
Sichuan CCO Display Technology Co., Ltd.	Sales of goods	244.06	192.84
Mianyang Lejiayi Trading Chain Co., Ltd.	Sales of goods	1,056.07	538.76
Hong Kong (Changhong) Trading Co., Ltd.	Sales of goods	21,723.05	411.27
Sichuan Changhong Xinrui Technology Co., Ltd.	Sales of goods	6,463.63	5,246.59
Sichuan Changhong International Hotel Co., Ltd.	Sales of goods	485.53	-
Sichuan Hongwei Technology Co., Ltd.	Sales of goods	0.86	0.87
Sichuan Hongxin Software Co., Ltd.	Sales of goods	36.78	2.03

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

From 1 January 2014 to 31 December 2014

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

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Chongqing Hongshenghuo Trading Co., Ltd.	Sales of goods	89.66	65.87
Sichuan Changhong Devices Technology Co., Ltd.	Sales of goods	-	0.51
Sichuan Changhong New Energy Technology Co., Ltd.	Sales of goods	1.02	31.83
Changhong Electric (Australian) Co., Ltd.	Sales of goods	553.78	2,026.47
Guangdong Changhong Ridian Technology Co., Ltd.	Sales of goods	-	103.12
Sichuan Changhong Packing & Printing Co., Ltd.	Sales of goods	138.50	85.73
Sichuan Changhong Precision Electronic Technology Co., Ltd.	Sales of goods	-	0.88
Sichuan Changhong Minsheng Logistic Co., Ltd.	Sales of goods	54.25	72.06
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Sales of goods	-	254.70
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Sales of goods	936.78	601.48
Sichuan Changhong Power Co., Ltd.	Sales of goods	4.10	3.50
CHANGHONGELECTRICMIDDLEEASTFZE	Sales of goods	-	2,292.76
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Sales of goods	805.44	247.74
Hefei Changhong Industrial Co., Ltd.	Sales of goods	296.92	269.00
Zhongshan Guanghong Mold Technology Co., Ltd.	Sales of goods	18.74	17.37
ChanghongElectricRussiaLLC	Sales of goods	-	6.15
Sichuan Changhong Electronic Devices Co., Ltd.	Sales of goods	0.85	55.51
Chengdu Changhong Minsheng Logistic Co., Ltd.	Sales of goods	17.84	71.79
Sichuan Changhong Grant Hotel Co., Ltd.	Sales of goods	-	5.09
Sichuan Huafeng Corp. Group	Sales of goods	1.11	0.92
Guangdong Changhong Electrics Co., Ltd.	Sales of goods	1.36	232.21
Yibing Hongxing Electronics Co., Ltd.	Sales of goods	-	273.70
Huayi Compressor Co., Ltd.	Sales of goods	227.52	-
Sichuan Changhong Network Technology Co., Ltd.	Sales of goods	3.28	-
Chengdu Changhong Electric Technology Co., Ltd.	Sales of goods	741.20	-
Guangyuan Hongcheng Industrial Co., Ltd.	Sales of goods	0.05	-
Guangyuan Changhong Molding Technology Co., Ltd.	Sales of goods	0.38	-
Mianyang Highly Electric Co., Ltd.	Sales of goods	147.64	2.19
Sichuan Changxin Refrigeration Parts Co., Ltd.	Sales of goods	5,904.64	909.02
Haozhou Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	441.61
Guangyuan Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	-
Changzhou Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	-5.64

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

From 1 January 2014 to 31 December 2014

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

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Guangxi Huidian Home Appliance Co., Ltd.	Sales of goods	3,915.85	8,856.33
Xuancheng Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	996.28
Jiujiang Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	41.30
Fuyang Meiling Appliance Marketing Co., Ltd.	Sales of goods	15,035.04	19,367.59
<b>Total</b>		<b>209,354.53</b>	<b>190,238.04</b>

### 5 Fuel and energy providing

Related parties	Content	Current Year	Last Year
Guangdong Changhong Electrics Co., Ltd.	Fuel and energy providing	775,507.61	925,636.78
Sichuan Changhong Minsheng Logistic Co., Ltd.	Fuel and energy providing	68,484.59	36,304.10
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Fuel and energy providing	1,089.83	6,862.35
Zhongshan Guanghong Mold Technology Co., Ltd.	Fuel and energy providing	11,743.74	10,536.91
MianyangLejiayi Chain Management Co., Ltd.	Fuel and energy providing	-	2,459.44
Sichuan Hongwei Technology Co., Ltd.	Fuel and energy providing	1,739.58	-
Sichuan Changhong Jijia Jinggong Co., Ltd.	Fuel and energy providing	316,100.25	277,830.56
Sichuan Changhong Mold Technology Co., Ltd.	Fuel and energy providing	6,262,181.97	6,279,671.84
Guangdong Changhong Ridian Technology Co., Ltd.	Fuel and energy providing	6,355.35	38,090.86
<b>Total</b>		<b>7,443,202.92</b>	<b>7,577,392.84</b>

### 6 related rental

#### (1) Renting

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this year	Leasing income last year
Hefei Meiling Co.,	Hefei Branch of Sichuan Changhong Mold Technology Co., Ltd. Hefei	Plant	1,294,380.00	1,517,900.00

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

From 1 January 2014 to 31 December 2014

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

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this year	Leasing income last year
Ltd.				
Hefei Meiling Co., Ltd.	Hefei Branch of Sichuan Changhong Jijia Jinggong Co., Ltd. Hefei	Plant	466,560.00	466,560.00
Changhong Air-Conditioner	Sichuan Changhong Mold Technology Co., Ltd.	Machinery equipment	-	8,547.01
Changhong Air-Conditioner	BVCH Optronics (Sichuan) Co., Ltd.	Goods lift	63,720.00	-
Changhong Air-Conditioner	Sichuan Changhong Jijia Jinggong Co., Ltd.	Bridge crane	7,000.00	30,588.72
Zhongshan Changhong	Guangdong Changhong Electrics Co., Ltd.	Trade center	793,674.56	1,239,839.44
Zhongshan Changhong	Sichuan Changhong Minsheng Logistic Co., Ltd.	Trade center	37,285.92	42,273.84
Zhongshan Changhong	Guangdong Changhong Electrics Co., Ltd.	2# living area	473,026.50	103,633.51
Zhongshan Changhong	Zhongshan Guanghong Mold Technology Co., Ltd.	2# living area	66,461.12	57,197.64
Zhongshan Changhong	Zhongshan Guanghong Mold Technology Co., Ltd.	Forklift truck	-	17,948.72
Zhongshan Changhong	Zhongshan Guanghong Mold Technology Co., Ltd.	Forklift truck	-	17,521.37
Zhongshan Changhong	Sichuan Changhong Minsheng Logistic Co., Ltd.	2# living area	13,314.60	11,084.49
Zhongshan Changhong	Guangdong Changhong Ridian Technology Co., Ltd.	Trade center		41,204.80
Zhongshan Changhong	Guangdong Changhong Ridian Technology Co., Ltd.	2# living area	74,198.73	64,044.00
Zhongshan Changhong	Sichuan Hongwei Technology Co., Ltd.	2# living area	9,417.14	-
Zhongshan Changhong	Nantou branch of Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Trade center	-	31,460.00
Zhongshan Changhong	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	2# living area	-	16,576.53
Zhongshan Changhong	Lejiayi Chain Management Co., Ltd.	2# living area	-	742.15
Mianyang Refrigeration	Sichuan Changhong Mold Technology Co., Ltd.	Rental of warehouse	75,033.96	83,221.60
Mianyang Refrigeration	Sichuan Changhong Packing & Printing Co., Ltd.	Rental of warehouse	8,882.27	3,360.00
Mianyang Refrigeration	Sichuan Changxin Refrigeration Parts Co., Ltd.	Rental of warehouse	3,224.16	-
Mianyang Refrigeration	Sichuan Changhe Technology Co., Ltd.	Rental of warehouse	386.41	-

