



**HEFEI MEILING CO., LTD.**

**Semi-Annual Report 2016**

**July 2016**

## 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.

There is no evidence of declaration in aspect of unable to guarantee or having objections for the reality, accuracy and completion of whole content of the Report among directors, supervisors and senior executives.

Profit sharing plan or transfer of reserve to common shares deliberated by the Board in reporting period

Applicable Not applicable

The Company has no plans of cash dividend distribution, bonus sharing and transferring of reserve to common shares either.

Mr. Liu Tibin, Chairman of the Company, deputy President and financial administrator Mr. Zhang Xiaolong and Mr. Luo Bo, person in charge of accounting organ (chief accountants) hereby confirm that the Financial Report of 2016 Semi-Annual Report is authentic, accurate and complete.

All the directors attended the board meeting on Report deliberation in both ways of site and communication.

Modified audit opinions presentation

Applicable Not applicable

Financial report of the 2016 semi-annual report has not been audited by CPA

Risk warning of the forward-looking statements with future plans involved in the semi-annual report

Applicable Not applicable

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.

Investors are advised to read the full text of semi-annual report, and pay particular attention to the following risk factors:

More details about the possible risks and countermeasures in the operation of the Company are described in the report “IX. Core Competing Capability” of “Section IV Report of Board of Directors”, relevant contents attention please.

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 2016 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.

Directors and senior executives of the Company respectively signed Written Confirmation Opinions for 2016 Semi-Annual Report.

A Written Examination Opinions for 2016 Semi-Annual Report is made by resolution from Supervisory Committee of the Company.

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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 Holding Group Co., Ltd.
Hong Kong Changhong	Refers to	CHANGHONG (HK) TRADING LIMITED
Meiling Group	Refers to	Hefei Meiling Group Holdings Limited
Xingtai Holding	Refers to	Hefei Xingtai Financial Holding Group Co., Ltd.
Industry Investment Group	Refers to	Hefei Industry Investment Holding (Group) Co., Ltd.
Shine Wing	Refers to	Shine Wing Certified Public Accountants Co., Ltd. (LLP)
Changhong Air-conditioner	Refers to	Sichuan Changhong Air-conditioner Co., Ltd.
Zhongke Meiling	Refers to	Zhongke Meiling Cryogenic Technology Co., Ltd.
Hongyun Venture Capital Fund	Refers to	Sichuan Hongyun New IT Venture Capital Fund
Changhong Ridian	Refers to	Guangdong Changhong Ridian Technology Co., Ltd.
Zhongshan Changhong	Refers to	Zhongshan Changhong Electric Co., LTD
Changmei Technology	Refers to	Changmei Technology 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

## Section II Company Profile

### I. Company profile

Short form of the stock	MEILINGDIANQI, WANMEILING-B	Stock code	000521, 200521
Short form of the Stock after changed (if applicable)	N/A		
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)	美菱電器		
Foreign name of the Company (if applicable)	HEFEI MEILING CO.,LTD.		
Abbr. of English name of the Company (if applicable)	HFML		
Legal representative	Liu Tibin		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Xia	Zhu Wenjie
Contact add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei
Tel.	0551-62219021	0551-62219021
Fax.	0551-62219021	0551-62219021
e-mail	lixia@meiling.com	wenjie.zhu@meiling.com

### III. Others

#### 1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable  Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2015.

#### 2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

Applicable  Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2015.

### 3. Registration changes of the Company

Whether registration has changed in reporting period or not

Applicable  Not applicable

Date/place for registration of the Company, registration number for enterprise legal license, number of taxation registration and organization code have no change in reporting period, found more details in Annual Report 2015.

### 4. Other relevant information

Whether other relevant information has changed in reporting period or not

Applicable  Not applicable

## 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

	Current period	Same period of last year		Increase/decrease in this report y-o-y
		Before adjustment	After adjustment	After adjustment
Operating revenue (RMB)	6,866,631,262.68	6,426,917,289.25	6,572,479,966.74	4.48%
Net profit attributable to shareholders of the listed company(RMB)	109,992,701.28	158,369,766.68	158,158,485.22	-30.45%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	90,801,654.71	148,569,574.10	148,569,574.10	-38.88%
Net cash flow arising from operating activities(RMB)	871,689,504.89	343,410,987.03	352,373,209.74	147.38%
Basic earnings per share (RMB/Share)	0.1440	0.2074	0.2071	-30.45%
Diluted earnings per share (RMB/Share)	0.1440	0.2074	0.2071	-30.45%
Weighted average ROE	3.12%	4.52%	4.40%	1.28 percent point down
	End of current period	End of last period		Increase/decrease in this report-end over that of last period-end
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	11,755,975,449.93	9,066,223,601.14	9,237,288,359.74	27.27%
Net assets attributable to shareholder	3,441,401,790.58	3,384,574,993.19	3,475,377,586.34	-0.98%



of listed company(RMB)				
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Notes: the Company succeeded to acquire 98.856% equity interests of Guangdong Changhong Ridian Technology Co., Ltd (“Changhong Ridian”) through bidding at the end of 2015, and completed registration procedures at competent industrial and commercial authority in respect of this equity transfer at early February 2016. Upon completion of this equity transfer, the Company was to hold 98.856% equity interests of Changhong Ridian. Under relevant provisions of Enterprise Accounting Principles No.33-Consolidated Financial Statement, in respect of the subsidiaries and their businesses acquired arising from business consolidation under the same control during the reporting period, parent company shall adjust the beginning figures stated in the consolidated statement and adjust the relevant items in the comparative statement accordingly as if the reporting entity after the consolidation had been in existence since the time when the ultimate controller commenced to exercise control. Therefore, the beginning figures and the figures of the corresponding period of last year have been restated.

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
Fully diluted EPS based on new share capital (RMB/Share)	0. 1440

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

1. 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.

2. 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	
	Current Period	Last Period	Period-end	Period-begin
Chinese GAAP	109, 992, 701. 28	158, 158, 485. 22	3, 441, 401, 790. 58	3, 475, 377, 586. 34
Items and amount adjusted by foreign accounting rules				

Foreign accounting rules	109,992,701.28	158,158,485.22	3,441,401,790.58	3,475,377,586.34
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The Company has no difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles) in reporting period.

3. 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	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-1,214,295.88	Found in “Non-operating expenditure”
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)	14,750,673.67	Found in “Non-operating expenditure”
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	3,707,731.16	Found in “Investment income” and “Changes in fair value gains/losses”
Other non-operating income and expenditure except for the aforementioned items	4,410,917.97	Found in “Non-operating expenditure”
Less: Impact on income tax	2,325,980.83	—

Impact on minority shareholders' equity (post-tax)	137,999.52	—
Total	19,191,046.57	--

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

Item	Involved amount (RMB)	Reason
Non-operating income	1,705,532.50	During the reporting period, the wholly owned subsidiary - Mianyang Meiling Software Technology Co., Ltd. has received VAT refunds of software products according to "Notice about VAT policy of software products by Ministry of Finance & State Administration of Taxation" CS No. [2011] 100 document, and adequately disclosed the company's business situation, in accordance with relevant provisions in the third article of the second item of CSRC "No. 1 explanatory announcement about information disclosure of the company publicly issues securities - non-recurring profit and loss (2008)", the public subsidies which are closely related to the company's business, conform to the national policies and regulations and continue to be enjoyed according to a certain standard rating or quantity should be included in the company's recurring gains and losses.

## Section IV Report of the Board of Directors

### I. Summary

As for the first half year of 2016, the international and domestic economic environment remained depressed, experiencing relatively large pressure for downward economy. With respect to the domestic economy, the growth thereof continued to slow down, showing periodic stability. According to the information released by the national statistics bureau, our domestic GDP recorded a year-on-year increase of 6.7% during the first half year of 2016. In respect of the three major segments driving economic growth, the growth speed of investment segment fell greatly during the first half year; investment of fixed assets recorded an increase of 9%, representing a decrease of 1.7 percentage point as compared to the first quarter; export segment decreased 2.1%, representing a decrease of 3.6 percentage point as compared to the first quarter; consumption segment increased 10.3%, which was approximate to the first quarter.

Since 2015 when the home appliances industry has been affected by the declining real estate operations and the national policy relating to encouraging reducing inventory level of air conditioners, high level of inventory and pricing competition have limited the development of home appliances industry in the PRC. As the policy related bonus fades up, the industry begins to recover its market-oriented nature. On the one hand, as those home appliance products sold during the period benefiting from related policies approaches to the end of their useful lives, a time for upgrade and exchange for new products is coming. On the other side, as the living conditions have improved, market of high-end products trends to expand. Meanwhile, the threshold for market competition has been further improved as the country has advocated overall application of new energy efficiency labeling. Besides, challenged by the current development difficulties of the industry, and with gradual popularity of computers, internet and mobile telecommunicate equipments, how to enhance product structure and realize efficient transformation has become the main concern for the whole industry. With assistance of internet, the possibility of internet connection between items and items, and connection between items and human being become true, and it is a necessity for the industry to highlight intelligence development. In general, domestic market capacity of the home appliances industry is shrinking, product structure and energy efficiency labeling continue to upgrade, and export market remains not optimistic, marking that it is the essential time for the industry to experience structural transformation.

During the first half of 2016, under the guidance of the strategy policies of “Meiling Dream” and “double-three and one-heart”, the Company adhered to the operating policy of “striving for progress in negative environment, innovation, industry benchmarking and positive operation”. With hard efforts of the entire staff, the Company succeeded to overcome the negative factors such as weak macro economy and continuous decline of the overall industry. In specific, the refrigerators sold in domestic market outperformed the general performance of the industry, e-commerce recorded substantial growth and export market of refrigerators strengthened the market rankings. For domestic sales of refrigerators, the Company almost recorded the same results as compared to the previous year, while experiencing a relatively rapid growth for export sales. Washing machine business was witnessed with rapid development. As for the business segment of kitchen & bathroom appliances, the Company realized fast growth. For the first half year of 2016, the Company realized operating income of RMB 6.867 billion, representing a year-on-year increase of 4.84%; the net profit attributable to parent company was RMB 109.9927 million, representing a year-on-year decrease of 30.45%.

## II. Analysis on major operations

### (I) Summary

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

Yes  No

For the period from January to June 2016, business of refrigerator and freezing box realized operating revenue of RMB 3.512 billion approximately with a decrease of 0.02% y-o-y; air-conditioner business achieved revenue of RMB 2.579 billion approximately, a 5.61% growth y-o-y; washing machine gains RMB 0.214 billion approximately with a 62.23% growth y-o-y; other business as kitchen & bath as well as small appliances achieved revenue of RMB 0.330 billion approximately, a 51.74% growth y-o-y. Meanwhile, the Company gains a revenue of RMB 1.635 billion in exportation with a y-o-y growth of 24.66%.

### (II) Year-on-year changes of main financial data

In RMB

	Current period	Same period of last year	Y-o-y increase/decrease	Reasons for changes

Operation revenue	6,866,631,262.68	6,572,479,966.74	4.48%	—
Operation cost	5,432,461,687.10	5,213,492,703.53	4.20%	—
Sales expenses	1,075,647,750.60	956,768,853.62	12.43%	—
Administrative expenses	193,280,424.74	197,283,986.21	-2.03%	—
Financial cost	-39,699,342.16	-45,676,072.58	13.09%	—
Income tax expense	18,816,185.98	14,512,173.60	29.66%	—
R&D expenses	207,876,418.69	206,928,659.96	0.46%	—
Net cash flow arising from operation activities	871,689,504.89	352,373,209.74	147.38%	Sales amount received in the period increased on a y-o-y basis
Net cash flow arising from investment activities	374,877,700.49	-67,121,031.19	658.51%	The mature trust management principal received in the period increased on a y-o-y basis
Net cash flow arising from financing activities	682,926,101.22	-174,734,971.75	490.84%	The short-term loans paid by parent company decreased on a y-o-y basis
Net increase of cash and cash equivalent	1,941,723,175.47	120,230,154.61	1,515.01%	The mature trust management principal and bank loans received in the period increased
Monetary fund	4,136,998,121.62	2,135,189,879.15	93.75%	Same reasons as “Net increase of cash and cash equivalent”
Financial assets measured by fair value and whose change is recorded in current gains and losses	2,340,308.20	—	100.00%	Fair value changes of the forward foreign exchange contract carried out in the Period
Account receivables	1,950,050,884.81	1,338,396,321.83	45.70%	Proportion of sales of the credit customer increased on a y-o-y basis in the period
Interest receivable	1,896,655.82	1,238,199.65	53.18%	The accrued interest of the fixed deposit under the name of subsidiary Zhongshan Changhong are recognized
Other current assets	30,440,120.40	539,101,578.44	-94.35%	The principal of trust management are received in the period by parent company for mature
Short-term loans	718,762,164.03	58,680,093.19	1,124.88%	Parent company’s short-term loans increased in the period
Financial liabilities measured by fair value and whose change is recorded	3,618,878.41	—	100.00%	Same reasons as “Financial assets measured by fair value and whose change is recorded in current gains and losses”

in current gains and losses				
Note payable	2,834,242,595.61	2,172,064,923.79	30.49%	The note payable un-mature temporary increased at end of the period
Account payable	2,340,133,319.01	1,604,075,191.50	45.89%	Purchasing in production peak season increased in the Period
Wages payable	78,227,521.05	115,297,429.40	-32.15%	Salary and year-end bonus which are accrued last year are distribute in this period
Taxes payable	188,830,607.86	70,530,483.54	167.73%	VAT payable at period-end increased over that of period-begin due to the sales peak season in this period
Interest payable	35,547.83	214,328.89	-83.41%	Loan interest are pay in the period from parent company
Other account payable	970,734,230.21	643,567,087.33	50.84%	Other payables at period-end increased
Non-current liability due within one year	261,130,799.00	11,153,067.68	2,241.34%	Long-term loans due within one year are transfer-in for re-classify
Long-term loans	50,290,088.80	243,004,866.40	-79.30%	Long-term loans due within one year are transfer-out for re-classify
Other comprehensive income	-466,043.54	-2,280,500.61	79.56%	Rate in foreign currency changed from foreign subsidiaries
Minority interests	63,598,515.16	36,290,904.66	75.25%	Subsidiary absorb the capital contributed by minority in the period
Business tax and surcharge	62,141,577.47	45,722,966.65	35.91%	The surcharge tax of the VAT payable increased
Changing income of fair value(Loss is listed with "-")	-1,278,570.21	3,653,270.00	-135.00%	Losses of fair value changes of the forward foreign exchange contract carried out in the Period
Investment income (Loss is listed with "-")	4,153,090.95	-5,484,432.72	175.73%	Income of trust management received in the period and the losses from affiliated business decreased on a y-o-y basis
Investment income on affiliated company and joint venture	-833,210.42	-6,482,572.94	87.15%	Losses from affiliated business decreased on a y-o-y basis
Non-operating revenue	21,471,702.44	15,011,187.86	43.04%	Government grants received in the period increased on a y-o-y basis
Income of non-current assets disposal	330,833.76	14,784.00	2,137.78%	Income from disposal of fixed assets increased in the period on a y-o-y basis

Non-operating expense	1, 818, 874. 18	9, 268, 395. 87	-80. 38%	Losses from disposal of fixed assets decreased in the period on a y-o-y basis.
Losses of non-current assets disposal	1, 545, 129. 64	5, 700, 586. 03	-72. 90%	Same reasons as “Non-operating expense”
Net profit attributable to owners of parent company	109, 992, 701. 28	158, 158, 485. 22	-30. 45%	Earnings of the Company decreased y-o-y in the period
Minority shareholders’ gains and losses	-69, 054. 44	670, 663. 11	-110. 30%	Earnings from part of the non-wholly-owned subsidiaries are declined on a y-o-y basis in the period

**(III)Major changes on profit composition or profit resources in reporting period**

Applicable  Not applicable

No major changes on profit composition or profit resources occurred in reporting period

**(IV)The future development and planning extended to reporting period that published in disclosure documents as prospectus, private placing memorandum and recapitalize statement**

Applicable  Not applicable

No future development and planning extended to reporting period that published in disclosure documents as prospectus, private placing memorandum and recapitalize statement

**(V)Summary on the progress of the operation plan as disclosed previously by the Company during the reporting period**

During the Period, the Company map out the annual operation plan in line with development strategy and 2016 business policy, arrange and organized the production, main works are as:

(1) Achieving progress in negative environment

In terms of market competition, the home appliances industry continued to decline in general. In particular, in respect of the domestic sales of refrigerators for the period from January to June, the accumulative sales volume recorded a year-on year decrease of 9.29% based on the data provided by Zhongyikang and sales amount decreased by 7.78%. For Meiling series refrigerators,



the sales volume decreased by 2.73% year on year, while the sales amount increased by 1.14%. In respect of the domestic sales of freezers for the period from January to June, the accumulative sales volume recorded a year-on year decrease of 15.95% based on the data provided by Zhongyikang and sales amount decreased by 21.68%. For Meiling series freezers, the sales volume increased by 23.34% year on year, while the sales amount increased by 3.27%. Based on these data, it was clear that our operating results for refrigerators and freezers outperformed the overall market, realizing progress despite of the negative environment.

In terms of air conditioners, we realized nearly the same results as compared to the previous year for our domestic sales, while recording rapid growth of our export sales. In particular, in respect of the domestic sales of air conditioners for the period from January to June, the accumulative sales volume recorded a year-on year increase of 6.74% based on the data provided by Zhongyikang and sales amount decreased by 5.84%. For Meiling series air conditioners, the sales volume increased by 5.11% year on year, while the sales amount increased by 4.91%. In respect of the overseas sales of air conditioners for the period from January to May, the export sales volume recorded a year-on year increase of 20.9% based on the data provided by competent custom authorities and sales amount increased by 8.47%. For Meiling series air conditioners, the export sales volume increased by 60.3% year on year, while the sales amount increased by 49.6%. In terms of market share, the market share of our air conditioners export sales amounted to 1.6%, representing a year-on-year increase of 0.4 percentage points.

## (2) Innovation

During the first half year of 2016, the Company strengthened performance review under KPI system through transforming its operating ideas and thinking pattern based on value-oriented principles. It designed sharing curve, introduced labor-hour-based efficiency review model, detailed incentive units and encouraged to pursue win-win achievement combining individual performance and overall performance, which in turn inspired competitiveness of each business segment. Meanwhile, the Company also actively reinforced design, argumentation and implementation of incentive plans of each business segment, expecting to fully inspire staff's enthusiasm for works and helping the Company to realize its plan for 2016 and the thirteenth-five year plan.

During the reporting period, the Company started the plan named Intelligent Ecology Circle. Under this plan, the Company released CHiQ generation II refrigerators which can realize smart space combination based on requirements for specific foods and the CHiQ intelligent air housekeeper which can exchange for new air on an automatic basis. Release of new products further

assisted the Company to reinforce innovation of intelligent technology, which in turn helped the Company to accelerate realization of its intelligence strategy, promotion of transformation and upgrade, prepare itself for new competition layout and enhance the core competitiveness.

### (3) Industry benchmarking

The Company mainly focused on management benchmarking in market position, R&D cycle and enhance of efficiency in the first half year of 2016. In specific, market share of refrigerators in domestic market recorded a year-on-year increase of 0.65 percentage points; the actual baseline of R&D capability improved by 22.6%; organization optimization through separation of platform function and business supports has been explored in terms of human-based efficiency enhancement; as for materials-based efficiency enhancement, the inventory turnover rate rose by over 10% for the first half year by means of increasing coordination between production and sales, strictly controlling production reserve and continuously digesting non-performing or slow-moving inventories; as for money-based efficiency enhancement, it made proper use of capital stock, explored to increase capital and increased financial return.

### (4) Operation in good manner

In terms of corporate operation, the Company connected through its value chain, detailed calculation management and improved overall management and alarming ability. Besides, it emphasized sales operation in good manner, further strengthened management over terminal pricing, strictly controlling fixed expenses within the budget during the first half year of 2016.

In addition, the Company continued to optimize the industry chain and product line of home appliance products. It acquired equity interests of Changhong Ridian through bidding, which enabled it to own platform offering independently-developed kitchen & bathroom and mini home appliance products. During the reporting period, the Company has further strengthened operation in segment of kitchen & bathroom and mini home appliance products. Through adjusting organization structure and establishing product center, it realized integration of product planning, R&D and cost control. As for our smart mini home appliance products, we mainly focused on the characters of practicing and easy-to-operate. At the same time, we also experienced rapid development of e-commerce of mini home appliance products.

Besides, in front of the general transformation for intelligent operation in the home appliance industry, the Company actively explored new ways to further develop transformation of home appliance enterprises with assistance of internet technology and released the first Intelligent

Ecology Circle plan, pursuant to which, it started to develop new business model catering for needs for foods, air and water. During the reporting period, we made smooth progress in improving our capability of manufacturing intelligent products. Release of the new generation intelligent and variable-frequency products was partly attributable to our investment in research and development of intelligent products, proving that the relevant result was obviously positive. Our smart life project was promoted as scheduled. In detail, we completed establishment of Changmei Science and Technology Co., Ltd which was equipped with two operating units locating at Mianyang and Hefei respectively. The Company operates its own fresh products e-commerce brand-ifoodtube which has absorbed approximate 60,000 registered members contributing about 2,000 orders each day.

### 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	6,635,243,672.98	5,226,428,116.77	21.23%	5.26%	5.01%	0.18%
According to products						
Refrigerators, freezers	3,511,755,682.66	2,641,347,914.01	24.79%	-0.02%	-2.51%	1.93%
Air conditioning	2,578,582,275.76	2,117,657,552.65	17.88%	5.61%	7.30%	-1.29%
Washing machine	214,447,675.62	174,849,330.14	18.47%	62.23%	61.93%	0.15%
Others	330,458,038.94	292,573,319.97	11.46%	51.74%	57.22%	-3.09%
According to region						
Domestic	4,999,875,111.36	3,763,161,367.63	24.73%	0.16%	-0.58%	0.55%
Foreign	1,635,368,561.62	1,463,266,749.14	10.52%	24.66%	22.76%	1.38%

### IV. Core Competing Capability

#### (I) Company strength

##### 1. Brand capacity

Our Company is one of the well-known electrical appliances manufacturers in China, owning various product lines covering refrigerator, freezer, air conditioner, washing machine and mini home appliances. Meiling trademark is the famous trademark across China and Meiling brand has been listed as one of the most valuable brands in China. Athena trademark used by the Company I its refrigerators and freezer products or services has been also viewed as the well-known trademark of Anhui province. Till date since 2014, the Company has released CHiQ intelligent generation I and II refrigerators, air conditioners and smart air management products, aiming to build a high-end intelligent brand remarking for a new era of electrical appliances. Meanwhile, targeting to improve the brand image, and further to enlarge brand market influence, the Company holding a conference of a new LOGO release and ten million frequency conversion products offline in October 2015. Completely renew the new LOGO “**MELING 美菱**”, and implemented a new brand view of “Meiling, welcome the good life”. Following the new LOGO release, the “Good life trilogy” brand strategy are carrying out at the same time, that is from “good experience” (the sense-oriented) to “good enjoyment” (the spirit-oriented) and up to “good faith” (the faith of life-oriented).

By our efforts to rebuild our brand, Meiling will realize a young, international and professional brand image. Through gradual construction of the ideas of Wonderful Start Point, Wonderful Life Circle and Wonderful Ecology Circle, Meiling has become a people-oriented artist specializing in white appliances, a smarter scientific expert and a more reliable house keeper.

## **2. Product capacity**

For the last 30 years, the Company has been focusing on refrigeration industry developing various different types of refrigerator products, including multi-door Athena series high-end refrigerator, superior green refrigerator with daily power consumption of merely 0.23 degree, frequent refrigerator equipped with accurate variable-frequency technology consuming power of 0.1 degree, CHiQ refrigerator with the core technology of “cloud image identification” and CHiQ air conditioner based on the technology of human sense. In June 2016, the Company further officially released various intelligent products leading the development popularity among the industry, including CHiQ refrigerator generation II combining two technologies namely coldness capacity smart allocation technology and ETC (Electrical Thinking Card) smart identification technology, and the CHiQ intelligent air management products featured with SAW (Self All Weather) technology.

The Company owned an advanced and perfect R&D and quality assurance systems, approved the management system certification of ISO9001, ISO14001 and OHSAS18001. Products of the Company have good quality and reliable capacities. As for technology development, the Company

owned a national technology center, and vigorously increase input in basic technology study; in aspect of energy-saving, air cooling, frequency conversion, intelligence and cryogenic process, the Company owns an advanced core technology that ahead of others in the industry. In respect of product development, the Company paid more attention to specific design considering technology development trend and consumers' need for pursuit for better products , thus to increase development investment in middle and high end products including air freezing, multi-temperature, large capacity, variable-frequency and smart products, helping the Company to realize obvious upgrade of product structure. The Company will continue to adhere to strategic development of the two major products, namely intelligent and variable-frequency products. Through promoting subsequent R&D, promotion and technology upgrade of intelligent and variable-frequency products, the Company was enabled to gradually transform to a high-end manufacturer. Meanwhile, it succeeded to cut down product costs and increase competitiveness through overall implementation of intelligent improvement, production efficiency enhancement and product quality. Furthermore, the Company will constantly improving its appliance products, layout the kitchen and bath as well as home ware in purpose of creating integrated household appliance enterprises.

Meanwhile, the Company accelerated to optimize product structure, drive forward transformation, and explore the new value-added service model of home appliance enterprises with assistance of internet technology. The Company started the non-public offering project to raise funds for implementation of the Smart Life project. Through constructing the O2O community fresh business platform of Meiling's Smart Life project, the Company made new business trial catering for needs of food, air and water with its own hardware products as the terminals, targeting to facilitate its transformation.

### **3. Operation capacity**

The Company conducted benchmark management to improve its basic management level. In specific, efficiency enhancement has been made in areas of personnel, money and materials, trying to continuously enhance the internal management. A performance review and sharing system has been established with clear target and quantity index based on performance, thus to inspire the internal production capacity. Under the mainline of value chain management, the Company continued to carry out value creation and improve its competitiveness. Its ability to prevent risks has been also strengthened through continuous improvement of internal control system.

### **4. Marketing capacity**

The Company has established relatively perfect distribution network and service system. As for domestic distribution channels, the Company strengthened its competitiveness through

coordination between online and offline channels, recording balanced development among chain, wholesale and e-commerce. As for overseas market, the Company increased investments in overseas marketing institutions, R&D bases and production bases, products exporting to over 130 countries and regions across the globe.

## **(II) Potential risks**

In the later half year 2016, environment for enterprises to survive would be much more worse in front of the pessimistic macro economic situation and increasingly furious market competition of home appliance industry. In future, the Company will be exposed to weak growth of macro economy, severe industrial condition, increasing competition, rising costs and impact from new business model and era of internet.

First, slowing growth of national economy has become normal, with citizen's consumption confidence declining. During the time after the end of the national policy relating to home appliances in favor of rural areas, market demand for home appliances experienced decreasing. In case that future economic growth continues to slow down or even depresses, market demands and gross margin of home appliance industry may decline, which in turn adversely affect the Company's profitability. Secondly, the Industry has been in a tough time to make growth challenged by the furious market competition and overall decline of the whole industry. Increasing market competition may lead to irrational competition, resulting in operating risks. Thirdly, the profitability of the Company is adversely affected due to recovery of raw materials price. Lastly, the traditional business model may not be able to support sustainable development of an enterprise in the new economic environment. How to upgrade products and to realize transformation has remained as the major development subjects in case that the operating scale stops expanding and the general conditions are not optimistic. To develop intelligent products has become the new highlight and developing trend of the industry under the background of internet work.

Challenged by the above risks, the Company will improve awareness of risk prevention and make advanced allocation in terms of product, technology and market. As the three major projects named intelligent manufacturing, intelligent R&D and Intelligent life progresses as scheduled, the Company is transforming to offer high-end intelligent products. In addition to by adherence to the strategy of developing intelligent and variable-frequency products, the Company also diversifies products line to be a comprehensive home appliance enterprise. Further, it strengthens research and development in technologies relating to intelligence, variable-frequency, air coldness and deep coldness. It also pays much attention to overseas market since it views that the future development

potential thereof could be very large, so it actively explores to construction of the own brand in overseas market. Besides, the intelligent life project is steadily promoted. In particular, an O2O fresh products e-commerce platform within communities has been established to emphasize individuation. The Company also improves human resources planning. On the other side, under guidance of the board of directors and the idea of Meiling Dream, the Company executes the operating policy of “striving for progress in negative environment, innovation, industry benchmarking and positive operation”. Based on the platform of globalization, the Company continued to improve management, increase innovation of intelligent technology, speed up the strategy of intelligent development, reinforce external cooperation, promote transformation, welcome new pattern of competition and improve the comprehensive profitability. Meanwhile, the Company made new business trial catering for needs of food, air and water with its own hardware products as the terminals, thus to realize sustainable development of the Company.

### **(III) Operating countermeasures for the second half year**

#### **1. Operating policy**

For the later half year, the Company will continue to adhere to the operating policy of “striving for progress in negative environment, innovation, industry benchmarking and positive operation”. To response to the deteriorating macro and industrial conditions, the Company focuses on maintaining targets and stable growth. Meanwhile through carrying out efficiency enhancement in terms of personnel, materials and money, its comprehensive competitiveness is strengthened with enhanced ability of technology innovation and management innovation, thus to realize sustainable development.

#### **2. Market strategy**

In respect of domestic market, the Company will reinforce construction of domestic distribution channels, cooperation between online and offline resources, increase competitiveness, enhance ability of terminal sales and operation management. In addition, marketing continues to switch to internet model, realizing sustainable development with innovative promotion forms based on internet.

In respect of overseas market, it develops overseas brand business through continuous investments in overseas marketing institutions, R&D bases and production bases. In terms of products, it adheres to the strategy of developing products with advantage of cost efficiency and developing those products for which competition is not so furious featuring with different

characteristics. In terms of channels, it makes adjustment to region and customer structure, focusing on major clients and increasing satisfaction of overseas customers. In terms of brand, it adheres to the branding structure of “independently-developed brands + OEM/ODM”, and continues to improve the comprehensive competitiveness of exported products, seeking for bigger growth in international market.

### 3. Products strategy

#### (1) Refrigerator/freezer

In addition to continuous developing the two major series products - intelligent and variable-frequency products, the Company accelerates to develop and upgrade new generation intelligent products under its development strategy, and improve market share of variable-frequency products. It continues to increase research and development of technologies relating to intelligent, variable-frequency, deep coldness and frost-free, making itself leading the market. Besides, development for air coldness, multi-temperature, variable-frequency and intelligent products is also reinforced, driving the Company to transform to be a high-end intelligent enterprise. Meanwhile, product cost has been reduced to improve competitiveness through overall implementation of intelligent upgrade and improvement of manufacturing efficient and product quality.

#### (2) Air conditioner

With respect to air conditioner segment, under the development planning concerning basic core technology for air conditioner products, the Company focuses on completing research and development of core technologies relating to intelligent coordination and smart air management, in order to principally develop intelligent products and air management system, thus to promote product structure upgrade. Besides, it has introduced new technology and equipments in relation to centralized air conditioner to follow the major products trend of this industry and realize sales breakthrough. Under the background of “Internet+”, the Company will pull forward its transformation based on market demands, and will improve the efficiency of whole value chain through improved operation. As for its core businesses, it ensures to maintain the foundation stable by means of steady operation. As for emerging business, it will endeavor to capitalize every opportunity to build platform and concentrate resources to maintain satisfactory scale. As for export business, it will improve operating scale and control costs , increase revenue.

#### (3) Washing machine

For washing machine business segment, the Company will accelerate distribution arrangement,



improve R&D capability and realize rapid upgrade of image and sales volume of our products. Professional team will be established soon with the expectation of optimizing definition of its products and strengthening integration of supply chain. Through merger & acquisition or constructing its own production bases, the Company plans to become the second level of washing machine brand in the future three to five years, making this business segment one of its pillar industries.

#### (4) Mini appliances

Under the strategic development of intelligent products, this business segment insists on developing intelligent mini appliances relying on the Company's strong R&D and innovation capability, thus taking the leading position in intelligent appliances market. Meanwhile, the water purification business has been established as the core business of mini appliance segment catering the needs for kitchen and bathroom. In addition, by adherence to the operating idea of "based on requirements for kitchen and bathroom, develop mini appliance, innovative operation and improve ability", the Company continues to adopt innovative management, marketing and model, improve its own ability of manufacturing, strengthen terminals, emphasize on breakthrough, diversify product line, reinforce construction of staff resources, expand distribution channels, increase promotion as well as enhance competitiveness of products, operation management and terminal sale.

#### (5) Fresh products e-commerce emerging business

According to the idea of Meiling smart life under intelligent communities emphasizing community, fresh and O2O, the Company has started the fresh products based O2O business offering self service in communities. On the one side, it adopts the strategy of regionalization and localization, managing to develop specialized products by means of direct access to production bases, cooperation with those bases and combination of diversified products, in order to improve the competitiveness of the platform. On the other side, the Company will take full advantage in the areas of intelligent and refrigeration, allocating self service freezers in communities, and conduct continuous experiments in bases, community promotion and product experiment to concentrate users and communities, not to mention this self service freezers may efficiently cut down logistics costs. The ultimate purpose is to build our Meiling smart life project as the national smart life O2O service platform. By means of food management, the Company is gradually transforming to the business model of "equipment + service", assisting the Company to change to a high-frequency service provider from a low-frequency hardware distributor, thus to form double growth engines

with “hardware + service”, driving transformation of the Company’s profit-making model.

The above operating plans and targets do not represent the profit forecast of the listed issuer for 2016. Whether the plans and targets could be achieved depend on various factors such as change of market conditions and efforts by the operating group, which is subject to large uncertainty. Investors should be aware of this warning before making investment.