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

From 1 January 2014 to 31 December 2014

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

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this year	Leasing income last year
Jiangxi Electric	Sichuan Changhong Mold Technology Co., Ltd.	Rental of Plant	451,920.00	440,460.00
Jiangxi Electric	Sichuan Changhong Jijia Jinggong Co., Ltd.	Rental of Plant	111,720.00	-
Jiangxi Electric	Sichuan Changhong Jijia Jinggong Co., Ltd.	Machinery equipment	82,905.98	-
<b>Total</b>			<b>4,033,111.35</b>	<b>4,194,163.82</b>

### 2. Lessee of related parties

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this year	Leasing income last year
Sichuan Changhong Electric Co., Ltd.	Changhong Air-Conditioner	Plant	7,215,370.47	6,368,469.12
Sichuan Changhong Electric Co., Ltd.	Mianyang software	Office room	24,926.00	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Mianyang Refrigeration	Plant	-	5,793,850.85
Sichuan Changhong Electric Co., Ltd.	Appliance marketing	Office room	568,969.09	48,837.61
Sichuan Changhong Electronics Group Co., Ltd.	Mianyang Refrigeration	Staff doormitary	7,680.00	-
Beijing Changhong Technology Co., Ltd.	Beijing Meiling	Office room	356,514.00	-
<b>Total</b>			<b>8,173,459.56</b>	<b>12,211,157.58</b>

### 7. Related guarantee

Secured party	Sponsored party	Maximum guarantee amount	Start	End	Completed (Y/N)
Hefei Meiling	Zhongshan Changhong	100,000,000.00	2013-12-06	2014-12-06	Y
Hefei Meiling	Zhongshan Changhong	100,000,000.00	2014-11-01	2015-11-01	N
Hefei Meiling	Zhongshan Changhong	80,000,000.00	2013-12-04	2014-12-03	N
Hefei Meiling	Zhongshan Changhong	120,000,000.00	2014-12-06	2015-12-06	N
<b>Counter guarantee:</b>					
Zhongshan Changhong	Hefei Meiling	100,000,000.00	2013-12-06	2014-12-06	Y
Zhongshan Changhong	Hefei Meiling	100,000,000.00	2014-11-01	2015-11-01	N
Zhongshan Changhong	Hefei Meiling	80,000,000.00	2013-12-04	2014-12-03	N
Zhongshan Changhong	Hefei Meiling	120,000,000.00	2014-12-06	2015-12-06	N



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

From 1 January 2014 to 31 December 2014

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

### 8. Assets transfer, debt restructuring of related parties

Related parties	Type	Current Year	Last Year
Sichuan Changhong Electric Co., Ltd.	Purchasing Fixed assets	6,569,137.07	20,770,584.17
Sichuan Hongxin Software Co., Ltd.	Purchasing Fixed assets	973,584.91	2,061,894.87
Mianyang Hongfa Technology Co., Ltd.	Purchasing Fixed assets	965,811.97	-
Sichuan Changhong Mold Technology Co., Ltd.	Purchasing Fixed assets	-	34,188.03
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Fixed assets sold	775,619.15	71,891.52
Sichuan Changhong Electric Co., Ltd.	Fixed assets sold	-	17,033.50
Sichuan Changhong Mold Technology Co., Ltd.	Fixed assets sold	39,941.33	40,000.00
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Fixed assets sold	-	50,000.00

### 9. Related transaction with Changhong Finance Company

#### (1) saving balance

Company	Opening balance	Ending balance	Income from bank saving
Hefei Hefei Meiling Co., Ltd.	-	941,030,195.58	1,158,370.26
Sichuan Changhong Air Conditioner Co., Ltd.	-	71,331,435.22	2,524,053.55
Zhongshan Changhong Appliance Co., Ltd	-	27,847,795.88	1,590.32
<b>Total</b>	-	<b>1,040,209,426.68</b>	<b>3,684,014.13</b>

#### (2) notes discounted

Company	Bank acceptance book discounted amount	Bank acceptance discounted amount	Expenses of discounted
Hefei Hefei Meiling Co., Ltd.	616,673,854.97	612,232,752.93	4,441,102.04
Sichuan Changhong Air Conditioner Co., Ltd.	221,821,010.46	219,281,896.35	2,539,114.11
<b>Total</b>	<b>838,494,865.43</b>	<b>831,514,649.28</b>	<b>6,980,216.15</b>

#### (3) notes issued

Company	Issuing unit	Note amount	Type
Hefei Hefei Meiling Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	23,028,125.00	Trade acceptance
Sichuan Changhong Air	Sichuan Changhong Group	234,331,429.61	Trade acceptance

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From 1 January 2014 to 31 December 2014

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

Conditioner Co., Ltd.	Finance Co., Ltd.		
Zhongshan Changhong Appliance Co., Ltd	Sichuan Changhong Finance Co., Ltd.	Group	1,272,093.07
<b>Total</b>			<b>258,631,647.68</b>

### 10. key management's remuneration

Item	Current Year(10 thousand Yuan)	Last Year (10 thousand Yuan)
Total remuneration	<b>6,212.04</b>	<b>1,114.63</b>
Including: performance incentive fund	5,854.42	768.30

Remuneration performance incentive fund bear for managements in the Year amounting to RMB 5,809.01Million, including RMB 2,635.75 Million accrual for the performance incentive fund of 2013 and RMB 3,218.67 Million accrual for the performance incentive fund of 2014; the performance incentive fund of 2014 will distribute in 2015 after deliberated and approved in the general meeting

### (III) come and go balance with rlated parties

#### 1. receivables

Item	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Sichuan Changhong Electric Co., Ltd.	6,775,359.64	-	2,113,318.22	-
Account receivable	Sichuan Changhong Electronics Group Co., Ltd.	2,275,111.97	-	3,202,928.08	-
Account receivable	Sichuan Changhong Mold Technology Co., Ltd.	207,551.84	-	83,776.95	-
Account receivable	Sichuan Changhong Xinrui Technology Co., Ltd.	2,078.83	-	171,881.00	-
Account receivable	PT.CHANGHONGELECTRICINDONESIA	-	-	69,383,665.08	-
Account receivable	Hefei Changhong Industrial Co., Ltd.	2,161,717.28	-	1,608,089.81	-
Account receivable	Huayi Compressor Co., Ltd.	1,063,400.00	-	0.43	-
Account receivable	Sichuan Changhong International Hotel Co., Ltd.	4,050,000.00	-	2,372.00	-
Account receivable	Sichuan Hongou Display Device Co., Ltd.	-	-	131,550.04	-
Account receivable	Sichuan Changhong Jijia Jinggong Co., Ltd.	297,217.00	-	0.06	-
Account receivable	Sichuan Changhong Minsheng Logistic Co., Ltd.	-	-	293,399.00	-
Account receivable	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	200,895.77	-	410,661.80	-
Account receivable	Sichuan Changhong Precision Electronic Technology Co., Ltd.	61,041.23	-	427,288.36	-
Account	CHANGHONGELECTRIC (AUSTRALIA)	-	-	7,320,793.05	-