## V. Investment analysis

### 1. Outward equity investment

#### (1) Outward investment

√ Applicable    □ Not applicable

Outward investment		
Investment in the reporting period (RMB)	Investment in the same period of last year’s (RMB)	Changes
140,650,000	40,000,000	251.63%
Invested company		
Name	Main business	Equity proportion in invested company for Listed company
Guangdong Changhong Ridian Technology Co., Ltd.	R&D, production and sales of: household electric appliances, non-electrical household appliance, kitchen & bathroom furniture, audio-visual equipment, radio & television equipment, computers, communication and other electronic devices; software and IT services; business management advisory service; goods and technology import and export	98.856%
Changmei Technology Co., Ltd.	Development, production and sales of computer hardware & software, technology development, production and sales of internet of Things equipment, development and maintenance of E-commerce software, information service, technical transfer and services of the internet, domestic AD designing, production, agencies and release, sales of prepackaged food, dairy products, general merchandise, alcohol, beverage and agricultural products, crop planting, self-support goods and technology import and export business.	90%

#### (2) Holding equity of financial enterprise

√ Applicable    □ Not applicable

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
Huishang Bank Co., Ltd.	Commercial bank	5,000,000.00	10,737,573	0.0972%	10,737,573	0.0972%	5,000,000.00	0	Available for sale financial assets	Initial investment
Total		5,000,000.00	10,737,573	--	10,737,573	--	5,000,000.00	0	--	--

### (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.

## 2. Trust financing, derivative investment and trust loans

**(1) Trust financing**

√ Applicable □ Not applicable

In 10 thousand Yuan

Name	Related relationship	Whether related trade or not	Type	Trust financing amount	Start date	End date	Criteria for fixing reward	Principal actually collected in the Period	Amount of reserve for devaluation of withdrawing (if applicable)	Anticipated income	Actual gains/losses in period
Anhui Province branch of Bank of Communications	N/A	No	Floating proceeds	50,000	2015-10-20	2016-1-19	Expected 3.9% annual yield	50,000	-	486.16	498.63
Total				50,000	--	--	--	50,000	-	486.16	498.63
Capital resource				Self-owned temporary idle funds							
Principal uncollected for overdue and accumulated earnings				0							
Lawsuit involved (if applicable)				Not applicable							
Disclosure date for approval from the Board for trust financing (if applicable)				2015-3-26							
Disclosure date for approval from shareholders meeting for trust financing (if applicable)				2015-4-18							

**(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	Purchased in the Period	Sold in the Period	Accrual depreciation reserves (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	56,813.32	2016-4-15	2017-4-12	0	56,813.32	0	-	56,813.32	16.51%	0
Total				56,813.32	--	--	0	56,813.32	0	-	56,813.32	16.51%	0
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)				2016-3-19									
Disclosure date for approval from shareholders meeting for investment of derivatives (if applicable)				2016-4-7									
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.)				Risk analysis: 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									

	<p>forward foreign exchange contracts, and make dynamic management to the business, to ensure reasonable profit level.</p> <p>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.</p> <p>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. Therefore, the banks for foreign exchange funds trading for the Company including five nationalized banks (Bank of China, Agricultural Bank of China, ICBC, CCB and BOCOM), joint-equity Chinese-funded banks as CEB, China CITIC Bank and the foreign banks such as Deutsche Bank, UOB and Overseas Chinese Bank. These banks share a solid strength and management whose failure and the risk of loss may bring to the Company is very low.</p> <p>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.</p> <p>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 in aspect of relevant contracts, and choose bank with a good reputation to carry out this kind of business as to risk control.</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 have actual losses of RMB 0.</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>Upon inspection, the independent directors of the Company believes that: during the reporting period, the Company carried out its foreign exchange forward deals in strict compliance with the standardized operation guidelines for listed issuer on main board (2015 amended) issued by Shenzhen Stock Exchange, the Articles of Association, Authorization Management of the Company, Management</p>

	<p>System in relating to Foreign Exchange Forward Deals of Hefei Meiling Co., Ltd., and these deals were conducted within the authorization scope under general shareholders meeting and board meeting. Base on normal business operation, the Company rely on specific operation business and purpose of avoiding and preventing from exchange risks, the foreign exchange forward deals conducted by the Company were closely related to its normal operation needs, which was beneficial to prevent the exchange risks exposed by import and export business and thus met its requirement for operation development. There was no speculative operation, no break of relevant rules and regulations and relevant business was conducted under corresponding decision-making procedures. Interests of the Company and entire shareholders, especially minority shareholders, were not prejudiced.</p>
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**(3) Trust loans**

Applicable  Not applicable

No trust loans in Period.

**3. Actual usage of raised capitals**

Applicable  Not applicable

**(1) General usage of raised capital**

Applicable  Not applicable

In 10 thousand Yuan

Total raised capitals	117,795.4320
Total raised capital invested in reporting period	790.2657
Total accumulative raised capital invested	91,342.6169
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 accumulative raised fund for changes its usage area	0.00%
Explanation on general usage of raised capital	
All projects invested with raised funds of non-public offering by the Company in 2010 have been completed and reached the production index. Up to 30 June 2016, the Company has achieved net amount of raised funds of 1,177,954,320 Yuan, total capital interests of 44,731,662 Yuan, a total of 1,222,685,982 Yuan. Accumulative invest capital for investment projects is 913,426,169 Yuan, the actual supplement working capital is 293,922,619 Yuan. Up to 30 June 2016, account balance of raise funds is 15,337,194 Yuan (of which the amount the Company has not withdrawn for permanently supplementing the working funds is 312,225 Yuan, and the total amount to pay the contract and retention money is 15,024,969 Yuan)	

**(2) Commitments of raised capital**

Applicable  Not applicable

**(3) Changes of raise capital projects**

Applicable  Not applicable

No change of raise capital projects in Period.



**(4) Project with fund raised**

Applicable  Not applicable

**4. Main subsidiary and joint-stock company analysis**

Applicable  Not applicable

Main subsidiary and joint-stock company

In RMB

Name	Type	Industry	Main business	Registered capital	Total assets	Net assets	Operation revenue	Operation profit	Net profit
Zhongke Meiling Cryogenic Technology Co., Ltd.	Subsidiary	Manufacturing	R&D, manufacturing and sales of ultra-low temperature freezer	65,000,000	144,020,747.44	102,146,088.06	38,908,381.02	2,590,358.20	2,151,566.44
Jiangxi Meiling Electric Co., Ltd.	Subsidiary	Manufacturing	Refrigerator and freezer manufacturing	50,000,000	192,891,751.72	85,205,138.81	166,931,538.84	-1,552,640.70	98,571.01
Mianyang Meiling Refrigeration Co., Ltd.	Subsidiary	Manufacturing	Refrigerator and freezer manufacturing	100,000,000	170,012,273.73	98,721,836.08	126,779,175.44	1,753,417.27	1,726,218.56
Sichuan Changhong Air-conditioner Co., Ltd.	Subsidiary	Manufacturing	R&D, manufacturing and domestic sales of air-conditioner	200,000,000	2,336,361,095.54	519,805,429.62	1,815,174,534.85	-2,222,944.56	1,096,994.99
Zhongshan Changhong Electric Co., LTD	Subsidiary	Manufacturing	R&D, manufacturing and foreign sales of air-conditioner	184,000,000	1,085,826,257.86	239,066,698.54	954,779,516.35	10,528,603.15	6,701,314.33
Hefei Meiling Electronic Appliance Marketing Co., Ltd.	Subsidiary	Manufacturing	Sales of white household appliances	55,000,000	553,001,367.61	-305,546,344.27	1,402,136,821.47	-15,778,420.02	-14,982,021.11
Hefei Meiling Group Holdings Limited	Subsidiary	Manufacturing	Sales of white household appliances ect.	80,000,000	666,649,115.82	82,484,021.50	599,518,905.56	4,208,341.33	4,419,186.24
Changmei Technology Co., Ltd.	Subsidiary	Information transmission, computer services and software industry	Fresh agriculture products e-business	50,000,000	20,161,239.33	18,851,094.68	2,064,573.25	-561,395.84	-560,905.32
Guangdong Ridian Technology Co., Ltd.	Subsidiary	Manufacturing	R&D, manufacturing and sales of kitchen & bath, small appliances and water filter	83,000,000	188,877,092.05	94,887,938.05	222,027,059.04	2,837,529.89	3,034,542.05

## 5. Major project with non raised fund

Applicable  Not applicable

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

## VI. Prediction of business performance from January – September 2016

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

## VII. Explanation on “Qualified Opinion” from CPA by the Board and Supervisory Committee

Applicable  Not applicable

## VIII. Explanation from the Board for “Qualified Opinion” of last year’s

Applicable  Not applicable

## IX. Implementation of profit distribution in reporting period

Implementation or adjustment of profit distribution plan in reporting period, cash dividend plan and shares converted from capital reserve in particular

Applicable  Not applicable

On 23 March 2016 and 4 May 2016, the “Profit Distribution Plan for year of 2015” was deliberated and approved by 19<sup>th</sup> session of 8<sup>th</sup> BOD, 10<sup>th</sup> session of 8<sup>th</sup> supervisory committee and AGM of 2015. Independent directors also express independent acceptance opinion for the proposal. The Company agreed to 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 2015, took shareholders equity and long-term development requirement of the Company into consideration overall. Cash dividend of 45,824,352.30 Yuan (tax included, cash dividend representing 70.62% of the distributable profit for that year) was distributed in total. Total share capital of the Company remain unchanged after distribution, the remaining retained profit

740,677,358.60 Yuan accumulated will carry forward for distribution in later years.

The Company disclosed the profit distribution plan for year of 2015 on 9 May 2016 and implemented the above said plans.

Found more details in Notice: No.2016-027, No.2016-028, No.2016-046 and No.2016-048 published respectively dated 25 March 2016, 5 May 2016 and 9 May 2016 on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

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

#### **X. Profit distribution plan and capitalizing of common reserve plan for the Period**

Applicable  Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the semi-annual year.

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

Applicable  Not applicable

Date	Place	Way	Type	objects	Main information discussed and material provided
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2016-1-7	Conference room	Field research	Institute	CITIC Securities Co., Ltd.	Operation of the Company, no materials provided
2016-1-15	Conference room	Field research	Institute	SWS Research, ABC-CA FUND MANAGEMENT, Orient Securities Asset Management Co., Ltd., Nuode Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., CITIC Securities Co., Ltd. and HUAAN Securities	Operation of the Company, no materials provided
2016-1-22	Conference room	Field research	Institute	Zheshang Securities Co., Ltd., Chang Xin Asset Management Co., Ltd. and BOCOM Schroders	Operation of the Company, no materials provided
2016-1-26	Conference room	Field research	Institute	Haitong Securities Co., Ltd. and Hwabao Investment Co., Ltd.	Operation of the Company, no materials provided
2016-5-11	Conference room	Field research	Institute	Changjiang Securities Co., Ltd., Huatai Securities Co., Ltd., QILU ASSET MANAGEMENT, Nuode Fund Management Co., Ltd., Zhongtai Securities Co., Ltd., YIMIN Asset Management Co., Ltd., First Seafont Fund Management Co., Ltd. and Harfor Fund Management Co., Ltd.	Operation of the Company, no materials provided
2016-5-24	Conference room	Field research	Institute	Everbright Securities Asset Management Co., Ltd. and Minfeng Capital Investment Management Co., Ltd.	Operation of the Company, no materials provided
2016-6-16	Conference room	Field research	Institute	Guotai Junan Securities Co., Ltd.	Operation of the Company, no materials provided
2016-6-27	Conference room	Field research	Institute	Guangzhou Securities Hengsheng Securities Research	Operation of the Company, no materials provided

## Section V. Important Events

### I. Corporate governance

Actual corporate governance of the Company shows no difference with the Company Law and requirement of relevant regulations from CSRC.

### II. Lawsuits

#### 1. Material lawsuits and arbitration

Applicable  Not applicable

No material lawsuits and arbitration in the reporting

#### 2. Other lawsuits

Applicable  Not applicable

To maintain the independence and integrity of "Meiling" trademark and trade name, the company has launched a series of litigation and arbitration related to "Meiling" trademark, please see 2014 first quarter report, 2014 semi-annual report, the 2014 annual report disclosed respectively on April 19, 2014, August 12, 2014, and March 26, 2014 for the relevant progress. Up to now, Hefei Meiling Household Appliances Co., Ltd., Hefei Meiling Environmental Protection Equipment Technology Co., Ltd., Hefei Meiling Purifying Equipment Technology Co., Ltd., Hefei Meiling Electrical Appliances Co., Ltd., Hefei Meiling Cabinet Electrical Appliance Co., Ltd., Hefei Meiling Vehicle Industry Co., Ltd., Hefei Meiling Communication Technology Co., Ltd. have had no right to use "Meiling" trademark. Meanwhile, the company has struck the above mentioned companies' illegal use of "Meiling" trademark by industry and commerce complaints, civil litigation, and crime reports to the public security.

### III. Questions by media

Applicable  Not applicable

No questions by media in Period.

**IV. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization in Period.

**V. Assets transaction****1. Acquisition of assets**

Applicable Not applicable

Counterparty/ ultimate controlling party	Acquired /replaced assets	Transacti on price (in 10 thousand Yuan)	Progress	Impact on the business of the Company	Impact on profit and loss of the Company	Ratio of net profit attributable to listed company from such assets in total net profit	Whethe r be the related transact ions	Association relationship with counterparty(appl y to related transaction)	Date of disclosure	Index of disclosure
Sichuan Changhong Electric Co., LTD, Sichuan Changhong Innovation Investment Co., Ltd.	98.856% equity of Guangdon g Changhon g Ridian Technolog y Co., Ltd.	9,565	Equity ownershi p has transferr ed, the Compan y has 98.856% equity of Changho ng Ridian	It benefits the further integration and optimizing household appliances resources, which is up to the mustard of strategy development of the Company. Improve household appliance production lines through industry integration of “white household appliances + small appliances”, benefit a lot in playing the synergistic effect in the industry, enhancing the comprehensive competitive capacity in the household appliances field	Net profit of RMB 2.9998 million contributed to the listed company in the Period	2.73%	Yes	Sichuan Changhong is the controlling shareholder of the Company, Changhong Venture Capital is the controlling subsidiary of Sichuan Changhong, which is regarded as the affiliated legal person regulated in Rules Governing the Listing of Stock on Shenzhen Stock Exchange clause 10.1.3 (I), (II) and (III)	2015-12-19, 2015-12-24, 2016-1-5, 2016-2-4	Juchao Website (www.cnin fo.com.cn) No.: 2015-061, No.: 2015-062, No.: 2015-066, No.: 2015-067, No.: 2016-001



**2. Assets sold**

Applicable  Not applicable

No assets sold in Period.