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

From 1 January 2014 to 31 December 2014

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

Item	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
receivable					
Account receivable	Hong Kong (Changhong) Trading Co., Ltd.	-	-	1,493,322.92	-
Account receivable	CHANGHONG(HK)TRADINGLIMITED	110,975,853.15	-	2,215,776.50	-
Account receivable	Zhongshan Guanghong Mold Technology Co., Ltd.	-	-	61,067.53	-
Account receivable	Guangdong Changhong Ridian Technology Co., Ltd.	120,000.00	-	125,967.00	-
Account receivable	Chengdu Changhong Minsheng Logistic Co., Ltd.	42,000.00	-	840,000.00	-
Account receivable	081 Electronic Group Co., Ltd.	2,086,000.00	-	2,086,000.00	-
Account receivable	Sichuan Changhong Electronic Devices Co., Ltd.	64,949.99	-	454,649.99	-
Account receivable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	1,855.46	-	1.44	-
Account receivable	Sichuan Changhong New Energy Technology Co., Ltd.	-	-	369,999.99	-
Account receivable	Yibing Hongxing Electronics Co., Ltd.	1,058,049.10	-	2,241,575.00	-
Account receivable	Sichuan Changhong Packing & Printing Co., Ltd.	-	-	2,400.00	-
Account receivable	Chengdu Changhong Electronics Technology Co., Ltd.	5,309,045.20	-	-	-
Account receivable	Hefei Meiling Solar Energy Technology Co.,	50,010.80	-	50,010.80	-
Account receivable	Fuyang Meiling Appliance Marketing Co., Ltd.	10,628,035.60	-	-	-
Account receivable	CHANGHONGRUBAELECTRICCO.,LTD.	24,626,053.78	-	15,097,657.84	-
Account receivable	Haozhou Meiling Appliance Marketing Co., Ltd.	-	-	1,304.50	-
Account receivable	Anhui Xinhao PDP Co., Ltd.	-	-	3,276,511.72	-
Account receivable	Mianyang Highly Electric Co., Ltd.	172,800.00	-	-	-
Account receivable	Guangxi Huidian Home Appliance Co., Ltd.	-	-	16,516,766.32	-
Account paid in advance	Sichuan Changhong Electric Co., Ltd.	7,756,082.59	-	1,486.00	-
Account paid in advance	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	176,653.43	-	-	-
Account paid in advance	Sichuan Changhong Mold Technology Co., Ltd.	171,714.91	-	-	-
Account paid in advance	Mianyang Hongfa Technology Co., Ltd.	497,968.81	-	147,000.00	-
Account paid in advance	Mianyang Highly Electric Co., Ltd.	-	-	76,135.78	-
Account paid	Hefei Meiling Solar Energy Technology Co.,	-	-	10,802.81	-

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

From 1 January 2014 to 31 December 2014

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

Item	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
in advance					
Other receivables	Sichuan Changhong Electric Co., Ltd.	13,500.00	-	-	-
Other receivables	Sichuan Changhong Mold Technology Co., Ltd.	-	-	20,000.00	-
Other receivables	Sichuan Changhong Jijia Jinggong Co., Ltd.	-	-	35,788.80	-
<b>Total</b>		<b>180,844,946.38</b>		<b>130,273,948.82</b>	

### 2. payables

Item	Related parties	Ending balance	Opening balance
Account received in advance	Sichuan Changhong Electric Co., Ltd.	234.16	-
Account received in advance	Sichuan Changhong Electronic System Co., Ltd.	-	1.00
Account received in advance	Mianyang Lejiayi Chain Trade Co., Ltd.	123,540.79	777,773.78
Account received in advance	Lejiayi Chain Management Co., Ltd.	761.29	260.08
Account received in advance	Sichuan Changhong Mold Technology Co., Ltd.	-	2,868,020.81
Account received in advance	Sichuan Changhong Devices Technology Co., Ltd.	-	0.33
Account received in advance	Chongqing Hongshenghuo Trading Co., Ltd.	2,408.00	13,931.00
Account received in advance	Wandao Network Technology Co., Ltd.	-	2,000.00
Account received in advance	Sichuan CCO Display Technology Co., Ltd.	74,587.00	106,323.00
Account received in advance	Sichuan Changhong Jijia Jinggong Co., Ltd.	-	2,799,131.51
Account received in advance	Jiangyin Changhong Air-Conditioner Electronic Co., Ltd.	-	1,050.89
Account received in	CHANGHONGELECTRICRUSSIALLC	-	76,260.01

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

From 1 January 2014 to 31 December 2014

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

Item	Related parties	Ending balance	Opening balance
advance			
Account received in advance	081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	28,677.70	-
Account received in advance	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	240,205.07	-
Account received in advance	Guangyuan Changhong Molding Technology Co., Ltd.	35,000.00	-
Account received in advance	Guangyuan Hongcheng Industrial Co., Ltd.	320.00	-
Account received in advance	Changhong Electric (Australian) Co., Ltd.	5,542.58	-
Account received in advance	Sichuan Changhong New Energy Technology Co., Ltd.	0.01	-
Account received in advance	Mianyang Highly Electric Co., Ltd.	-	0.33
Account received in advance	Jiujiang Meiling Appliance Marketing Co., Ltd.	-	121,802.94
Account received in advance	Xuancheng Meiling Appliance Marketing Co., Ltd.	-	2,150.00
Account received in advance	Fuyang Meiling Appliance Marketing Co., Ltd.	331.99	12,071,979.54
Accounts payable	Sichuan Changhong Electronics Group Co., Ltd.	60,553.56	60,553.56
Accounts payable	Sichuan Changhong Electric Co., Ltd.	27,737,562.90	36,646,331.81
Accounts payable	Sichuan Changhong Mold Technology Co., Ltd.	67,897,349.69	67,579,456.47
Accounts payable	Huayi Compressor Co., Ltd.	108,783,172.50	11,256,582.10
Accounts payable	Sichuan Changhong Jijia Jingong Co., Ltd.	53,421,683.82	71,940,952.54
Accounts payable	Sichuan Changhong Minsheng Logistic Co., Ltd.	38,816,514.90	42,010,791.22
Accounts payable	Sichuan Changhong Packing & Printing Co., Ltd.	10,966,607.44	13,455,000.19
Accounts payable	Sichuan Changhong Devices Technology Co., Ltd.	20.08	2,999.98
Accounts payable	Mianyang Hongrun Electronic Co., Ltd.	958,576.70	2,910,486.27

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

From 1 January 2014 to 31 December 2014

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

Item	Related parties	Ending balance	Opening balance
Accounts payable	Sichuan Changhong Precision Electronic Technology Co., Ltd.	1,422,908.29	1,938,535.62
Accounts payable	081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	140,059.51	1,384,533.99
Accounts payable	Sichuan Changhong New Energy Technology Co., Ltd.	114,219.50	133,788.80
Accounts payable	Sichuan Changhong Lighting Technology Co., Ltd.	30,062.00	-
Accounts payable	Sichuan Hongxin Software Co., Ltd.	-	402,000.00
Accounts payable	Sichuan Changhong Power Co., Ltd.	36,423.46	48,068.18
Accounts payable	Sichuan Hongyu Metal Manufacture Co., Ltd.	132,682.43	119,163.86
Accounts payable	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	11,017.79	549,594.23
Accounts payable	Sichuan Changhong Electronic Devices Co., Ltd.	8,928,899.08	12,788,937.64
Accounts payable	Sichuan Hongwei Technology Co., Ltd.	177,450.00	20,280.00
Accounts payable	Sichuan Changhong International Hotel Co., Ltd.	7,576.00	66,621.80
Accounts payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,503.63	10,503.63
Accounts payable	Chengdu Changhong Minsheng Logistic Co., Ltd.	4,609,168.32	-
Accounts payable	Sichuan Changhong Xinrui Technology Co., Ltd.	13,510,239.53	752,188.49
Accounts payable	Sichuan Changhong International Travel Agency Ltd,	56,786.66	103,600.10
Accounts payable	Mianyang Hongfa Technology Co., Ltd.	113,000.00	187,961.22
Accounts payable	Guangdong Changhong Electrics Co., Ltd.	381,686.49	18,290.00
Accounts payable	Guangdong Changhong Ridian Technology Co., Ltd.	512,483.48	-
Accounts payable	Zhongshan Guanghong Mold Technology Co., Ltd.	111,259.76	-
Accounts payable	Fuyang Meiling Appliance Marketing Co., Ltd.	-	1,873.00
Accounts payable	Sichuan Changxin Refrigeration Parts Co., Ltd.	10,478,359.11	22,381,798.81
Accounts payable	Mianyang Highly Electric Co., Ltd.	15,136,189.07	-
Accounts payable	Sichuan Changhe Technology Co., Ltd.	965,891.13	1,006,432.99
Accounts	Sichuan Jinghong Package Products Co., Ltd.	-	4,513,535.23

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

From 1 January 2014 to 31 December 2014

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

Item	Related parties	Ending balance	Opening balance
payable			
Other accounts payable	Sichuan Changhong Electric Co., Ltd.	1,826,155.03	18,021,861.45
Other accounts payable	Sichuan Changhong Minsheng Logistic Co., Ltd.	586,504.95	613,621.75
Other accounts payable	Sichuan Changhong Mold Technology Co., Ltd.	1,431,191.81	320,500.00
Other accounts payable	Sichuan Changhong Jijia Jinggong Co., Ltd.	361,466.64	200,500.00
Other accounts payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,000.00	10,000.00
Other accounts payable	Jingdezhen Honghua Home Appliance Parts Co., Ltd.	-	50,000.00
Other accounts payable	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	-	33,365.00
Other accounts payable	Guangdong Changhong Electrics Co., Ltd.	-	905,892.22
Other accounts payable	Sichuan Changhong Xinrui Technology Co., Ltd.	200,000.00	-
Other accounts payable	Huayi Compressor Co., Ltd.	650,000.00	-
Other accounts payable	Sichuan Changhong Packing & Printing Co., Ltd.	50,000.00	-
Other accounts payable	Sichuan Changhe Technology Co., Ltd.	50,000.00	50,000.00
Other accounts payable	Mianyang Highly Electric Co., Ltd.	527,934.86	-
Other accounts payable	Sichuan Changxin Refrigeration Parts Co., Ltd.	50,000.00	-
Other accounts payable	Fuyang Meiling Appliance Marketing Co., Ltd.	-	3,000,000.00
<b>Total</b>		<b>371,783,768.71</b>	<b>334,337,287.37</b>

(IV) Commitments from related parties: Nil

XII. share-based payment: nil

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

From 1 January 2014 to 31 December 2014

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

### XIII. contingency

1. Pending action or possible liabilities formed from arbitration: Nil
2. Contingency from external guarantee: Nil
3. other contingency: nil

### XIV. Commitments

### XV. Events occurring after the balance sheet date

1. important non-adjustment items: nil
2. profit distribution

In accordance with the auditing of ShineWing Certified Public Accountants (LLP), the individual statements of the parent company have achieved net profits of 219,543,703.90 Yuan in 2014. According to the relevant regulations, after the parent company's statements withdrawing the statutory surplus reserve of 21,954,370.39 Yuan, adding the undistributed profits of 615,672,089.65 Yuan in the beginning of the year, and deducting the annual profits of 45,824,352.30 Yuan distributed in 2013, the parent company's individual statements has accumulated the undistributed profits of 767,437,070.86 Yuan in 2014. In 2014, the parent company's individual statements have accomplished the profits available for distribution of 197,589,333.51 Yuan

According to the relevant laws and regulations and the provisions of "Articles of Association" and considering the interests of the shareholders and the company's long-term development needs, the board of directors approved the company to distribute the cash bonus of 0.6 Yuan per 10 stocks (including tax) to all shareholders on the basis of the general capital of 763,739,205 stocks of December 31, 2014, totally the cash bonus 45,824,352.30 Yuan has been distributed (Including tax, the cash bonus accounts for 23.19% of the profit available for distribution in the individual statements of the parent company in the current year). After the distribution, the total share capital of the company keeps the same, accumulates the remaining undistributed profits of 721,612,718.56 Yuan which is to be distributed annually after carry-over.

This plan has been considered and passed by the board of directors, and needs to be submitted to 2014 annual general meeting of the company for deliberation.

3. major sales return: nil
4. Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

### XVI. Other significant matters

1. correction of previous perios and influence: nil
2. debt restructuring: nil
3. assets replacement: nil
4. pension plan: nil
5. discontinuing operation: nil
6. branch information

Item	Icecuber	AC	Marketing	Other	Sales in branch	Total
Operation income	603,954.54	395,577.26	397,013.14	23,470.85	343,534.96	1,076,480.83
Including: 对外交易 Income from trading	274,851.92	394,759.43	397,013.14	9,856.34	-	1,076,480.83



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

From 1 January 2014 to 31 December 2014

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

Item	Icecuber	AC	Marketing	Other	Sales in branch	Total
outside						
分部间交易 Income from trading in branch	329,102.62	817.83	-	13,614.50	343,534.95	-
营业费用 Operation expenses	582,243.56	386,482.95	407,134.29	21,564.27	355,906.37	1,041,518.70
营业利润 Operation profit	21,710.98	9,094.31	-10,121.15	1,906.58	-	34,962.13
资产总额 Total assets	791,239.73	212,945.84	65,822.25	14,322.10	183,428.50	900,901.42
负债总额 Total liability	416,897.28	140,473.50	89,429.84	7,846.24	97,583.53	557,063.33
补充信息 Supplementary information						
折旧和摊销费用 Depreciation and amortization expenses	11,467.95	3,000.73	18.75	441.56	-	14,928.99
资本性支出 Capital expenditure	7,091.73	8,565.31	65.36	417.24	11.02	16,128.62
折旧和摊销以外的非现金费用 Non-cash expenses except for depreciation and amortization	52,325.98	58,527.59	58,527.59	1,922.47	-	171,303.63

7. other major transactions and events shows impact on investor's decision-making: nil