**3. 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****1. Related transaction with daily operation concerned**

Applicable Not applicable

(1) Related transaction with routine operation concerned

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 (%)	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limited or not (Y/N)	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	7,972.57	7,972.57	1.62%	100,000	No	Spot exchange, Bank acceptance	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
2	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Compressor, door seal	Marketing price	23,598.52	23,598.52	4.80%	70,000	No	Spot exchange, Bank acceptance	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
3	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Plastic products etc.	Marketing price	24,724.79	24,724.79	5.03%	100,000	No	Bank acceptance	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

4	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Door shell, baseboard etc.	Marketing price	11,425.50	11,425.50	2.33%	100,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
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	2,819.62	2,819.62	0.57%	100,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
6	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Black and white material	Marketing price	179.34	179.34	0.04%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
7	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder	Commodity purchased	Printed board components etc.	Marketing price	471.03	471.03	0.10%	100,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

		and ultimate controller												
8	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Power supply, battery	Marketing price	16.18	16.18	0.00%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
9	081 Electronic Group Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Transformer etc.	Marketing price	165.29	165.29	0.03%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
10	Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Power cord	Marketing price	583.74	583.74	0.12%	100,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
11	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same	Commodity purchased	Foam pieces etc.	Marketing price	561.62	561.62	0.11%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-

		controlling shareholder and ultimate controller												030,2016-046
12	Sichuan Hongyu Metal Manufacture Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Radiator	Marketing price	6.97	6.97	0.00%	100,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
13	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Hand piece etc.	Marketing price	46.93	46.93	0.01%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
14	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Printed board, remote control and transformer	Marketing price	2,578.26	2,578.26	0.52%	100,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
15	Sichuan Changhong	Other enterprise	Commodity purchased	Sheet metal parts, plastic	Marketing price	2,874.03	2,874.03	0.59%	15,000	No	Spot exchange,	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)

	Xinrui Technology Co., Ltd	control under the same controlling shareholder and ultimate controller		parts etc.							Bank acceptance			o.com.cn)No.:2016-027,2016-028,2015-030,2016-046
16	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	DC power supply etc.	Marketing price	4.92	4.92	0.00%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
17	Sichuan Changhong Lighting Technology Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Light lamp, lamp tube etc.	Marketing price	0.57	0.57	0.00%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
18	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Advertising materials, plant etc.	Marketing price	2.91	2.91	0.00%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

19	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Electronic products	Marketing price	1.32	1.32	0.00%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
20	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Auxiliary parts	Marketing price	3.68	3.68	0.00%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
21	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Receiving labor services	Information system services, marketing fee, repair fee	Marketing price	1,224.79	1,224.79	1.45%	5,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
22	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Transportation, storage, loading and unloading	Marketing price	17,928.41	17,928.41	21.23%	65,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

23	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	5,473.56	5,473.56	6.48%	20,000	No	Spot exchange, Bank acceptance	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
24	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Software usage fee	Marketing price	3.77	3.77	0.00%	5,000	No	Spot exchange	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
25	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Security service charge	Marketing price	29.81	29.81	0.04%	5,000	No	Spot exchange	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
26	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder	Receiving labor services	Maintenance fee, business activity fee	Marketing price	14.82	14.82	0.02%	15,000	No	Spot exchange	-	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046



		and ultimate controller												
27	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Business activity fee	Marketing price	8.19	8.19	0.01%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
28	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Receiving labor services	Sales commission	Marketing price	9.75	9.75	0.01%	5,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
29	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Receiving labor services	Staff physical examination	Marketing price	0.92	0.92	0.00%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
30	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Accepting fuel and power	Water, electricity and gas fee	Marketing price	604.55	604.55	0.12%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
31	Huayi Compressor	Other enterprise	Accepting fuel and	Compressed air fees	Marketing price	26.21	26.21	0.01%	100	No	Spot exchange	-	2016-3-25	Juchao Website(www.cninfo.com.cn)

	Co., Ltd.	control under the same controlling shareholder and ultimate controller	power										2016-5-5	o.com.cn)No.:2016-027,2016-028,2015-030,2016-046
32	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accepting fuel and power	Water and electricity fee and Compressed air fees	Marketing price	57.10	57.10	0.01%	100,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
33	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accepting fuel and power	Water and electricity fee	Marketing price	0.71	0.71	0.00%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
34	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Accepting fuel and power	Water and electricity fee	Marketing price	1.02	1.02	0.00%	15,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
35	Sichuan Changhong Electric Co.,	Controlling shareholder and ultimate	Sales of goods	Air conditioning, small household	Marketing price	53,934.25	53,934.25	7.85%	350,000	No	Spot exchange, Bank	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-

	LTD	controller		electrical appliances							acceptance			027,2016-028,2015-030,2016-046
36	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	148.47	148.47	0.02%	10,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
37	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Color board, power line	Marketing price	2,269.56	2,269.56	0.33%	350,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
38	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Plastic particles, components and air conditioning etc.	Marketing price	8,989.13	8,989.13	1.31%	350,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
39	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Sales of goods	Refrigerator, washing machine	Marketing price	176.06	176.06	0.03%	350,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

		controller												
40	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator (cabinet), air conditioner	Marketing price	36,112.72	36,112.72	5.26%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
41	CHANGHONGELECTRIC(AUSTRALIA)	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator	Marketing price	10.66	10.66	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
42	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Capacitance, resistance etc.	Marketing price	75.89	75.89	0.01%	10,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
43	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same	Sales of goods	Food	Marketing price	0.61	0.61	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-

		controlling shareholder and ultimate controller												030,2016-046
44	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	0.17	0.17	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
45	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	58.93	58.93	0.01%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
46	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner and Repair parts	Marketing price	285.23	285.23	0.04%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
47	Sichuan Changhong	Other enterprise	Sales of goods	Waste material	Marketing price	364.88	364.88	0.05%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)

	Gerun Renewable Resources Co., Ltd.	control under the same controlling shareholder and ultimate controller												o.com.cn)No.:2016-027,2016-028,2015-030,2016-046
48	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Packing box	Marketing price	104.71	104.71	0.02%	350,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
49	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	15.58	15.58	0.00%	10,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
50	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator (cabinet), air conditioning, small household electrical appliances	Marketing price	66,360.65	66,360.65	9.66%	350,000	No	Bank, business acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

51	Sichuan Changhong Property Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	3.70	3.70	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
52	Anhui Xinhao PDP Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Small household electrical appliances	Marketing price	5.13	5.13	0.00%	10,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
53	Sichuan Changhong Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	0.61	0.61	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
54	Chengdu Changhong Electronic Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder	Sales of goods	Air-conditioner	Marketing price	1.55	1.55	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

		and ultimate controller												
55	Sichuan Changhong Wisdom Health Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	0.30	0.30	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
56	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	0.23	0.23	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
57	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Kitchen and toilet	Marketing price	0.14	0.14	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
58	Sichuan Huanyu Industrial Co. Ltd.	Other enterprise control under the same	Sales of goods	Food	Marketing price	0.42	0.42	0.00%	10,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-



		controlling shareholder and ultimate controller												030,2016-046
59	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	29.28	29.28	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
60	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	2.02	2.02	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
61	Guangdong Changhong Diveces Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	13.66	13.66	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
62	Sichuan Changhong	Other enterprise	Providing fuel and	Water and electricity fee	Marketing price	6.53	6.53	0.00%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)

	Jijia Fine Co., Ltd.	control under the same controlling shareholder and ultimate controller	power												o.com.cn)No.:2016-027,2016-028,2015-030,2016-046
63	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	301.01	301.01	0.04%	350,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046	
64	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Warehouse lease, workshop	Marketing price	30.84	30.84	0.40%	3,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046	
65	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Forklift, warehouse lease	Marketing price	1.26	1.26	0.02%	10,000	No	Spot exchange, Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046	

66	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Freight elevator rental	Marketing price	6.37	6.37	0.08%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
67	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Warehouse lease, forklift, two living quarters lease	Marketing price	1.84	1.84	0.02%	3,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
68	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Part of office building for rent	Marketing price	40.23	40.23	0.52%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
69	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder	Rent to the related party	Warehouse lease, workshop,Part of office building for rent	Marketing price	63.55	63.55	0.83%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046

		and ultimate controller												
70	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Workshop	Marketing price	41.86	41.86	0.54%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
71	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Rent from the related party	Workshop, office lease	Marketing price	260.68	260.68	3.37%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
72	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Rent from the related party	Shops, staff quarters	Marketing price	5.40	5.40	0.07%	15,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
73	Beijing Changhong Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent from the related party	Office rental	Marketing price	8.91	8.91	0.12%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
74	Guangdong Changhong	Other enterprise	Rent from the related	Staff dormitory	Marketing price	27.95	27.95	0.36%	3,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)

	Electronics Co., Ltd.	control under the same controlling shareholder and ultimate controller	party											o.com.cn)No.:2016-027,2016-028,2015-030,2016-046
75	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Purchase of fixed assets	Video conference system and related equipment	Marketing price	21.62	21.62	0.32%	5,000	No	Bank acceptance	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
76	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets, intangible assets	Software development and information system	Marketing price	33.80	33.80	0.76%	5,000	No	Bank acceptance、Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
77	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets	Laboratory apparatus and other equipment	Marketing price	111.03	111.03	1.63%	5,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-027,2016-028,2015-030,2016-046
78	Sichuan Changhong Gerun	Other enterprise control under	Sales of fixed assets	Disposal of waste assets	Marketing price	3.11	3.11	0.64%	5,000	No	Spot exchange	-	2016-3-25,2016-5-5	Juchao Website(www.cninfo.com.cn)No.:2016-

	Renewable Resources Co., Ltd.	the same controlling shareholder and ultimate controller											027,2016-028,2015-030,2016-046
Total			--	-	<b>273,351.93</b>	-	-	-	--	--	--	--	
Detail of sales return with major amount involved			-										
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)			1. It is estimated that the related transaction amount resulted by purchasing goods (including door shell and plastic products etc.) and accepting fuel and power from Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 1000 million at most (tax-excluded), actually RMB 520.5869 million occurred in reporting period (tax-excluded).										
			2. 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 2016 was RMB 700 million at most (tax-excluded), actually RMB 235.9852 million occurred in reporting period (tax-excluded).										
			3. 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 2016 was RMB 50 million at most (tax-excluded), actually RMB 1.6956 million occurred in reporting period (tax-excluded).										
			4. 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 2016 was RMB 3500 million at most (tax-excluded), actually RMB 1690.2659 million occurred in reporting period (tax-excluded).										
			5. It is estimated that the related transaction amount resulted by receiving energy, power and service etc. from Huayi Compressor and its subsidiary by the Company for year of 2016 was RMB 1 million at most (tax-excluded), actually RMB 262,100 occurred in reporting period (tax-excluded).										
			6. It is estimated that the related transaction amount resulted by leasing business from Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 30 million at most (tax-excluded), actually RMB 4.8223 million occurred in reporting period (tax-excluded).										
			7. It is estimated that the related transaction amount from domestic finished goods logistic business outsourcing and purchase of compressors to Sichuan Changhong Minsheng Logistic Co., Ltd. by the Company for year of 2016 was RMB 650 million at most (tax-excluded), actually RMB 179.2841 million occurred in reporting period (tax-excluded).										
			8. 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 2016 was RMB 200 million at most (tax-excluded), actually RMB 54.7356 million occurred in reporting period (tax-excluded).										
			9. It is estimated that the related transaction amount resulted by accepting other service and labor service etc. or providing other service and labor										

	<p>service etc. to Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 50 million at most (tax-excluded), actually RMB 12.6812 million occurred in reporting period (tax-excluded).</p>
	<p>10. It is estimated that the related transaction amount resulted by selling goods and renting from Sichuan Changhong Electronics Group and its subsidiary by the Company for year of 2016 was RMB 100 million at most (tax-excluded), actually RMB 2.4675 million occurred in reporting period.</p>
	<p>11. It is estimated that the related transaction amount resulted by purchasing goods and receiving labor services, fuel power, leasing and purchasing equipment etc. from Sichuan Changhong Electronics Group and its subsidiary by the Company for year of 2016 was RMB 150 million at most (tax-excluded), actually RMB 30.7329 million occurred in reporting period.</p>
<p>Reasons for major differences between trading price and market reference price</p>	<p>Not applicable</p>

## (2) Related transactions with Finance Company

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

In order to expand the financing channels and reduce financing costs and financial costs, combining the good cooperation over the past three years, the company held the eighteenth meeting of the eighth board of directors on March 18, 2016 and the first extraordinary general meeting of 2016 on April 6, 2016 which deliberated and agreed the company and Sichuan Changhong Group Finance Co., Ltd. (hereinafter referred to as "Changhong Finance Company") to carry on financial services cooperation and sign a triennial "financial service agreement". Under the agreement, Changhong Finance Company would provide a series of financial services within the business scope in accordance with the requirements of the Company and its subsidiaries, including but not limited to deposit services, settlement services, loan services, bills discounting services, guarantees and other services approved by China Banking Regulatory Commission that a finance company can engage in.

According to the provisions of "Information Disclosure Memorandum No. 2 – transactions and related transactions" of Shenzhen Stock Exchange, the company carries out the loans and deposits and other related services according to the "Financial Services Agreement" signed with Changhong Finance Company, and continues to complete the risk management of loans and deposits services with Changhong Finance Company, regularly makes special risk assessments and issues risk assessment reports, and implements the obligation of information disclosure in accordance with relevant regulations. On March 19, April 7, & July 29, 2016, the company has disclosed the detailed information on the appointed information disclosure media, including "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and [www.cninfo.com.cn](http://www.cninfo.com.cn) in the form of announcement (No. 2016-020, No. 2016-021, No. 2016-022, No. 2016-037), "Risk continuous assessment report about Sichuan Changhong Group Finance Co., Ltd.", and on the company's 2015 annual report, the first quarter report of 2016, and the semi-annual report of 2016.

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

Up to 30 June 2016, the Company has opened financial business as savings, note drawing and notes discounted with Changhong Finance Company. The Company and its subordinate company owns 1,961,248,737.41 Yuan savings in Changhong Finance Company, takes 28.88% of the deposit taking balance in Changhong Finance Company without 30% occupied, balance of notes drawing was 947,327,855.67 Yuan and balance of notes discounted as 357,329,539.67 Yuan. Changhong



Finance Company offering the ceiling credit (including loans and guarantee ect.) of 2,030 million Yuan to the Company and subordinate subsidiaries, the Company and its subsidiaries has 0 Yuan loans in Changhong Finance Company. More details are:

In RMB

Name	Balance at year-begin	Increase in the year	Decrease in the year	Balance at year-end	Interest and commission charge received or paid
<b>I. Savings in Changhong Group Finance Company</b>	1,260,081,706.55	8,817,756,809.74	8,116,589,778.88	1,961,248,737.41	9,011,493.56
<b>II. Borrowings from Changhong Group Finance Company</b>	-	-	-	-	-
1.Short-term loans	-	-	-	-	-
2.Long-term loans	-	-	-	-	-
<b>III. Other financial business</b>	-	-	-	-	-
1.notes drawing	733,001,248.18	1,005,335,926.96	791,009,319.47	947,327,855.67	-
2.notes discounted	236,410,328.55	543,065,633.55	422,146,422.43	357,329,539.67	6,620,397.78

Note: The Company purchases Guangdong Changhong Ridian Technology Co., Ltd. (“Changhong Ridian”) in early of 2016, the above table including the financial business of savings and notes arising from related transactions between Changhong Ridian and Changhong Finance Company

## 2. Related transactions by assets acquisition and sold

Applicable    Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Book value of transferred assets (in 10 thousand Yuan)	Assessed valuation value of transferred assets (in 10 thousand Yuan) (if applicable)	Market fair value (in 10 thousand Yuan) (if applicable)	Transfer price (in 10 thousand Yuan)	Clearing form for related transaction	Transaction gains and losses (in 10 thousand Yuan)	Date of disclosure	Index of disclosure
Sichuan Changhong Electric Co., LTD, Sichuan Changhong Innovation Investment Co., Ltd.	The controlling shareholder of the company and its subordinate subsidiary	Equity purchase	98.856% equity of Guangdong Changhong Ridian Technology Co., Ltd.	Marketization principle	9,088.65	9,674.61	9,565	9,565	Spot	Not applicable	2015-12-19, 2015-12-24, 2016-1-5, 2016-2-4	Juchao Website (www.cninfo.com.cn) No.: 2015-061, No.: 2015-062, No.: 2015-066, No.: 2015-067, No.: 2016-001
Reasons for major differences between transfer price and book value or assessed valuation value (if applicable)				Not applicable								
The impact on the Company's operating results and financial situation				<p>In line with the strategy development plan, and in purpose of improving the household appliances industry line and product line of the Company, and fully playing the cooperativity of the business, enhancing comprehensive competitive-ness, the Company takes small appliances as one of the important development direction in the industry.</p> <p>The Company acquiring relevant equity of Changhong Ridian which is hold by Sichuan Changhong through bidding, after trading, it benefits the further integration and optimizing household appliances resources, which is up to the mustard of strategy development of the Company. After integration, the Company enter the small appliance industry, improve household appliance production lines through industry integration of “white household appliances + small appliances”, benefit a lot in playing the synergistic effect in the industry, enhancing the comprehensive competitive capacity in the household appliances field</p>								

**3. Material related transaction of jointly foreign investment**

Applicable  Not applicable

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

**4. 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

(1) Claim receivable from related party:

Serial	Related party	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
1	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Operational contact of related credit	No	258.76	53,934.25	52,829.39	-	-	1,363.63
2	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related credit	No	220.92	169.52	-	-	-	390.43
3	CHANGHONG(HK) TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	13,321.47	36,112.72	26,176.11	-	-	23,258.07
4	PT.CHANGHONGELECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	21.24	-	21.24	-	-	-
5	CHANGHONGELECTRIC(AUSTRALIA)	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	11.15	0.00	-	-	11.14
6	Chengdu Changhong Electronic Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	183.52	1.55	36.94	-	-	148.14
7	Sichuan Changhong	Other enterprise control	Operational	No	8.03	124.50	106.00	-	-	26.53

	Minsheng Logistic Co., Ltd.	under the same controlling shareholder and ultimate controller	contact of related credit							
8	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	1.82	-	-	-	1.82
9	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	149.21	104.71	199.67	-	-	54.25
10	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	26.38	931.40	0.00	-	-	957.78
11	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.23	0.23	-	-	-
12	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	20.00	285.23	285.23	-	-	20.00
13	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.14	55.69	55.63	-	-	0.20
14	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Operational contact of related credit	No	0.36	367.99	367.99	-	-	0.36

		controller								
15	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	285.98	-	61.88	-	-	224.09
16	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.55	2,277.93	2,278.48	-	-	-
17	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	20.75	9,320.99	9,286.99	-	-	54.74
18	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	77.15	77.15	-	-	-
19	Yibing Hongxing Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	105.80	-	-	-	-	105.80
20	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	32.58	176.06	143.39	-	-	65.25
21	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	69.65	69.65	-	-	-
22	Sichuan Changhong	Other enterprise control	Operational	No	0.08	-	0.08	-	-	-

	Package Printing Co., Ltd.	under the same controlling shareholder and ultimate controller	contact of related credit							
23	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.90	0.61	1.51	-	-	-
24	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	26,096.46	66,360.65	81,374.57	-	-	11,082.55
25	Sichuan Changhong Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	5.12	0.61	5.73	-	-	-
26	Sichuan Changhong Property Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	4.03	0.00	-	-	4.03
27	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	6.37	6.37	-	-	-
28	Anhui Xinhao PDP Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	64.50	5.13	6.63	-	-	63.00
29	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate	Operational contact of related credit	No	-	15.58	15.58	-	-	-

		controller								
30	Sichuan Changhong Wisdom Health Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.30	0.30	-	-	-
31	Sichuan Huanyu Industrial Co. Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.42	0.42	-	-	-
-	-	-	-	-	40,822.75	170,416.21	173,407.14	-	-	37,831.82