### XVII. Notes to main items of financial statement of parent company

#### 1. Account receivable

##### (1) Risk structure of account receivable

Category	Ending amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Ratio (%)	
Account receivable with single significant amount and withdrawal single item bad debt provision	-	-	-	-	-
Account receivable withdrawal bad debt provision by combination	—	—	—	—	—
Combination 1	258,239,547.96	31.25	16,578,700.15	6.42	241,660,847.81
Combination 2	568,186,736.90	68.75			568,186,736.90
Combination Subtotal	826,426,284.86	100.00	16,578,700.15	2.01	809,847,584.71
Account receivable with single minor amount but withdrawal single item bad debt provision					-
<b>Total</b>	<b>826,426,284.86</b>	<b>100.00</b>	<b>16,578,700.15</b>	<b>2.01</b>	<b>809,847,584.71</b>

(Continued)

Category	Opening amount		
	Book balance	Bad debt provision	Book value

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

From 1 January 2014 to 31 December 2014

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

	Amount	Ratio (%)	Amount	Ratio (%)	
Account receivable with single significant amount and withdrawal single item bad debt provision	-	-	-	-	-
Account receivable withdrawal bad debt provision by combination	—	—	—	—	—
Combination 1	143,480,356.13	18.06	10,471,313.94	7.30	133,009,042.19
Combination 2	649,382,442.21	81.72	-	-	649,382,442.21
Combination Subtotal	792,862,798.34	99.77	10,471,313.94	1.32	782,391,484.40
Account receivable with single minor amount but withdrawal single item bad debt provision	1,794,049.35	0.23	1,794,049.35	100.00	-
<b>Total</b>	<b>794,656,847.69</b>	<b>100.00</b>	<b>12,265,363.29</b>	<b>1.54</b>	<b>782,391,484.40</b>

1) Account receivable with single significant amount and withdrawal bad debt provision single:

2) Account receivable with Withdrawal of bad debt provision by aging account in combination 1

Book Age	Ending amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio		Amount	Ratio	
Within 1 year	248,400,750.99	5%	12,420,037.55	139,087,565.82	5%	6,954,378.29
1-2 years	6,522,478.61	15%	978,371.79	354,376.66	15%	53,156.50
2-3 years	-	35%	-	350,820.14	35%	122,787.05
3-4 years	232,283.45	55%	127,755.90	634,175.40	55%	348,796.47
4-5 years	210,000.00	85%	178,500.00	408,149.86	85%	346,927.38
Over 5 years	2,874,034.91	100%	2,874,034.91	2,645,268.25	100%	2,645,268.25
<b>Total</b>	<b>258,239,547.96</b>		<b>16,578,700.15</b>	<b>143,480,356.13</b>		<b>10,471,313.94</b>

3) Account receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	528,966,396.83
Account receivable with L/C	39,220,340.07
<b>Total</b>	<b>568,186,736.90</b>

4) No account receivable with single minor amount but withdrawal single item bad debt provision

(2) Reversal of bad debt provision in the Year

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

From 1 January 2014 to 31 December 2014

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

Unit	Amount reversed (or recovery)	Recovery way	Reasons
Guiyang Honghua Trading Co., Ltd.	741,623.00	Returned money from the Bank	Account receivable collected

(3) Account receivable actually written-off in the Year: Nil

(4) Arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company: Nil

(5) The top five account receivable at year-end has RMB 229,846,757.46 in total, a 27.81% in total account receivable.

(6) Account receivable of related parties

Unit	Related relationship	Amount	Proportion in total account receivable
Hefei Meiling Solar Energy Technology Co.,	Joint venture	50,010.80	0.006%
Meiling Equator Electric (Hefei) Co., Ltd.	Subsidiary	29,674.00	0.004%
Hohhot Meiling Appliance Marketing Co., Ltd.	Subsidiary	1,523,379.62	0.184%
Zhongke Meiling Cryogenic Technology Co., Ltd.	Subsidiary	4,751,445.80	0.575%
Wuhu Meiling Appliance Marketing Co., Ltd.	Subsidiary	3,690,349.55	0.447%
Jinan Meiling Appliance Marketing Co., Ltd.	Subsidiary	4,970,418.39	0.601%
Jingzhou Meiling Appliance Marketing Co., Ltd.	Subsidiary	7,901,448.08	0.956%
Kunming Meiling Appliance Marketing Co., Ltd.	Subsidiary	12,004,778.44	1.453%
Fuzhou Meiling Appliance Marketing Co., Ltd.	Subsidiary	11,139,014.16	1.348%
Guiyang Meiling Appliance Marketing Co., Ltd.	Subsidiary	13,076,064.37	1.582%
Nantong Meiling Appliance Marketing Co., Ltd.	Subsidiary	14,443,406.93	1.748%
Xi'an Meiling Appliance Marketing Co., Ltd.	Subsidiary	12,576,761.71	1.522%
Tianjin Meiling Appliance Marketing Co., Ltd.	Subsidiary	13,356,083.92	1.616%
Wuhan Meiling Appliance Marketing Co., Ltd.	Subsidiary	15,636,515.62	1.892%
Changchun Meiling Appliance Marketing Co., Ltd.	Subsidiary	12,586,031.01	1.523%
Taiyuan Meiling Appliance Marketing Co., Ltd.	Subsidiary	14,708,657.22	1.780%
Harbin Meiling Appliance Marketing Co., Ltd.	Subsidiary	17,213,223.78	2.083%
Nanchang Meiling Appliance Marketing Co., Ltd.	Subsidiary	18,888,264.62	2.286%
Chongqing Meiling Appliance Marketing Co., Ltd.	Subsidiary	16,489,618.89	1.995%
Zhengzhou Meiling Appliance Marketing Co., Ltd.	Subsidiary	21,343,376.23	2.583%
Hangzhou Meiling Appliance Marketing Co., Ltd.	Subsidiary	20,567,398.00	2.489%
CHANGHONG (HONGKONG) TRAD COMPANY	Under the same control	16,902,004.66	2.045%
Shanghai Meiling Appliance Marketing Co., Ltd.	Subsidiary	27,935,040.10	3.380%
Shengyang Meiling Appliance Marketing Co., Ltd.	Subsidiary	25,536,604.23	3.090%
Guangzhou Meiling Appliance Marketing Co., Ltd.	Subsidiary	33,852,870.78	4.096%

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

From 1 January 2014 to 31 December 2014

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

Unit	Related relationship	Amount	Proportion in total account receivable
Hefei Meiling Group Holding Co., Ltd.	Subsidiary	7,588,859.84	0.918%
Chengdu Meiling Appliance Marketing Co., Ltd.	Subsidiary	37,053,971.33	4.484%
Nanjing Meiling Appliance Marketing Co., Ltd.	Subsidiary	55,391,565.92	6.703%
Beijing Meiling Appliance Marketing Co., Ltd.	Subsidiary	59,120,460.08	7.154%
Fuyang Meiling Appliance Marketing Co., Ltd.	Other related party	10,628,035.60	1.286%
Guangxi Huidian Home Appliance Co., Ltd.	Subsidiary	18,011,063.15	2.179%
<b>Total</b>		<b>528,966,396.83</b>	<b>64.01%</b>