(2) Debts payable to related party:

Serial	Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
1	Sichuan Changhong Electric Co., LTD	Controlling shareholder and ultimate controller	Operational contact of related debt	3,639.39	9,727.24	11,792.77	-	-	1,573.86
2	Sichuan Changhong Electronics Group Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related debt	0.41	7.35	7.76	-	-	-
3	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	87.66	189.09	217.82	-	-	58.93
4	CHANGHONGELECTRICMIDDLEEASTFZE	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.16	0.01	0.00	-	-	0.17
5	Guangdong Changhong Electronics	Other enterprise control	Operational contact	272.53	676.48	667.06	-	-	281.96



	Co., Ltd.	under the same controlling shareholder and ultimate controller	of related debt						
6	Guangdong Changhong Ridian Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	151.60	-	151.60	-	-	-
7	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	14,024.94	23,624.73	37,496.77	-	-	152.90
8	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.09	2.00	-	-	-	2.09
9	081 Electronic Group Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	14.85	165.29	85.24	-	-	94.90
10	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	4.87	935.30	-	-	-	940.17
11	Mianyang Hongfa Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	3.80	397.90	-	-	-	401.69
12	Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Operational contact of related debt	43.88	583.74	176.38	-	-	451.24

		controller							
13	Sichuan CCO Display Device Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.46	-	7.46	-	-	-
14	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	135.65	-0.00	-	-	135.65
15	Sichuan Hongyu Metal Manufacture Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.66	37.22	-0.00	-	-	44.88
16	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,235.06	5,473.56	5,268.47	-	-	1,440.15
17	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	386.57	2,819.62	132.68	-	-	3,073.51
18	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1.77	3.68	5.45	-	-	-
19	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	285.70	2,578.26	766.28	-	-	2,097.68
20	Sichuan Changhong Gerun	Other enterprise control	Operational contact	36.01	3.56	-0.00	-	-	39.57

	Renewable Resources Co., Ltd.	under the same controlling shareholder and ultimate controller	of related debt						
21	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	8.19	8.19	-	-	-
22	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,854.53	11,425.50	4,112.56	-	-	9,167.48
23	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	47.44	524.49	-0.00	-	-	571.93
24	Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,437.86	17,928.41	15,832.34	-	-	3,533.93
25	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	4,798.18	24,724.79	15,944.24	-	-	13,578.73
26	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,809.92	2,874.03	2,180.09	-	-	2,503.85
27	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate	Operational contact of related debt	3.51	16.18	19.50	-	-	0.19

		controller							
28	Sichuan Changhong Lighting Technology Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	2.85	0.57	3.41	-	-	-
29	Beijing Changhong Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	8.91	8.91	-	-	-
30	Sichuan Changhong Electronic System Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.70	-	-	-	-	7.70
31	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	8.05	18.44	11.63	-	-	14.86
32	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	37.57	37.57	-	-	-
33	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	23.49	0.00	-	-	23.49
34	PT.CHANGHONGELECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.02	-	0.02	-	-	0
-	-	-	-	30,174.47	104,951.25	94,934.19	-	-	40,191.50

Note: Changhong Ridian was purchased by the Company in early 2016, the year-beginning balance listed in above table has been re-stated, including the Changhong Ridian.

For the above-mentioned statement, up to the Period-end, debts payable to related party from the Company and subordinate are amounting as 401.9150 million Yuan in total, the claim receivable from related party for the Company and subordinate amounting as 378.3182 million Yuan.

## 5. Other related transactions

Applicable    Not applicable

Being pass a resolution on 17th session of the 8th BOD and first extraordinary general meeting of 2016 held on 6 March 2016 and 6 April, the Company agreed to adjusted the offering price and pricing principle, offering numbers and validity of the offering resolution for this non-public offering.

In view of the adjustment of offering price, pricing principle and offering numbers for this non-public offering, the proposal of re-signing the “subscription agreement of privately placement with entry-into-force conditions” between the Company and Sichuan Changhong Electric Co., Ltd. was deliberated and approved by the 17th session of 8th BOD and first extraordinary general meeting of 2016. On 6 March 2016, the Company re-signing the “subscription agreement of privately placement with entry-into-force conditions” with Sichuan Changhong, which has the same content with former Agreement, except the clause of “Pricing Principle and Subscription Price”, and “Execution of Agreement”.

Disclosure information for related transaction temporary disclosed

Temporary notice	Dated disclosed	Website for disclosure
2016-014: Resolution notice of 17 <sup>th</sup> meeting of 8 <sup>th</sup> session of the Board 2016-017: Notice of re-signing the “subscription agreement of privately placement with entry-into-force conditions” in relation to related transactions 2016-037: Resolution Notice of First extraordinary general meeting of 2016	2016-3-7,2016-4-7	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## VIII. Non-business capital occupying by controlling shareholders and its related parties

Applicable    Not applicable

No non-business capital occupied by controlling shareholders and its related parties in Period.

## IX. Significant contract and implementations

## 1. Entrust, contract and leasing

### (1) Entrust

Applicable  Not applicable

No entrust in Period.

### (2) Contract

Applicable  Not applicable

No contract in Period.

### (3) Leasing

Applicable  Not applicable

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.

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. Guarantee

Applicable  Not applicable

### 1. Guarantee

During the reporting period, the guarantees that the company provides for its wholly-owned and holding subsidiaries are for the loans generated by supporting their production and operation, the guaranty type is assurance; the guarantees that the company and subsidiaries provide for the distributors are to provide joint liability guarantees for the high quality distributors conforming to certain conditions within the line of credit of designated banks, the E-bank acceptance bills opened

under this line of credit are all used for the distributors to pay the purchase payment for goods to the Company and subsidiaries, aiming to promote the company's channel business development, strengthen the good cooperative relationship between the company and the downstream distributors, and effectively stimulate the company and its subsidiaries' sales growth.

Up to June 30, 2016, the company has granted credit to the guarantees of some wholly-owned and holding subsidiaries, in addition to the wholly-owned subsidiary Zhongshan Changhong, other subsidiaries have no actual guarantee; meanwhile, the company and its subsidiaries have granted credit to the guarantees of some high quality distributors, the balance of guarantees is within the line of credit. The external guarantees of the Company and subsidiaries are as follows:



In 10 thousand Yuan

Particulars about the external guarantee of the Company and subsidiaries (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
Dealer of Hefei Meiling Co., Ltd.	Notice No.: 2015-038, No.: 2015-040 and No.: 2015-064 on 29 August 2015 and 23 December 2015	20,000	2016-3-11	551.98	Joint liability guaranty	1 year	No	No
Dealer of Sichuan Changhong Air-conditioner Co., Ltd.	Notice No.: 2015-038, No.: 2015-040 and No.: 2015-064 on 29 August 2015 and 23 December 2015	20,000	2016-1-15	30	Joint liability guaranty	1 year	No	No
Total approving external guarantee in report period (A1)		40,000	Total actual occurred external guarantee in report period (A2)			581.98		
Total approved external guarantee at the end of report period (A3)		40,000	Total actual balance of external guarantee at the end of report period (A4)			581.98		
Guarantee between the Company and 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
Zhongshan Changhong Electric Co., LTD	Notice No.: 2015-003, No.: 2015-007 and No.: 2015-015 on 26 March 2015 and 28 April 2015 and Notice No.: 2016-027, No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	56,500	2015-5-27	5,000(Note 1)	Joint liability guaranty	1 year	No	No
			2015-3-30	8,000	Joint liability guaranty	1 year	Yes	No
			2015-12-29	15,000	Joint liability guaranty	1 year	No	No

			2015-12-30	17,000(Note 2)	Joint liability guaranty	1 year	No	No
Zhongke Meiling Cryogenic Technology Co., Ltd.	Notice No.: 2016-027, No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	2,000	-	0	Joint liability guaranty	-	-	-
Guangdong Changhong Ridian Technology Co., Ltd.	Notice No.: 2016-027, No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	8,500	-	0	Joint liability guaranty	-	-	-
Total amount of approving guarantee for subsidiaries in report period (B1)		67,000	Total amount of actual occurred guarantee for subsidiaries in report period (B2)			45,000		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		67,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)			37,000		
Guarantee of the subsidiaries 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
N/A	-	-	-	-	-	-	-	-
Total amount of approving guarantee for subsidiaries in report period (C1)		-	Total amount of actual occurred guarantee for subsidiaries in report period (C2)			-		
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		-	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)			-		
Total amount of guarantee of the Company( total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		107,000	Total amount of actual occurred guarantee in report period (A2+B2+C2)			45,581.98		
Total amount of approved guarantee at the end of report period (A3+B3+C3)		107,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)			37,581.98		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is			10.92%					

A4+ B4+C4)(%)	
Including:	
Amount of guarantee for shareholders, actual controller and its related parties(D)	0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)	45,000
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)	0
Total amount of the aforesaid three guarantees(D+E+F)	45,000
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	-
Explanations on external guarantee against regulated procedures (if applicable)	-

Note 1: The guarantee business of Zhongshan Changhong signed the agreement on 27 May 2015, the implementation time is : 29 September 2015 to 29 September 2016.

Note 2: The guarantee business of Zhongshan Changhong signed the agreement on 30 December 2015, the implementation time is : 1 January 2016 to 31 December 2016.

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 670,000,000 Yuan by the approval, the actual amount of guarantee is 450,000,000 Yuan. The highest level of security the Company and subsidiaries provided outside amounted to 400,000,000 Yuan by the approval, the actual amount of guarantee is 5,819,800 Yuan. At the end of the reporting period, the practical guarantee balance amounted to 375,819,800 Yuan, accounting for the Company's latest net assets ratio of 10.92%.

Explanation on guarantee with composite way

Applicable  Not applicable

**2. Guarantee outside against the regulation**

Applicable  Not applicable

No guarantee outside against the regulation in Period.

**3. 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.

**X. 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.	1. The acquirer shall not engage in refrigerator business or activity which competes or will compete with business of Meiling Electrical Appliances Co., Ltd. (hereinafter referred to as the "Meiling Electrical Appliances"), or that which has interest conflict with Meiling Electrical Appliances.	2007-6-12	Valid for long term	Strictly implemented
			2. The acquirer 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.		Valid for long term	Strictly implemented
			3. For any opportunity to engage in competing business, the acquirer will advise Meiling Electrical Appliances in written for engaging such business or not. If Meiling Electrical Appliances gives no clear written reply as to whether engaging the competing business or not within 20 days after receipt of the aforesaid letter, it shall be deemed that it will not engage in such business. The acquirer will only engage in non-competing business provided that Meiling Electrical Appliances confirms not to or is deemed to not engage in such non-competing business.		Valid for long term	Strictly implemented
Commitment made during the non-public	Sichuan Changhong	Commitment regarding to reducing and preventing competition with	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	2010-6-24	Valid for long term	Strictly implemented

offer in 2010	Meiling Electrical Appliances	required by Meiling Electrical Appliances.	2010-6-24	Valid for long term	Strictly implemented
		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, the Company agrees to grant pre-emptive right 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.			
		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 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		Valid for long term	Strictly implemented

		Electrical Appliances.			
		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, incentive objects while purchasing stock of the Company with performance incentive funds and owned fund	Some of the Directors, supervisors and senior executives of the Company as well as other incentive objects	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, 2015-7-21	Three years after current shares purchased	Implementing
		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, 2015-7-21	From the date when annual incentive fund plan deliberated and approved by general meeting to 6 moths after director, supervisor and senior executives resigned	Implementing
Commitments of not to reducing the shares	Sichuan Changhong Electric Co., LTD and persons acting in concert Changhong	1. Based on market conditions and as allowed by laws and rules, multiple measures were adopted adequately to increase shareholding of Meiling Appliances, so as to demonstrate its firm confidence on the PRC economy and Meiling Appliances with its actual actions, maintain sound development of capital market and promote recovery of healthy market;	2015-7-9	Valid for long term	Strictly implemented
		2. The Company continued to support operation and development of listed company. It is committed to bringing steady and real return to investors.			



	(Hong Kong) Trading Company Limited	3. Sichuan Changhong has committed that Sichuan Changhong and its persons acting in concert - Changhong (Hong Kong) Trading Co., Ltd. shall not reduce holdings of "Meiling" and "Anhui Meiling B" within six months since January 18, 2016, if the holdings of "Meiling" and "Anhui Meiling B" increase due to Meiling bonus issue or share capital increased by transferring, the company will still abide by the above commitment. To violate the above commitment, all gains by reducing holdings will belong to Meiling.		2016-1-18	2016-7-18	Implemented
Commitment made during the non-public offer in 2016	Sichuan Changhong	1. Plans to subscribe 24.88% A shares of Meiling non-publicly offer for year of 2016. 2. Shares subscription of the Meiling non-publicly offer for year of 2016 should no be transfer in thirty-six (36) months since the private placement closed		2016-3-6	In thirty-six (36) months since the private placement of the Company closed	Failure to act the commitment
	Directors and senior executives of the Company	Commitment on compensation of immediate dilution of return arising from non-public issuance of shares	1. I hereby undertake not to deliver interests to other entities or individuals without consideration or at unfair conditions, nor to prejudice the Company's interests by other means.	2016-2-23	Till the completion of projects invested with the proceeds from this non-public issuance of shares	Implementing
			2. I hereby undertake to restrain my role related consumption behaviors.			
			3. I hereby undertake not to conduct any investment and consumption which is not related to performance of duties with utilization of any company assets.			
			4. I hereby undertake that the remuneration system determined by the board of directors or the remuneration and examination committee be linked to implementation of the compensation of return measures.			
		5. In case that the Company adopts share based incentive plan in future, I hereby undertake that the exercise conditions of the incentive plan to be				

			announced by the Company be linked to implementation of the compensation of return measures.			
			6. For the period from the date of this commitment to the date of completion of this non-public issuance of shares, if the CSRC makes other new regulatory requirements on compensation of return measures and the commitment thereof, and in case that the above commitments cannot satisfy these new requirements from the CSRC, I hereby undertake to issue supplementary commitment in compliance with the latest CSRC requirements.			
			As one of the principals responsible for compensation of return measures, I, in case of break of the above commitments or refuse to perform the above commitments, agree to receive relevant punishment or to adopt relevant administration measures according to the systems, rules and regulations of the CSRC and Shenzhen Stock Exchange.			
Perform the commitment promptly or not		√ Yes □ No				
If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan		Non-applicable				

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

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

Whether the semi-annual financial report had been audited

Yes  No

The semi-annual report was not audited

**XII. Penalty and rectification**

Applicable  Not applicable

No penalty or rectification in Period.

**XIII. Risk disclosure of delisting with laws and rules violated**

Applicable  Not applicable

The Company has no delisting risks with laws and rules violated in Period.

**XIV. Other significant issues**

Applicable  Not applicable

(I) The Company's non-public offering

The company held the twelfth meeting of the eighth board of directors and the second extraordinary general meeting of 2015 on November 18, 2015 and December 22, 2015 which decided and passed the non-public offering. On January 29, 2016, according to the requirements of "Review and feedback notification about administrative licensing project of China Securities Regulatory Commission" (No. 153769) (hereinafter referred to as "Feedback") issued by China Securities Regulatory Commission, the company and the relevant agencies have replied and explained the questions in the Feedback term by term and fulfilled the obligation of information disclosure.

During the reporting period, according to changes in the domestic securities market and combining with the actual situation of the company, in order to ensure the company's non-public offering go smoothly, the company's seventeenth meeting of the eighth board of directors and the first extraordinary general meeting of 2016 have decided and agreed the company to adjust the

offering price, pricing principles and issuance number of this non-public offering project, and prolong the period of validity of this issuance resolution in the original non-public offering project at the same time, other contents remain unchanged. In addition, according to the requirements of "Guidance on the first issue and refinancing, and diluted returns at sight of major asset restructuring" (CSRC Announcement No. [2015] 31) and other relevant regulations, the company has developed the diluted returns at sight and filling measures for non-public offering of shares, and the company directors and senior management have made corresponding commitments.

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 19 November 2015, 23 December 2015, 30 December 2015, 30 January 2016, 24 February 2016, 7 March 2016, 19 March 2016, 25 March 2016, 7 April 2016 in the form of announcement (No.: 2015-053, No.: 2015-054, No.: 2015-057, No.: 2015-063, No.: 2015-064, No.: 2015-065, No.: 2015-070, No.: 2016-006, No.: 2016-007, No.: 2016-009, No.: 2016-010, No.: 2016-011, No.: 2016-012, No.: 2016-014, No.: 2016-015, No.: 2016-016, No.: 2016-017, No.: 2016-018, No.: 2016-019, No.: 2016-024, No.: 2016-037 as well as the Semi-annual report of 2015 and 1Q report of 2016).