(7) Account receivable de-recognized: Nil

### 2. Other account receivable

#### (1) Risk structure of other account receivable

Category	Ending amount				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other account receivable with single significant amount and withdrawal single item bad debt provision	-	-	-	-	-
Other account receivable withdrawal bad debt provision by combination	—	—	—	—	—
Combination 1	4,821,810.59	8.52	1,702,368.33	35.30	3,119,442.26
Combination 2	51,791,307.54	91.48			51,791,307.54
Combination Subtotal	56,613,118.13	100.00	1,702,368.33	3.01	54,910,749.80
Other account receivable with single minor amount but withdrawal single item bad debt provision	2,000.00	-	2,000.00	100.00	-
<b>Total</b>	<b>56,615,118.13</b>	<b>100.00</b>	<b>1,704,368.33</b>	<b>3.01</b>	<b>54,910,749.80</b>

(Continued)

Category	Opening amount				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other account receivable with single significant amount and withdrawal single item bad debt	-	-	-	-	-

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

From 1 January 2014 to 31 December 2014

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

Category	Opening amount				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
provision					
Other account receivable withdrawal bad debt provision by combination	—	—	—	—	—
Combination 1	6,668,892.12	13.46	1,893,082.75	28.39	4,775,809.37
Combination 2	40,460,939.09	85.63	-	-	40,460,939.09
Combination Subtotal	47,129,831.21	99.74	1,893,082.75	4.02	45,236,748.46
Other account receivable with single minor amount but withdrawal single item bad debt provision	123,159.83	0.26	123,159.83	100.00	-
<b>Total</b>	<b>47,252,991.04</b>	<b>100.00</b>	<b>2,016,242.58</b>	<b>4.27</b>	<b>45,236,748.46</b>

1) Other account receivable with single significant amount and no withdrawal bad debt provision single

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

Item	Ending amount			Opening amount		
	Amount	Accrual proportion	Bad debt provision	Amount	Accrual proportion	Bad debt provision
Within 1 year	625,000.00	5%	31,250.00	30,000.00	5%	1,500.00
1-2 years	30,000.00	15%	4,500.00	3,178,962.50	15%	476,844.37
2-3 years	3,178,962.50	35%	1,112,636.88	2,961,545.66	35%	1,036,540.98
3-4 years	964,148.09	55%	530,281.45	200,000.00	55%	110,000.00
4-5 years	-	85%	-	201,243.75	85%	171,057.19
Over 5 years	23,700.00	100%	23,700.00	97,140.21	100%	97,140.21
<b>Total</b>	<b>4,821,810.59</b>		<b>1,702,368.33</b>	<b>6,668,892.12</b>		<b>1,893,082.75</b>

3) Other receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	47,316,187.56
Loans of employee's pretty cash	4,475,119.98
<b>Total</b>	<b>51,791,307.54</b>

4) Other account receivable with single minor amount but withdrawal single item bad debt provision at year-end

Other receivables	Book balance	Bad debt provision	Accrual proportion	Reasons
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## Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2014 to 31 December 2014

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

Loans from resigned staffs	2,000.00	2,000.00	100%	Unable to collected
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(2) Other account receivable of previous years that have been verified recovered in this year: Nil

(3) Switch-back of bad debt provision for other receivable in this year: Nil

(4) Other account receivable charge off in this year: Nil

(5) Areas from shareholders' unit with over 5 percent (5 percent included) voting rights held at year-end of the other receivable: Nil

(6) Top 5 other account receivable has RMB 42,326,459.43 in total, a 74.76% in total account receivable at year-end

(7) Other receivables classify by nature

Nature	Ending book balance	Opening book balance
Related parties	47,316,187.56	38,058,428.98
Loans of employee's pretty cash	4,475,119.98	2,402,510.11
Margin	3,208,962.50	3,208,962.50
Advance money paid temporary	648,700.00	498,383.96
Othger	2,000.00	1,669,993.49
Salary margin for migrant worker	964,148.09	1,414,712.00
<b>Total</b>	<b>56,615,118.13</b>	<b>47,252,991.04</b>

(8) Other account receivable from related parties

Item	Ending amount	Opening amount
Hefei Meiling Appliance Marketing Co., Ltd.	32,453,011.35	34,023,106.71
Guangxi Huidian Home Appliance Co., Ltd.	1,182,810.00	-
Zhengzhou Meiling Appliance Marketing Co., Ltd.	80,656.25	-
Jingzhou Meiling Appliance Marketing Co., Ltd.	359,614.70	-
Hefei Meiling White Appliance Marketing Co., Ltd.	4,071,235.67	-
Bengbu Meiling Appliance Marketing Co., Ltd.	1,650,648.30	-
Mianyang Meiling Appliance Marketing Co., Ltd.	16,223.76	-
Changchun Meiling Appliance Marketing Co., Ltd.	432,708.65	-
Chongqing Meiling Appliance Marketing Co., Ltd.	1,930,385.80	-
Changsha Meiling Appliance Marketing Co., Ltd.	276,765.56	-
Taiyuan Meiling Appliance Marketing Co., Ltd.	954,713.20	-
Shijiazhuang Meiling Appliance Marketing Co., Ltd.	2,221,178.31	-
Lanzhou Meiling Appliance Marketing Co., Ltd.	334,510.04	-
Neijiang Meiling Appliance Marketing Co., Ltd.	771,875.02	-
Mianyang Meiling Refrigeration Co., Ltd.	513,001.72	2,060,370.29
Hefei Meiling Group Holding Co., Ltd.	66,849.23	-
Jiangxi Meiling Appliance Co., Ltd.	-	667,047.98
Zhongke Meiling Cryogenic Technology Co., Ltd.	-	1,307,904.00

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

From 1 January 2014 to 31 December 2014

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

<b>Item</b>	<b>Ending amount</b>	<b>Opening amount</b>
<b>Total</b>	<b>47,316,187.56</b>	<b>38,058,428.98</b>

(9) Account receivable denominated in foreign currency: Nil

(10) Other receivable de-recognized: Nil

**Hefei Hefei Meiling Co., Ltd.有限公司财务报表附注**

2014年1月1日至2014年12月31日

(本财务报表附注除特别注明外,均以人民币元列示)

3. Long-term equity investments

(1) Classification of long-term equity investments

Item	Ending balance			Opening balance		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
<b>Investment in subsidiaries</b>						
Hefei Meiling Packing Products Co., Ltd.	12,961,230.52	-	12,961,230.52	12,961,230.52	-	12,961,230.52
Zhongke Meiling Cryogenic Technology Co., Ltd.	42,000,000.00	-	42,000,000.00	42,000,000.00	-	42,000,000.00
Mianyang Meiling Refrigeration Co., Ltd.	95,000,000.00	-	95,000,000.00	95,000,000.00	-	95,000,000.00
Hefei Meiling Appliance Marketing Co., Ltd.	54,900,000.00	-	54,900,000.00	54,900,000.00	-	54,900,000.00
Zhongshan Changhong Appliance Co., Ltd	112,256,419.37	-	112,256,419.37	76,256,419.37	-	76,256,419.37
Sichuan Changhong Air Conditioner Co., Ltd.	305,600,437.79	-	305,600,437.79	305,600,437.79	-	305,600,437.79
Hefei Meiling Group Holding Co., Ltd.	113,630,000.00	-	113,630,000.00	113,630,000.00	-	113,630,000.00
Jiangxi Meiling Appliance Co., Ltd.	79,000,000.00	-	79,000,000.00	79,000,000.00	-	79,000,000.00
Mianyang Meiling Software Technology Co., Ltd.	4,950,000.00	-	4,950,000.00	-	-	-
<b>Investment in associates</b>						
Hefei Xingmei Assets Management Co., Ltd.	13,071,784.93	-	13,071,784.93	12,531,807.91	-	12,531,807.91
<b>Total</b>	<b>833,369,872.61</b>	<b>-</b>	<b>833,369,872.61</b>	<b>791,879,895.59</b>	<b>-</b>	<b>791,879,895.59</b>



**Hefei Hefei Meiling Co., Ltd.有限公司财务报表附注**

2014年1月1日至2014年12月31日

(本财务报表附注除特别注明外,均以人民币元列示)

(2)Investment in subsidiaries

Invested unit	Opening balance	Increase during the year	Decrease during the year	Ending balance	Provision for impairment losses	Ending balance of impairment loss
Hefei Meiling Packing Products Co., Ltd.	12,961,230.52	-	-	12,961,230.52	-	-
Zhongke Meiling Cryogenic Technology Co., Ltd.	42,000,000.00	-	-	42,000,000.00	-	-
Mianyang Meiling Refrigeration Co., Ltd.	95,000,000.00	-	-	95,000,000.00	-	-
Hefei Meiling Appliance Marketing Co., Ltd.	54,900,000.00	-	-	54,900,000.00	-	-
Zhongshan Changhong Appliance Co., Ltd	76,256,419.37	36,000,000.00	-	112,256,419.37	-	-
Sichuan Changhong Air Conditioner Co., Ltd.	305,600,437.79	-	-	305,600,437.79	-	-
Hefei Meiling Group Holding Co., Ltd.	113,630,000.00	-	-	113,630,000.00	-	-
Jiangxi Meiling Appliance Co., Ltd.	79,000,000.00	-	-	79,000,000.00	-	-
Mianyang Meiling Software Technology Co., Ltd.	-	4,950,000.00	-	4,950,000.00	-	-
<b>Total</b>	<b>779,348,087.68</b>	<b>40,950,000.00</b>	-	<b>820,298,087.68</b>	-	-

(3)Investment in associates

Invested unit	Opening	Changes in the Year	Ending	Ending
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**Hefei Hefei Meiling Co., Ltd.有限公司财务报表附注**

2014年1月1日至2014年12月31日

(本财务报表附注除特别注明外，均以人民币元列示)

	balance	Addi onal Invest ment	Negati ve Invest ment	Investment income recognized under equity	Adjustment for other comprehens ive income	Other equity change	Cash dividend or profit announced to issued	Provision for impairment loss	Other	balance	balance of impairment
Hefei Xingmei Assets Management Co., Ltd.	12,531,807.91	-	-	865,521.39	-	-	325,544.37	-	-	13,071,784.93	-

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

From 1 January 2014 to 31 December 2014

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

### 3. Operation income and operation cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main business	5,573,437,601.75	4,612,264,571.70	5,746,049,745.46	4,879,370,046.50
Other business	922,201,742.56	890,185,694.84	902,358,848.13	882,569,911.02
<b>Total</b>	<b>6,495,639,344.31</b>	<b>5,502,450,266.54</b>	<b>6,648,408,593.59</b>	<b>5,761,939,957.52</b>

#### (1) Classified according to product

Product	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
<b>Main business</b>	<b>5,573,437,601.75</b>	<b>4,612,264,571.70</b>	<b>5,746,049,745.46</b>	<b>4,879,370,046.50</b>
Refrigerator and freezer	5,288,051,822.48	4,380,922,852.47	5,511,916,268.59	4,687,082,727.00
Washing machine	280,891,308.64	231,474,961.42	231,437,714.22	192,151,502.50
Other	4,494,470.63	-133,242.19	2,695,762.65	135,817.00
<b>Other business</b>	<b>922,201,742.56</b>	<b>890,185,694.84</b>	<b>902,358,848.13</b>	<b>882,569,911.02</b>
Sales of raw materials	876,880,438.36	866,217,767.37	894,976,294.28	880,703,351.13
Rental income	7,348,749.20	1,895,032.35	7,382,553.85	1,866,559.89
Other income	37,972,555.00	22,072,895.12	-	-
<b>Total</b>	<b>6,495,639,344.31</b>	<b>5,502,450,266.54</b>	<b>6,648,408,593.59</b>	<b>5,761,939,957.52</b>

#### (2) Classified according to region

Regions	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic income	5,149,352,504.38	4,287,706,201.86	5,537,595,795.28	4,716,022,043.03
Export income	1,346,286,839.93	1,214,744,064.68	1,110,812,798.31	1,045,917,914.49
<b>Total</b>	<b>6,495,639,344.31</b>	<b>5,502,450,266.54</b>	<b>6,648,408,593.59</b>	<b>5,761,939,957.52</b>

Top five clients of the Company owe income in sales of RMB 799,755,222.63, a 12.31% in total operation income.

### 4. Investment income

Item	Current Year	Last Year
Long-term equity investment income by equity method	865,521.39	382,993.38
Investment income during holding the financial assets available for sale	1,675,061.39	1,073,757.30
Investment income from disposal of long-term equity investment	-	3,026,100.10
Investment income from disposal of financial assets, which is measured by fair value and with its variation reckoned into current gains/losses	459,500.00	-

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

<b>Item</b>	<b>Current Year</b>	<b>Last Year</b>
<b>Total</b>	3,000,082.78	4,482,850.78

### **XVIII. Approval of financial statement**

The financial statement has already been approved from the board of directors of the Company for reporting dated 26 2015.

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

### Supplementary information for financial statement

#### 1. Non-operational gains and losses for this year

(1) Non-recurring gains and losses regulated by Explanation Announcement of Information Disclosure on Stock Issuance Enterprise No.1—Non-recurring gains/losses (2008) from CSRC:

Item	Current Year	Note
Gains and losses from disposal of non-current assets	-431,173.22	
Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident	-	
Government subsidy recorded in current gains and losses	41,165,417.52	
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	-	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	-	
Gains and losses from exchange of non-monetary assets	-	
Gains and losses from assets under trusted investment or management	-	
Various provision for impairment of assets withdrew due to act of God, such as natural disaster	-	
Gains and losses from debt restructuring	955,413.10	
Enterprise reorganization expense	-	
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value	-	
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control	-	
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company	-	
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	378,330.00	
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	-	
Gains and losses obtained from external trusted loans	-	
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern	-	
Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting	-	
Trust fee obtained from trust operation	-	
Other non-operating income and expenditure except for the aforementioned ones	10,535,869.24	
Other gains and losses items complying with definition for non-current gains and losses	-	
<b>Subtotal</b>	<b>52,603,856.64</b>	
Affect on income tax	3,576,592.95	
Affect on minority equity(after taxation)	278,451.01	
<b>Total</b>	<b>48,748,812.68</b>	

#### 2. Return on equity and earnings per share

In accordance with requirement of the No. 9 Rule of Information Disclosure Compiling of Public Listed Companies: Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010), the

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

From 1 January 2014 to 31 December 2014

(Unless otherwise specified. RMB for record in the statement)

weighted average return on equity, basic earnings per share and diluted earnings per share of the Company in 2014 are as follow:

Profit during the report period	Weighted average return on equity	Earnings per share/EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	8.88%	0.3856	0.3856
Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses	7.41%	0.3218	0.3218