On April 1, 2016, the company received Sichuan state-owned assets property right No. [2016] 18 file "Official reply of the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government to the issues related to the adjustment of non-public offering plan of Hefei Meiling Co., Ltd." forwarded by the controlling shareholder Sichuan Changhong Electric Co., Ltd., the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government has agreed in principle to the company's adjusted non-public offering plan. On April 7, 2016, the company submitted "Request for instructions about the resumption of reviewing the non-public offering application document of Hefei Meiling Co., Ltd." to China Securities Regulatory Commission. On April 21, 2016, the company received the "Notice about the resumption of the review of administrative licensing application from China Securities Regulatory Commission" (No. 153769), China Securities Regulatory Commission has resumed the review to the administrative licensing application of the company's non-public offering. On April 29, 2016, the Issuance Examination Commission of China Securities Regulatory Commission examined the

application of the company's adjusted non-public offering of A shares. According to the examination results, the application of the company's non-public offering of A shares has been approved.

In light of the completion of profit distribution plan for year of 2015 on 19 May 2016, the "Offering price and issuance number of the privately placement adjustment after implementation of profit distribution plan for year of 2015" (Notice No.: 2016-049) released on the appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)). The offering price adjusted to no less favorable than 4.70 Yuan/ Share from no less favorable than 4.76 Yuan/ Share; issuance number turns to no more than 334,042,553 shares (to hold a number's above) from no more than 329,831,933 shares (to hold a number's above).

On 25 July 2016, the Reply on Approval of Private Offering under the name of Hefei Meiling Co., Ltd.(ZJXK[2016]No.1396) was received by the Company from CSRC. Board of Directors of the Company will handle relevant non-public placement within time limit, in line with the CSRC's approval requirement, with autorotation by 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 website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) respectively dated 2 April 2016, 23 April 2016, 30 April 2016, 19 May 2016, 26 July 2016 in the form of announcement (No.: 2016-036, No.: 2016-040, No.: 2016-045, No.: 2016-049 and No.: 2016-051).

(II) As approved by resolutions at the 18<sup>th</sup> meeting of the 8<sup>th</sup> session of the Board and 1<sup>st</sup> temporary annual general meeting of 2016, the Company and subsidiary companies are approved to make foreign exchange forward deals from 1 July 2016 to 30 June 2017, with deal balance not exceeding USD 500 million and the maximum settlement period for single deal not exceeding two years. Details have been disclosed by the Company by way of announcements (No. 2016-020, 2016-022, 2016-037) on the designated information disclosure media including Securities Times, China Securities, Hong Kong Commercial Daily and Juchao Information Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 19 March 2016 and 7 April 2016.

(III) As approved by the 19<sup>th</sup> session of the 8<sup>th</sup> BOD, the Company agree the capital increment in ChanghongRubaTradingCompany (Private) Limited (the joint venture sales company in

Pakistan established earlier by the follow two parties) in way of cash based on the current share-holding ratio between the subsidiary Zhongshan Changhong Electric Co., Ltd. (“Zhongshan Changhong”) and its partner UAE RUBAGENERALTRADINGFZE, total capital for increment amounting to US\$ 6.4 million. 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 25 March 2016 in the form of announcement (No.: 2016-027 and No.: 2016-032).

(IV) As approved by the 19<sup>th</sup> session of the 8<sup>th</sup> BOD, the Company agrees to set up a subsidiary “PT.CHANGHONGMEILINGELECTRICINDONESIA” in Indonesia by jointly investment between subsidiary Zhongshan Changhong and Sichuan Changhong Air-conditioner Co., Ltd., registered capital amounting to US\$ 6 million. 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 25 March 2016 in the form of announcement (No.: 2016-027 and No.: 2016-033).

(V) As approved by 19<sup>th</sup> session of the 8<sup>th</sup> BOD, the Company agreed to applying a 300 million Yuan at most credit line of bank notes pool to Hefei Branch of China Merchants Bank Co., Ltd. for one year, Credit varieties mainly use in the business of notes pool, and endorsement for pledge. 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 25 March 2016 in the form of announcement (No.: 2016-027 and No.: 2016-034).

(VI) According to the resolution of the tenth meeting of the eighth board of directors held on August 28, 2015, the company's board of directors agreed the subsidiary - Zhongke Meiling Cryogenics Co., Ltd. to start the restructuring and set up the limited liability company, and apply for the listing in the National Equities Exchange and Quotations after the overall restructuring. After being audited and approved by National Equities Exchange and Quotations Co., Ltd., Zhongke Meiling has been listed in National Equities Exchange and Quotations on February 24, 2016, the security is referred to as "Zhongke Meiling", and the stock code is "835892." Details have been disclosed by the Company by way of announcement (No. 2015-038, No.2015-039, No.: 2015-041, No.: 2015-050, No.: 2016-006 and No.2016-013) on the designated information disclosure media including Securities Times, China Securities, Hong Kong Commercial Daily and Juchao Information Website (www.cninfo.com.cn) on 29 August 2015, 16 September, 3 November 2015, 23 January 2016 and 24 February 2016.

## (VII) 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 16<sup>th</sup> meeting of the 7<sup>th</sup> 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 (2012-028, 2012-035).

### 1. Implementation about 2012, 2013 and 2014 performance incentive fund provision and distribution plan

See details in "Implementation of the company's annual incentive fund" in "XV Implementation of the company's stock incentive plan, employee stock ownership plan, or other employee incentive measures" in "Section V Significant Events" of the company's "2015 Annual Report" disclosed on March 25, 2016.

Up to the end of this reporting period, the company's stock purchased by some 2012 annual performance incentive objects (non-directors, supervisors and senior management) with their granted 2012 annual performance incentive funds and own funds has been fully deesterilized, the company's stock purchased by some 2013 annual performance incentive objects (non-directors, supervisors and senior management) with their granted 2013 annual performance incentive funds and own funds has been deesterilized by 50%, see below for the overall reducing holding-shares of some above-mentioned incentive objects; if the stock holding period of the company's stock purchased by 2014 annual performance incentive objects with their granted 2014 annual performance incentive funds and own funds is less than one year, the purchased stock of all incentive objects should be locked according to the commitments. Among the incentive objects, the current directors, supervisors and senior management have not reduced the Company's shares purchased by implementing 2012, 2013, and 2014 annual performance incentive plans.

### 2. Shareholding and reducing of performance incentive objects of the Company

Ended as 30 June 2016, shares hold by all incentive objects amounting to 10,386,002 shares, a 1.36 % in total share capital of the Company, including 9,052,870 A-share, a 1.19% in total share capital and 1,333,132 B-share, a 0.17% in total share capital of the Company. Ended as 30 June 2016, other grantees of the 2012 and 2013 incentive plan (not being directors, supervisors and senior management) have reduced holding of 3,093,454 in aggregate, accounting for about 0.41%

of the total share capital, since September 2014 to the end of the reporting period, including reduced holding of 976,101 in the reporting period, accounting for about 0.13% of the total share capital.

#### **XV. Issuance of corporate bonds**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No



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

### I. Changes in Share Capital

	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	9,965,170	1.30%	0	0	0	-522,100	-522,100	9,443,070	1.24%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person's shares	915,987	0.12%	0	0	0	0	0	915,987	0.12%
3. Other domestic shares	8,049,334	1.05%	0	0	0	-522,100	-522,100	7,527,234	0.99%
Including: domestic legal person's shares	4,839,035	0.63%	0	0	0	0	0	4,839,035	0.63%
Domestic natural person's shares	3,210,299	0.42%	0	0	0	-522,100	-522,100	2,688,199	0.36%
4. Foreign shares	999,849	0.13%	0	0	0	0	0	999,849	0.13%
Including: Foreign legal person's shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person's shares	999,849	0.13%	0	0	0	0	0	999,849	0.13%
II. Unrestricted shares	753,774,035	98.70%	0	0	0	522,100	522,100	754,296,135	98.76%
1. RMB Ordinary shares	591,909,884	77.50%	0	0	0	522,100	522,100	592,431,984	77.57%
2. Domestically listed foreign shares	161,864,151	21.20%	0	0	0	0	0	161,864,151	21.19%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	763,739,205	100.00%	0	0	0	0	0	763,739,205	100.00%

(I) Reasons for share changed

Applicable  Not applicable

During the period, former senior executive Mr. Deng Xiaohui has resigned over 6 months, the 522,100 shares held by Mr. Deng has released for trading.

(II) Approval of share changed

Applicable  Not applicable

(III) Ownership transfer of share changed

Applicable  Not applicable

(IV) 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

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

Applicable  Not applicable

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

Applicable  Not applicable

**II. Amount of shareholders of the Company and particulars about shares holding**

Unit: share

Total common shareholders in reporting period-end		64,764	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)		0			
Particulars about shares held above 5% by common shareholders or top 10 common shares holding								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shareholders at the end of report period	Changes in report period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Sichuan Changhong Electric Co., LTD	State-owned legal person	21.58%	164,828,330	--	0	164,828,330	--	--
Hefei Industry Investment Holding (Group) Co., Ltd.	State-owned legal person	6.26%	47,823,401	47,823,401	0	47,823,401	--	--

Changhong (Hong Kong) Trading Company Limited	Foreign legal person	3.30%	25,165,823	--	0	25,165,823	--	--
CAOSHENGCHUN	Foreign natural person	1.75%	13,360,815	3,700	0	13,360,815	--	--
China Securities Finance Corporation Limited	Domestic general legal person	0.58%	4,399,500	--	0	4,399,500	--	--
Harvest Assets Management – Minsheng Bank- Harvest Capital Tianxingjian No. 5 Assets Management Plan	Domestic non state-owned corporate	0.57%	4,364,043	4,364,043	0	4,364,043	--	--
NORGESBANK	Foreign legal person	0.55%	4,216,432	--	0	4,216,432	--	--
ICBC-Nanfeng Longyuan Industry Theme Stock Investment Fund	Domestic non state-owned corporate	0.46%	3,488,500	3,488,500	0	3,488,500	--	--
Long Qinfang	Foreign natural person	0.43%	3,294,937	55,640	0	3,294,937	--	--
CCB-Bosch Zhongzheng Taojin Data 100 Index Stock Fund	Domestic non state-owned corporate	0.41%	3,127,600	2,776,000	0	3,127,600	--	--
Strategy investors or general legal person becomes top 10 common shareholders due to rights issued (if applicable)	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 common shareholders with un-restrict shares held								
Shareholders' name	Amount of unrestricted common shares held at reporting period-end	Type of shares						
		Type	Amount					
Sichuan Changhong Electric Co., LTD	164,828,330	RMB ordinary shares	164,828,330					
Hefei Industry Investment Holding (Group) Co., Ltd.	47,823,401	RMB ordinary shares	47,823,401					
Changhong (Hong Kong) Trading Company Limited	25,165,823	Domestically listed foreign shares	25,165,823					

CAOSHENGCHUN	13,360,815	Domestically listed foreign shares	13,360,815
China Securities Finance Corporation Limited	4,399,500	RMB ordinary shares	4,399,500
Harvest Assets Management – Minsheng Bank- Harvest Capital Tianxingjian No. 5 Assets Management Plan	4,364,043	RMB ordinary shares	4,364,043
NORGESBANK	4,216,432	Domestically listed foreign shares	4,216,432
ICBC-Nanfang Longyuan Industry Theme Stock Investment Fund	3,488,500	RMB ordinary shares	3,488,500
Long Qinfang	3,294,937	Domestically listed foreign shares	3,294,937
CCB-Bosch Zhongzheng Taojin Data 100 Index Stock Fund	3,127,600	RMB ordinary shares	3,127,600
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict common shareholders and top 10 common 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 shareholders involving margin business among the top ten common shareholder (if applicable)	Not applicable		

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

No agree to buy-back dealings occurred in Period by top 10 common shareholders and top 10 common shareholders with shares restricted for sale

### III. Shareholder and actual controller

(I) Changes of controlling shareholder in reporting period

Applicable  Not applicable

No change of controlling shareholder in reporting period.

(II) Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controller in reporting period.

(III) Changes of other shareholders with over 5% stock held

On March 22, 2016, the company received securities transfer registration confirmation of China Securities Depository and Clearing Company Limited forwarded by Industry Investment Holding Group, and the company was informed that the stock transfer registration for the free transfer of the Company's state-owned shares held by the company's second largest shareholder Xingtai Holding to Industry Investment Holding Group had been completed, and the transfer date was March 18, 2016, the transfer number was 47,823,401 shares.

After the completion of this free transfer of shares, Xingtai Holding no longer holds shares of the Company, Industry Investment Holding Group holds the Company's unrestricted shares of 47,823,401 shares (excluding the unrecovered 1,654,112 shares paid on behalf of other non-tradable share shareholders in the company's reform of non-tradable shares), accounting for 6.26% of the Company's total share capital. The Company's second largest shareholder changes to Industry Investment Holding Group. Before and after this transfer of shares, the Company's actual controller is not changed.

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

Applicable  Not applicable

On January 18, 2016, Hefei Meiling Co., Ltd. (hereinafter referred to as "the company", "the Company" or "Meiling") received the "Commitment letter about not reducing holding shares of Meiling within six months" issued by the company's controlling shareholder Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as "Sichuan Changhong"), of which the main contents are as follows:

With the confidence in the future development and embedded value of Meiling, in order to

promote the sustainable, stable and healthy development of Meiling, Sichuan Changhong, as the controlling shareholder of Meiling, has made commitments that Sichuan Changhong and its persons acting in concert Changhong (Hong Kong) Trading Co., Ltd. would not reduce the holdings of "Meiling" and "Anhui Meiling B" shares within six months since 2016 January 18, who would also comply with the above commitments if its holdings of "Meiling" and "Anhui Meiling B" shares increased due to the bonus shares and into equity of Meiling. If there is a breach of commitments, all income from reducing holding-shares shall be owned by Meiling.

## Section VII. Preferred Stock

Applicable  Not applicable

The Company had no preferred stock in the reporting period.

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

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

Applicable Not applicable

Shares held by directors, supervisors and senior executive of the Company had no changes, more details can be seen in Annual Report 2015.

### II. Changes of directors, supervisors and senior executive

Applicable Not applicable

Name	Title	Type	Date	Reasons
Xu Bangjun	Director	Be elected	2016-5-4	Agreed to elect Mr. Xu Bangjun as Director of the Company by approved in AGM of 2015.
	Vice Chairman	Be elected	2016-5-4	Agreed to elect Mr. Xu Bangjun as Vice Chairman of the Company by approved in 22 <sup>nd</sup> meeting of 8 <sup>th</sup> session of the Board.
Li Wei	Vice Chairman	Be elected	2016-5-4	Agreed to elect Mr. Li Wei as Vice Chairman of the Company by approved in 22 <sup>nd</sup> meeting of 8 <sup>th</sup> session of the Board.
Li Jin	Director, Vice Chairman	Office leaving	2016-1-20	Resigned the posts of director of 8 <sup>th</sup> BOD of the Company, deputy chairman, member of strategy committee and member of remuneration and appraisal committee due to personal career moves



## Section IX. Financial Report

### I. Audit reports

Whether the semi-annual report was audited or not

Yes  No

### II. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated Balance Sheet

Prepared by Hefei Meiling Co., Ltd.