3. Accounting difference under the accounting rules in and out of China : Nil

## 4. Supplementary information for accounting policy changed

Pursuit to the “Accounting Standards for Business Enterprise No. 2 – Longterm Equity Investment” issued by Ministry of Fiannce in 2014 and other 7 accounting rules, relevant accounting policies are changed correspondingly; and retroactive restated the comparative financial statements, the consolidated balance sheet dated January 1<sup>st</sup> 2013 and December 31<sup>st</sup> 2013 restated are as:

Item	2013-1-1	2013-12-31	2014-12-31	Item	2013-1-1	2013-12-31	2014-12-31
Current assets:				Current liabilities:			
Monetary fund	1,701,307,578.13	2,266,192,804.16	2,665,219,013.80	Short-term loans	45,456,805.14	66,433,079.86	407,508,739.07
Deposit reservation for balance	-	-	-	Loan from central bank	-	-	-
Capital lent	-	-	-	Absorbing deposit and interbank deposit	-	-	-
Investment income from disposal of financial assets, which is measured by fair value and with its variation reckoned into current gains/losses	-	-	-	Capital borrowed	-	-	-
Derivative financial assets	-	-	-	Financial liability measured by fair value and with variation reckoned into current gains/losses	-	-	81,170.00
Notes receivable	1,738,725,417.01	1,722,039,923.01	1,223,468,044.05	Derivative financial liability	-	-	-
Account receivable	753,762,080.84	855,264,087.13	1,160,192,277.00	Notes payable	1,268,157,043.71	1,520,088,715.18	1,553,110,292.55
Accounts paid in advance	49,414,835.51	73,636,908.88	92,501,704.06	Accounts payable	1,462,293,958.34	1,692,121,242.19	1,681,116,965.38
Insurance receivable	-	-	-	Accounts received in advance	459,974,402.43	363,233,745.71	296,641,377.09
Reinsurance receivables	-	-	-	Selling financial asset of repurchase	-	-	-
Contract reserve of reinsurance receivable	-	-	-	Commission charge and commission payable	-	-	-
Interest receivable	-	-	-	Wage payable	93,762,927.83	125,196,562.38	156,537,212.29
Dividend receivable	-	-	-	Taxes payable	111,106,673.16	-492,046.33	51,153,350.18
Other receivables	31,288,336.44	20,115,619.72	28,729,328.80	Interest payable	-	-	-
Purchase restituted finance asset	-	-	-	Dividend payable	1,551,602.30	1,782,087.76	2,237,640.91
Inventories	1,503,307,251.66	1,593,865,312.94	1,765,761,407.86	Other accounts payable	826,111,040.95	914,983,315.18	872,725,707.68
Assets divided into assets ready-for-sale	-	-	-	Reinsurance payables	-	-	-
Non-current asset due within one year	-	-	-	Insurance contract reserve	-	-	-
Other current assets	-	-	-	Security trading of agency	-	-	-

Item	2013-1-1	2013-12-31	2014-12-31	Item	2013-1-1	2013-12-31	2014-12-31
Total current assets	5,777,805,499.59	6,531,114,655.84	6,935,871,775.57	Security sales of agency	-	-	-
Non-current assets:	-	-	-	Liability divided into liability ready-for-sale	-	-	-
Granted entrust loans and advances	-	-	-	Non-current liabilities due within 1 year	7,777,304.72	119,256,114.30	11,153,512.52
Financial assets available for sale	10,420,000.00	6,500,000.00	5,500,000.00	Other current liabilities	-	-	-
Hold-to-maturity investment	-	-	-	Total current liabilities	4,276,191,758.58	4,798,174,816.23	5,032,265,967.67
Long-term account receivable	-	-	-	Non-current liabilities:	-	-	-
Long-term equity investment	24,730,428.02	22,995,387.39	14,211,004.21	Long-term loans	131,114,600.00	9,523,700.00	18,947,000.00
Investment real estate	16,509,959.84	15,701,377.73	14,892,795.62	Bonds payable	-	-	-
Fixed assets	1,243,889,950.81	1,138,750,631.37	1,223,763,920.86	Incl: Preferred stock	-	-	-
Construction in process	70,705,114.33	52,514,642.10	62,766,707.57	Perpetual capital securities	-	-	-
Engineering material	-	-	-	Long-term payable	-	-	-
Disposal of fixed asset	-	76,129,471.41	75,808,843.84	Long-term wage payable	43,562,574.06	43,020,744.89	40,317,465.61
Productive biological assets	-	-	-	Special accounts payable	-	-	-
Oil and gas asset	-	-	-	Projected liabilities	361,156,281.38	356,648,942.74	347,107,686.15
Intangible assets	628,269,816.49	593,054,170.58	561,864,209.63	Deferred income	92,645,296.80	107,073,628.76	131,995,227.77
Expense on Research and Development	31,746,326.41	9,516,070.34	25,194,157.09	Deferred income tax liabilities	-	-	-
Goodwill	5,529,842.09	-	5,313,913.50	Other non-current liabilities	-	-	-
Long-term expenses to be apportioned	-	-	-	Total non-current liabilities	628,478,752.24	516,267,016.39	538,367,379.53
Deferred income tax asset	76,533,494.89	75,895,434.58	83,826,873.81	Total liabilities	4,904,670,510.82	5,314,441,832.62	5,570,633,347.20
Other non-current asset	-	-	-	Owners' equity:	-	-	-
Total non-current asset	2,108,334,932.88	1,991,057,185.50	2,073,142,426.13	Share capital	763,739,205.00	763,739,205.00	763,739,205.00
				Other equity instruments	-	-	-
				Incl: Preferred stock	-	-	-
				Perpetual capital securities	-	-	-
				Capital public reserve	1,482,582,391.41	1,478,904,455.90	1,466,959,939.03
				Less: Inventory shares	-	-	-
				Other comprehensive gains	-1,278,962.31	-1,939,397.56	-3,262,898.99
				Reasonable reserve	-	-	-
				Surplus public reserve	325,000,757.16	337,902,735.75	359,857,106.14



Item	2013-1-1	2013-12-31	2014-12-31	Item	2013-1-1	2013-12-31	2014-12-31
				Provision of general risk	-	-	-
				Retained profit	385,744,261.05	608,723,517.81	835,453,313.49
				Total owner's equity attributable to parent company	2,955,787,652.31	3,187,330,516.90	3,422,746,664.67
				Minority's interest	25,682,269.34	20,399,491.82	15,634,189.83
				Total owner's equity	2,981,469,921.65	3,207,730,008.72	3,438,380,854.50
<b>Total assets</b>	<b>7,886,140,432.47</b>	<b>8,522,171,841.34</b>	<b>9,009,014,201.70</b>	<b>Total liabilities and owner's equity</b>	<b>7,886,140,432.47</b>	<b>8,522,171,841.34</b>	<b>9,009,014,201.70</b>

## Section XII. Documents Available for Reference

I. Financial statement carrying the signatures and seals of the Chairman, principal of the accounting works and person in charge of accounting organ;

II. Original auditing report carrying the seal of CPA and autography and seal of the accountants; report period;

III. Original documents of the Company and manuscripts of public notices that disclosed in the website designated by CSRC in the report period;

The aforesaid documents are all available at headquarter of the Company. The Company would provide them timely when CSRC and Shenzhen Stock Exchange require or the shareholders need consultation according to the regulations and Articles of Association.

Chairman: Liu Tibin  
Hefei Meiling Co., Ltd.  
26 March 2015