2016-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	4,136,998,121.62	2,135,189,879.15
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses	2,340,308.20	
Derivative financial liability		
Notes receivable	1,631,636,037.26	1,286,332,682.74
Accounts receivable	1,950,050,884.81	1,338,396,321.83
Accounts paid in advance	80,966,663.59	68,041,820.73
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	1,896,655.82	1,238,199.65
Dividend receivable		
Other receivables	39,970,407.25	39,494,835.30
Purchase restituted finance asset		
Inventories	1,591,370,410.84	1,554,946,209.51
Divided into assets held for		

sale		
Non-current asset due within one year		
Other current assets	30,440,120.40	539,101,578.44
Total current assets	9,465,669,609.79	6,962,741,527.35
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	17,000,000.00	17,000,000.00
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	78,801,651.30	74,239,547.01
Investment property	13,679,922.44	14,084,213.51
Fixed assets	1,250,350,428.82	1,267,493,931.98
Construction in progress	67,818,577.71	56,504,880.99
Engineering material		
Disposal of fixed asset	75,788,138.47	75,773,138.47
Productive biological asset		
Oil and gas asset		
Intangible assets	605,311,268.73	593,449,698.85
Expense on Research and Development	52,953,014.45	53,344,827.72
Goodwill		
Long-term expenses to be apportioned		
Deferred income tax asset	83,444,366.22	78,435,177.86
Other non-current asset	45,158,472.00	44,221,416.00
Total non-current asset	2,290,305,840.14	2,274,546,832.39
Total assets	11,755,975,449.93	9,237,288,359.74
Current liabilities:		
Short-term loans	718,762,164.03	58,680,093.19
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured	3,618,878.41	-

by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	2,834,242,595.61	2,172,064,923.79
Accounts payable	2,340,133,319.01	1,604,075,191.50
Accounts received in advance	305,437,199.80	295,604,800.16
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	78,227,521.05	115,297,429.40
Taxes payable	188,830,607.86	70,530,483.54
Interest payable	35,547.83	214,328.89
Dividend payable	2,545,801.23	2,200,499.91
Other accounts payable	970,734,230.21	643,567,087.33
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	261,130,799.00	11,153,067.68
Other current liabilities		
Total current liabilities	7,703,698,664.04	4,973,387,905.39
Non-current liabilities:		
Long-term loans	50,290,088.80	243,004,866.40
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	30,855,190.28	38,211,463.86
Special accounts payable		
Projected liabilities	333,689,789.42	338,125,014.55
Deferred income	132,441,411.65	132,890,618.54

Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	547,276,480.15	752,231,963.35
Total liabilities	8,250,975,144.19	5,725,619,868.74
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	1,429,225,754.29	1,529,184,356.13
Less: Inventory shares		
Other comprehensive income	-466,043.54	-2,280,500.61
Reasonable reserve		
Surplus public reserve	367,066,994.18	367,066,994.18
Provision of general risk		
Retained profit	881,835,880.65	817,667,531.64
Total owner's equity attributable to parent company	3,441,401,790.58	3,475,377,586.34
Minority interests	63,598,515.16	36,290,904.66
Total owner's equity	3,505,000,305.74	3,511,668,491.00
Total liabilities and owner's equity	11,755,975,449.93	9,237,288,359.74

Legal Representative: Liu Tabin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	3,300,737,183.98	1,654,499,494.28
Financial liability measured by fair value and with variation reckoned into current gains/losses	2,340,308.20	-
Derivative financial liability		

Notes receivable	948,643,030.85	828,061,004.44
Accounts receivable	1,107,434,419.44	943,328,995.97
Account paid in advance	196,339,595.35	302,567,578.88
Interest receivable		
Dividends receivable		
Other receivables	118,314,543.62	53,255,891.89
Inventories	744,714,406.73	869,593,027.59
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets	5,384,832.36	522,617,641.34
Total current assets	6,423,908,320.53	5,173,923,634.39
Non-current assets:		
Available-for-sale financial assets	17,000,000.00	17,000,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,009,682,156.77	840,634,581.05
Investment property	11,568,959.64	11,805,903.99
Fixed assets	870,950,248.09	890,217,780.00
Construction in progress	21,114,741.65	20,365,686.01
Project materials		
Disposal of fixed assets	43,494,954.71	43,479,954.71
Productive biological assets		
Oil and natural gas assets		
Intangible assets	433,154,663.49	438,227,183.15
Research and development costs	7,667,474.13	2,162,829.06
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	71,390,904.95	70,170,515.47
Other non-current assets		
Total non-current assets	2,486,024,103.43	2,334,064,433.44
Total assets	8,909,932,423.96	7,507,988,067.83

Current liabilities:		
Short-term borrowings	718,762,164.03	34,411,720.00
Financial liability measured by fair value and with variation reckoned into current gains/losses	3,618,878.41	-
Derivative financial liability		
Notes payable	1,296,032,554.79	1,395,443,530.25
Accounts payable	1,257,101,368.28	1,114,807,199.47
Accounts received in advance	348,680,911.95	145,333,375.62
Wage payable	13,811,160.06	42,847,802.62
Taxes payable	77,863,322.85	20,425,867.86
Interest payable	35,547.83	214,328.89
Dividend payable	2,545,801.23	2,200,499.91
Other accounts payable	957,104,786.80	686,009,980.82
Divided into liability held for sale		
Non-current liabilities due within 1 year	257,465,047.08	7,487,315.76
Other current liabilities		
Total current liabilities	4,933,021,543.31	3,449,181,621.20
Non-current liabilities:		
Long-term loans	5,701,900.00	199,341,900.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	30,855,190.28	38,211,463.86
Special accounts payable		
Projected liabilities	333,689,789.42	338,125,014.55
Deferred income	66,636,513.22	68,050,877.23
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	436,883,392.92	643,729,255.64
Total liabilities	5,369,904,936.23	4,092,910,876.84

Owners' equity:		
Share capita	763,739,205.00	763,739,205.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	1,493,143,491.54	1,497,987,446.59
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	366,848,828.50	366,848,828.50
Retained profit	916,295,962.69	786,501,710.90
Total owner's equity	3,540,027,487.73	3,415,077,190.99
Total liabilities and owner's equity	8,909,932,423.96	7,507,988,067.83

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

### 3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	6,866,631,262.68	6,572,479,966.74
Including: Operating income	6,866,631,262.68	6,572,479,966.74
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	6,760,418,778.86	6,403,050,274.08
Including: Operating cost	5,432,461,687.10	5,213,492,703.53
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	62,141,577.47	45,722,966.65
Sales expenses	1,075,647,750.60	956,768,853.62
Administration expenses	193,280,424.74	197,283,986.21
Financial expenses	-39,699,342.16	-45,676,072.58
Losses of devaluation of asset	36,586,681.11	35,457,836.65
Add: Changing income of fair value(Loss is listed with “-”)	-1,278,570.21	3,653,270.00
Investment income (Loss is listed with “-”)	4,153,090.95	-5,484,432.72
Including: Investment income on affiliated company and joint venture	-833,210.42	-6,482,572.94
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	109,087,004.56	167,598,529.94
Add: Non-operating income	21,471,702.44	15,011,187.86
Including: Disposal gains of non-current asset	330,833.76	14,784.00
Less: Non-operating expense	1,818,874.18	9,268,395.87
Including: Disposal loss of non-current asset	1,545,129.64	5,700,586.03
IV. Total Profit (Loss is listed with “-”)	128,739,832.82	173,341,321.93
Less: Income tax expense	18,816,185.98	14,512,173.60
V. Net profit (Net loss is listed with “-”)	109,923,646.84	158,829,148.33
Net profit attributable to owner’s of parent company	109,992,701.28	158,158,485.22
Minority shareholders’ gains and losses	-69,054.44	670,663.11
VI. Net after-tax of other comprehensive income	2,484,848.72	-506,008.36



Net after-tax of other comprehensive income attributable to owners of parent company	1,814,457.07	-379,924.38
(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	1,814,457.07	-379,924.38
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	1,814,457.07	-379,924.38
6. Other		
Net after-tax of other	670,391.65	-126,083.98

comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	112,408,495.56	158,323,139.97
Total comprehensive income attributable to owners of parent Company	111,807,158.35	157,778,560.84
Total comprehensive income attributable to minority shareholders	601,337.21	544,579.13
VIII. Earnings per share:		
(i) Basic earnings per share	0.1440	0.2071
(ii) Diluted earnings per share	0.1440	0.2071

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

#### 4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	3,770,773,163.93	3,723,644,751.94
Less: Operating cost	3,160,132,227.01	3,185,022,932.49
Operating tax and extras	26,796,594.53	21,593,618.43
Sales expenses	421,077,853.44	366,740,764.98
Administration expenses	89,360,579.13	92,172,562.14
Financial expenses	-31,518,036.32	-38,448,636.98
Losses of devaluation of asset	9,159,976.91	9,251,853.73
Add: Changing income of fair value(Loss is listed with “-”)	-1,278,570.21	3,653,270.00
Investment income (Loss is listed with “-”)	82,892,597.34	-6,059,877.47
Including: Investment income on affiliated company and joint venture	2,644,982.57	-6,577,685.69
II. Operating profit (Loss is listed with “-”)	177,377,996.36	84,905,049.68

Add: Non-operating income	14,372,303.76	5,794,628.12
Including: Disposal gains of non-current asset	269,387.27	-
Less: Non-operating expense	1,216,566.48	7,706,718.05
Including: Disposal loss of non-current asset	1,150,366.91	5,679,902.32
III. Total Profit (Loss is listed with “-”)	190,533,733.64	82,992,959.75
Less: Income tax expense	14,915,129.58	13,687,467.35
IV. Net profit (Net loss is listed with “-”)	175,618,604.06	69,305,492.40
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	175,618,604.06	69,305,492.40
VII. Earnings per share:		
(i) Basic earnings per share	0.2299	0.0907
(ii) Diluted earnings per share	0.2299	0.0907

Legal Representative: Liu Tabin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	6,122,120,567.44	4,875,947,546.26
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	183,108,861.55	108,433,705.43
Other cash received concerning operating activities	19,615,271.12	15,017,563.44
Subtotal of cash inflow arising from operating activities	6,324,844,700.11	4,999,398,815.13
Cash paid for purchasing commodities and receiving labor service	4,321,939,929.71	3,540,454,526.92
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	644,386,641.53	569,593,509.27
Taxes paid	168,259,449.49	197,027,218.67
Other cash paid concerning operating activities	318,569,174.49	339,950,350.53
Subtotal of cash outflow arising	5,453,155,195.22	4,647,025,605.39

from operating activities		
Net cash flows arising from operating activities	871,689,504.89	352,373,209.74
II. Cash flows arising from investing activities:		
Cash received from recovering investment	500,000,000.00	100,500,000.00
Cash received from investment income	4,986,301.37	998,140.22
Net cash received from disposal of fixed, intangible and other long-term assets	330,776.45	4,188,632.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	36,389,716.67	53,413,779.04
Subtotal of cash inflow from investing activities	541,706,794.49	159,100,551.26
Cash paid for purchasing fixed, intangible and other long-term assets	65,945,234.00	55,643,871.68
Cash paid for investment	100,883,860.00	170,149,995.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	-	427,715.77
Subtotal of cash outflow from investing activities	166,829,094.00	226,221,582.45
Net cash flows arising from investing activities	374,877,700.49	-67,121,031.19
III. Cash flows arising from financing activities		
Cash received from absorbing investment	23,145,352.69	-
Including: Cash received		

from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	797,486,045.88	899,641,581.00
Cash received from issuing bonds		
Other cash received concerning financing activities	3,451.80	-
Subtotal of cash inflow from financing activities	820,634,850.37	899,641,581.00
Cash paid for settling debts	88,241,810.84	1,032,938,903.44
Cash paid for dividend and profit distributing or interest paying	49,368,745.83	41,213,628.96
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	98,192.48	224,020.35
Subtotal of cash outflow from financing activities	137,708,749.15	1,074,376,552.75
Net cash flows arising from financing activities	682,926,101.22	-174,734,971.75
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	12,229,868.87	9,712,947.81
V. Net increase of cash and cash equivalents	1,941,723,175.47	120,230,154.61
Add: Balance of cash and cash equivalents at the period -begin	2,121,161,238.01	2,709,097,193.11
VI. Balance of cash and cash equivalents at the period -end	4,062,884,413.48	2,829,327,347.72

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,257,292,398.00	2,587,323,791.86
Write-back of tax received	90,212,886.14	50,835,256.44
Other cash received concerning operating activities	11,964,243.27	5,957,421.13
Subtotal of cash inflow arising from operating activities	3,359,469,527.41	2,644,116,469.43
Cash paid for purchasing commodities and receiving labor service	2,456,420,547.09	2,301,440,737.17
Cash paid to/for staff and workers	257,679,481.30	196,459,026.37
Taxes paid	58,375,692.51	62,883,474.12
Other cash paid concerning operating activities	135,616,094.86	144,418,281.65
Subtotal of cash outflow arising from operating activities	2,908,091,815.76	2,705,201,519.31
Net cash flows arising from operating activities	451,377,711.65	-61,085,049.88
II. Cash flows arising from investing activities:		
Cash received from recovering investment	500,000,000.00	100,000,000.00
Cash received from investment income	80,247,614.77	517,808.22
Net cash received from disposal of fixed, intangible and other long-term assets	240,112.02	969,312.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	28,290,477.04	38,798,411.37
Subtotal of cash inflow from investing activities	608,778,203.83	140,285,531.59



Cash paid for purchasing fixed, intangible and other long-term assets	37,238,789.69	23,752,926.57
Cash paid for investment	171,250,000.00	115,000,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	63,665,205.65	427,715.77
Subtotal of cash outflow from investing activities	272,153,995.34	139,180,642.34
Net cash flows arising from investing activities	336,624,208.49	1,104,889.25
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	794,126,025.52	811,087,023.59
Cash received from issuing bonds		
Other cash received concerning financing activities	217,115,708.21	186,369,209.14
Subtotal of cash inflow from financing activities	1,011,241,733.73	997,456,232.73
Cash paid for settling debts	60,135,614.84	970,217,403.44
Cash paid for dividend and profit distributing or interest paying	48,236,007.73	39,915,654.04
Other cash paid concerning financing activities	56,057,512.35	96,136,206.56
Subtotal of cash outflow from financing activities	164,429,134.92	1,106,269,264.04
Net cash flows arising from financing activities	846,812,598.81	-108,813,031.31
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	11,423,170.75	6,994,571.70
V. Net increase of cash and cash equivalents	1,646,237,689.70	-161,798,620.24

Add: Balance of cash and cash equivalents at the period -begin	1,654,499,494.28	2,390,446,316.58
VI. Balance of cash and cash equivalents at the period -end	3,300,737,183.98	2,228,647,696.34

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

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

This Period

In RMB

Item	This Period												
	Owners' equity attributable to parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
	Preferrred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	763,739,205.00				1,529,184,356.13		-2,280,500.61		367,066,994.18		817,667,531.64	36,290,904.66	3,511,668,491.00
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	763,739,205.00				1,529,184,356.13		-2,280,500.61		367,066,994.18		817,667,531.64	36,290,904.66	3,511,668,491.00
III. Increase/ Decrease in this year (Decrease is					-99,958,601.84		1,814,457.07				64,168,349.01	27,307,610.50	-6,668,185.26

listed with “-”)													
(i) Total comprehensive income					-4,843,955.05		1,814,457.07				109,992,701.28	601,337.21	107,564,540.51
(ii) Owners’ devoted and decreased capital					-95,114,646.79							26,998,773.29	-68,115,873.50
1.Common shares invested by shareholders												23,020,579.65	23,020,579.65
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other					-95,114,646.79							3,978,193.64	-91,136,453.15
(III) Profit distribution											-45,824,352.27	-292,500.00	-46,116,852.27
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)											-45,824,352.27	-292,500.00	-46,116,852.27
4. Other													
(IV) Carrying forward internal owners’ equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves													

conversed to capital (share capital)													
3. Remediating 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				1,429,225,754.29		-466,043.54		367,066,994.18		881,835,880.65	63,598,515.16	3,505,000,305.74

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		Perpetual capital securities	Other										
I. Balance at the end of the last year	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
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			1,466,959,939.03		-3,262,898.99		359,857,106.14		835,453,313.49	15,634,189.83		3,438,380,854.50
III. Increase/ Decrease in this year (Decrease is listed with “-”)				62,224,417.10		982,398.38		7,209,888.04		-17,785,781.85	20,656,714.83		73,287,636.50
(i) Total comprehensive income						982,398.38				27,104,897.12	-4,963,172.20		23,124,123.30
(ii) Owners’ devoted and decreased capital				62,224,417.10						8,143,561.37	25,619,887.03		95,987,865.50
1.Common shares invested by shareholders											4,900,000.00		4,900,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other				62,224,417.10						8,143,561.37	20,719,887.03		91,087,865.50
(III) Profit distribution								7,209,888.04		-53,034,240.34	-		-45,824,352.30
1. Withdrawal of surplus reserves								7,209,888.04		-7,209,888.04			-
2. Withdrawal of													

general risk provisions													
3. Distribution for owners (or shareholders)											-45,824,352.30	-	-45,824,352.30
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	763,739,205.00				1,529,184,356.13		-2,280,500.61		367,066,994.18		817,667,531.64	36,290,904.66	3,511,668,491.00

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

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

This Period

In RMB

Item	This Period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferr ed stock	Perpetu al capital securiti es	Oth er							
I. Balance at the end of the last year	763,739,205.00				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99
III. Increase/ Decrease in this year (Decrease is listed with "-")					-4,843,955.05					129,794,251.79	124,950,296.74
(i) Total comprehensive income					-4,843,955.05					175,618,604.06	170,774,649.01
(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										-45,824,352.27	-45,824,352.27
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)										-45,824,352.27	-45,824,352.27
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											

(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	763,739,205.00				1,493,143,491.54				366,848,828.50	916,295,962.69	3,540,027,487.73

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				1,497,987,059.46				359,638,940.46	767,437,070.86	3,388,802,275.78
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,987,059.46				359,638,940.46	767,437,070.86	3,388,802,275.78
III. Increase/ Decrease					387.13				7,209,888.04	19,064,640.04	26,274,915.21

in this year (Decrease is listed with “-”)											
(i) Total comprehensive income										72,098,880.38	72,098,880.38
(ii) Owners’ devoted and decreased capital					387.13						387.13
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					387.13						387.13
(III) Profit distribution									7,209,888.04	-53,034,240.34	-45,824,352.30
1. Withdrawal of surplus reserves									7,209,888.04	-7,209,888.04	
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 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				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99

Legal Representative: Liu Tibin

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

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

From 1 January 2016 to 30 June 2016

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

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### **I. Company profile**

Hefei Meiling Co., Ltd (hereinafter referred to as “the Company”) is an incorporated Company established and reorganized by Hefei Meiling Refrigerator General Factory and approved on June 12<sup>th</sup> 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30<sup>th</sup> 1993, through Anhui Provincial Government [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 28 August 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 15 August 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 29 October 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

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

From 1 January 2016 to 30 June 2016

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

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. 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 30 June 2016, 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>9,443,070.00</b>	<b>1.24%</b>
1. State-owned shares	-	-
2. State-owned legal person’s shares	915,987.00	0.12%
3. Other domestic shares	7,527,234.00	0.99%
Including: Domestic legal person’s shares	4,839,035.00	0.63%
Domestic natural person’s shares	2,688,199.00	0.36%
4. Foreign shares	999,849.00	0.13%

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

From 1 January 2016 to 30 June 2016

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

<b>(II) Unrestricted shares</b>	<b>754,296,135.00</b>	<b>98.76%</b>
1. RMB Ordinary shares	592,431,984.00	77.57%
2. Domestically listed foreign shares	161,864,151.00	21.19%
3. Overseas listed foreign shares	-	-
4. Others	-	-
<b>Total shares</b>	<b>763,739,205.00</b>	<b>100.00%</b>

The Company belongs to the manufacture of light industry, and engaged in the production and sale of refrigerator, freezer and air-conditioner. Unified social credit code of the Company: 9134000014918555XK; Address: No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei City; Legal Representative: 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.

### II. Scope of consolidated financial statement

The Company's consolidated financial statement included 49 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, Subsidiary Changmei Technology Co. Ltd. was newly included due to direct investment in this year; Subsidiary Guangdong Changhong Ridian Technology Co., Ltd. Was newly included due to corporate merger under the same control.

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 is reasonable.

### IV. Significant Accounting Policy, Accounting Estimation

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

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

### 2. Accounting period

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

### 3. Standard currency for accounting

The Company takes RMB as the standard currency for accounting.

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

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

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

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

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

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

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



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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 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'

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equity (other than net gains and losses, other comprehensive income and profit distribution), then the equity interests would transfer to investment gains and losses for the period which the acquisition date falls upon. The other comprehensive income arising from change of the net liabilities or net assets under established benefit scheme as acquiree's re-measured such scheme is excluded.

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

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

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

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

The joint venture arrangement of the Company consists of joint controlled entity and joint venture. As for jointly controlled entity, the Company determines the assets held and liabilities assumed separately as a party to the jointly controlled entity, recognizes such assets and liabilities according to its proportion, and recognizes relevant income and expense separately under relevant agreement or according to its proportion. As for asset transaction relating to purchase and sales with the jointly controlled entity which does not constitute business activity, part of the gains and losses arising from such transaction attributable to other participators of the jointly controlled entity is only recognized.

### **7. Cash and cash equivalents**

Cash in the cash flow statement comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including but not limited to the followings which meet the aforesaid conditions: debt investment matured within three months upon the acquisition date, bank time deposit which can be early withdrew by serving a notice and transferrable deposit receipt, etc. for time deposit which can not be used for payment at

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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.

### 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.

### 9. Financial assets and financial liabilities

#### (1) Financial assets

##### 1) Classification of financial assets

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

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

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

Loans and accounts receivables represent the non-derivative financial assets which have no quotation in an

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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 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

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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; ② The financial assets has already been transferred, and the Company has transferred almost all risks and remunerations of financial assets ownership to the transferee; ③ The financial assets has been transferred, even though the Company has neither transferred nor kept almost all risks and remunerations of financial assets ownership, the Company has given up controlling the financial assets.

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

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

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

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

### 10. Bad debt provision for accounts receivable

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

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Basis for combination recognized	
Combination 2	Employee reserve fund, foreign investment amount, contact with related party in consolidated statement of Changhong Group, 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
1-2 years	15	15
2-3 years	35	35
3-4 years	55	55
4-5 years	85	85
Over 5 years	100	100

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

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

### 11. Inventories

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

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

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

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methods:

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

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

### 1) Refrigerator, freezer and washing machine

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

### 2) Air-conditioner

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

With respect to the inventories and delivered goods which are not vested to the above classification, their realizable net value will be calculated by the Company based on the estimated selling price of the inventories less estimated selling expense and related taxes. The Company re-checks the above mentioned proportion at every end of the year. Calculated the net realizable value by difference between the estimated sale price less the estimated sales expense and relevant taxation; after comparison with the book value of commodity stocks and goods in transit, determined whether adjusted the proportion or not. Mould expense will amortize in installment in usual times. Once the use-life of mould is terminated, and than transfer its remaining cost into



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gains/losses, no withdrawal of obsolete provision at period-end.

### 12. Long-term equity investment

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

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

Excluding the long-term equity investment acquired through business combination, there is also a 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 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

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the original equity interest investment under equity method should be treated according to the same basis which the investee adopts to directly dispose the relevant assets or liabilities when ceasing adoption of equity method calculation; and also switches to cost method for calculating the long-term equity investments which entitles the Company to have conduct control over the invested units due to its additional investments; and switches to equity method for calculating the long-term equity investments which entitles the Company to conduct common control or significant influence, while no control over the invested units due to its additional investments, or the long-term equity investments which entitles the Company with no control over the invested units any longer while with common control or significant influence.

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

### 13. Investment real estate

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

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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; 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,

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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 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

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accounting estimation. Re-examination on predicted service life of intangible assets which have uncertain service life shall be conducted. For any evidence proving that service life of intangible assets is limited, then the service life shall be estimated and the Company shall make amortization within the predicted service life period.

### 18. Research and development

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

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

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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;

(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

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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 Company confirms it as dismiss welfare and reckons it in current profits and losses. As the Company promises to adjust the treatment for early retiring staff and workers with the increase of social basic cost of living allowances, the discount elements will not be considered for calculating the dismiss welfare.

### 23. Estimated liabilities

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

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

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

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

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

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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 wills inflow to the Company, if the income can be measure accountability, than use-right income of transfer assets recognized.

### **25. Government subsidies**

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

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

### **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.



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

### 28. Income tax accounting

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

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

### 29. Segment information

Business segment was the major reporting form of the Company, which divided into 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

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estimation changes.

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

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

If the management amends the gross profit margin and discount rate adopted in calculation of future cash flow of assets and assets group and the amended gross profit margin is lower than the currently adopted one or the amended discount rate is higher than the currently adopted one, the Company needs to increase provision of impairment provision. If the actual gross profit margin is higher (or the discount rate is lower) than the estimation of management, the Company 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

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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;

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

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

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

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

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

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

## V. Taxation

### 1. Major taxes (expenses) and tax rates

Tax(expenses)	Tax base	Tax rate
VAT	Income from sales of goods, processing, primary agricultural products, tangible movable property leasing and real estate leasing	17%, 13%, 11%, 6% or 5% charge rate
Business tax	Rental income and off-price expense (Switched to VAT on May 1)	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%
House Property Tax	Original Book value of house property $\times$ (1-30%) or annual rent income	1.2% or 12%
Land use tax	Actual land area used	RMB 2.5/M <sup>2</sup> to RMB 15 /M <sup>2</sup>

### 2. Preferential tax and approval documents

The Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company were

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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, 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

The subsidiary Mianyang Meiling Refrigeration Company Limited obtained the approval (CJXCYPH(2014)408) from the Economic and Information Commission of Sichuan province on 9 May 2014, which indicated that the Company belonged to encouraging industries as set out under the Industrial Structure Adjustment Guideline Catalogue as amended in 2011 (GJFGW No.21). It is entitled to the preferential EIT as an enterprise of the West Development planning. Upon necessary filing with the tax authorities, the Company has been subject to the income tax rate of 15% since 2014 for a term of seven years.

## **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, 2016; “period-end” refers to Jun. 30, 2016; “the period” refers to Jan. 1 to Jun. 30, 2016; “the same period of last year” refers to Jan. 1 to Jun. 30, 2015; the currency is RMB.

### **1. Monetary fund**

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Item	Ending balance	Balance at year-begin
Cash	60,482.76	46,496.63
Bank deposit	3,877,671,618.65	2,043,331,029.26
Other Monetary fund	259,266,020.21	91,812,353.26
<b>Total</b>	<b>4,136,998,121.62</b>	<b>2,135,189,879.15</b>
Including: total amount deposited in overseas	1,230,174.50	3,650,516.73

Other monetary fund:

Item	Ending balance
Bank acceptance deposits	97,385,468.03
Account of foreign currency for verification	39,727,837.71
Current deposit for the bank notes pool	115,776,832.46
UnionPay online	3,009,683.92
Taobao account	3,359,551.38
Tenpay	6,646.71
<b>Total</b>	<b>259,266,020.21</b>

The amount saving in Sichuan Changhong Group Finance Co., Ltd. (Changhong Finance Company) at period-end converted as RMB 1,961,248,737.41.

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

2. Financial assets measured by fair value and reckoned into current gains/losses with their changes

Item	Ending amount	Amount at year-begin
Tradable financial assets	2,340,308.20	-
Including: Derivative financial assets	2,340,308.20	-
Other		
<b>Total</b>	<b>2,340,308.20</b>	<b>-</b>

3. Notes receivable

(1) Category of notes receivable

Item	Ending balance	Balance at year-begin
Bank acceptance bill	1,318,714,498.00	1,286,319,058.59
Trade acceptance	312,921,539.26	13,624.15
<b>Total</b>	<b>1,631,636,037.26</b>	<b>1,286,332,682.74</b>

(2) Notes receivable mortgaged by end of the period

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Item	Amount mortgaged by end of the period
Bank acceptance bill	424,908,045.67

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

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

Item	Termination confirmation amount at period-end	No termination confirmation amount at period-end
Bank acceptance bill	2,940,039,752.42	

(4) No notes transfer to account receivable due to the failure implementation from drawer at period-end.

### 4. Accounts receivable

(1) Account receivable by category

Category	Ending amount				Book value
	Book balance		Bad debt provision		
	Amount	Percent age	Amount	Percent age	
Significant account receivable and withdrawal bad debt provision single					
Account receivable withdrawal bad debt provision by combination					
Combination 1	1,552,436,800.30	75.84%	83,794,083.92	5.40%	1,468,642,716.38
Combination 2	479,466,301.28	23.42%	-	-	479,466,301.28
Subtotal of combination	2,031,903,101.58	99.26%	83,794,083.92	4.12%	1,948,109,017.66
Account receivable with single minor amount but withdrawal bad debt provision singly	15,165,847.30	0.74%	13,223,980.15	87.20%	1,941,867.15
<b>Total</b>	<b>2,047,068,948.88</b>	<b>100.00%</b>	<b>97,018,064.07</b>	<b>4.74%</b>	<b>1,950,050,884.81</b>

(Continued)

Category	Amount at year-begin				Book value
	Book balance		Bad debt provision		
	Amount	Percent age	Amount	Percent age	
Significant account receivable and withdrawal bad debt provision single					
Account receivable withdrawal bad debt					

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provision by combination					
Combination 1	899,278,954.60	64.20%	50,987,076.18	5.67%	848,291,878.42
Combination 2	488,135,576.26	34.85%	-	-	488,135,576.26
Subtotal of combination	1,387,414,530.86	99.05%	50,987,076.18	3.67%	1,336,427,454.68
Account receivable with single minor amount but withdrawal bad debt provision singly	13,315,915.98	0.95%	11,347,048.83	85.21%	1,968,867.15
<b>Total</b>	<b>1,400,730,446.84</b>	<b>100.00%</b>	<b>62,334,125.01</b>	<b>4.45%</b>	<b>1,338,396,321.83</b>

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

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

Age	Ending balance		
	Account receivable	Bad debt provision	Provision proportion
Within 1 year	1,534,579,385.97	76,728,969.30	5.00%
1-2 years	891,251,421	1,336,877.13	15.00%
2-3 years	4,873,790.67	1,705,826.73	35.00%
3-4 years	82,560.77	45,408.42	55.00%
4-5 years	76,975.62	65,429.28	85.00%
Over 5 years	3,911,573.06	3,911,573.06	100.00%
<b>Total</b>	<b>1,552,436,800.30</b>	<b>83,794,083.92</b>	

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

Combination	Book balance
Account connect with related parties	420,628,311.59
Letter of Credit	58,837,989.69
<b>Total</b>	<b>479,466,301.28</b>

4) At period-end 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, 8 clients involved.

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

New accrual bad debt in the year amounting to RMB 34,683,939.06; No trade receivables written-off in previous year was recovered this year.

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

In the Year, balance at period-end of top five receivables collected by arrears party amounting to RMB 1,009,115,461.71 in total, accounted for 49.30% of the receivables at balance of the period-end, the bad debt provision accrual correspondingly amounting to RMB 33,285,764.48 at period-end balance.

5. Accounts paid in advance

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

Item	Ending amount		Amount at year-begin	
	Amount	Percentage	Amount	Percentage
Within 1 year	78,433,787.32	96.87%	66,062,097.51	97.09%
1—2 years	1,925,949.18	2.38%	1,427,195.93	2.10%
2—3 years	94,060.80	0.12%	84,878.71	0.12%
Over 3 years	512,866.29	0.63%	467,648.58	0.69%
<b>Total</b>	<b>80,966,663.59</b>	<b>100.00%</b>	<b>68,041,820.73</b>	<b>100.00%</b>

Top 5 of account paid in advance in balance at period-end amounting to RMB 57,814,142.97, accounted for 71.40% of the account.

### 6. Interest receivable

Item	Ending balance	Balance at year-begin
Deposit interest receivable	1,896,655.82	1,238,199.65

### 7. Other accounts receivable

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

Category	Ending amount				Book value
	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	6,957,359.63	16.36%	2,292,921.65	32.96%	4,664,437.98
Combination 2	35,305,969.27	83.01%	-	-	35,305,969.27
Subtotal of combination	42,263,328.90	99.37%	2,292,921.65	5.43%	39,970,407.25
Other account receivable with single minor amount but withdrawal bad debt provision singly	267,932.63	0.63%	267,932.63	100.00%	-
<b>Total</b>	<b>42,531,261.53</b>	<b>100.00%</b>	<b>2,560,854.28</b>	<b>6.02%</b>	<b>39,970,407.25</b>

(Continued)

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



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	Amount	Percentage	Amount	Percent age	
Significant other account receivable and withdrawal bad debt provision single					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	9,229,628.47	21.24%	3,691,780.99	40.00%	5,537,847.48
Combination 2	33,956,987.82	78.14%	-	-	33,956,987.82
Subtotal of combination	43,186,616.29	99.38%	3,691,780.99	8.55%	39,494,835.30
Other account receivable with single minor amount but withdrawal bad debt provision singly	267,932.63	0.62%	267,932.63	100.00%	-
<b>Total</b>	<b>43,454,548.92</b>	<b>100.00%</b>	<b>3,959,713.62</b>	<b>9.11%</b>	<b>39,494,835.30</b>

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

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

Age	Ending balance		
	Account receivable	Bad debt provision	Provision proportion
Within 1 year	2,899,785.21	144,989.26	5.00%
1-2 years	1,178,164.74	176,724.71	15.00%
2-3 years	698,700.00	244,545.00	35.00%
3-4 years	790,000.00	434,500.00	55.00%
4-5 years	656,980.00	558,433.00	85.00%
Over 5 years	733,729.68	733,729.68	100.00%
<b>Total</b>	<b>6,957,359.63</b>	<b>2,292,921.65</b>	—

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

Combination	Book balance
Contact with related party	268,074.38
Employee's reserve loans	18,502,561.49
Export tax rebate receivable	16,535,333.40
<b>Total</b>	<b>35,305,969.27</b>

4) At period-end 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 other receivables.

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

Releasing bad-bebt provision in the Year amounting to RMB 1,398,859.34; bad debt recoverd the original verification was RMB 6,000.00 in the year.

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From 1 January 2016 to 30 June 2016

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(3) No actual verification of other receivables in the year

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

Nature	Book balance at period-end	Book balance at year-begin
Non-consolidated related party	16,535,333.40	20,269,116.73
Employee's reserve loans	18,502,561.49	12,957,099.30
Deposit	4,343,749.87	3,918,959.87
Other	1,481,188.18	5,438,195.23
Advance money temporary	1,400,354.21	140,406.00
Non-related party account	268,074.38	730,771.79
<b>Total</b>	<b>42,531,261.53</b>	<b>43,454,548.92</b>

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

Name	Nature of account	Balance at period-end	Bookage	Proportion in total other receivables at period-end	Bad Balance at period-end of debt provision
Tax bureau of Hefei	Export tax rebate	16,535,333.40	Within 1 year	38.88%	-
Huang Zhigang	Asset disposal	1,350,000.00	Within 1 year	3.17%	67,500.00
Jiang Lin	Employees deposit	1,177,451.65	Within 1 year	2.77%	-
Li Miao	Employees deposit	966,908.46	Within 1 year	2.27%	-
Liu Xifeng	Employees deposit	933,308.51	Within 1 year	2.19%	-
<b>Total</b>		<b>20,963,002.02</b>		<b>49.28%</b>	<b>67,500.00</b>

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

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

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

## 8. Inventories

(1) Classification of inventories

Item	Amount at period-end		
	Bookbalance	Impairment provision	Book value
Raw materials	148,779,299.84	1,413,340.97	147,365,958.87
Stock commodities	1,299,063,574.01	70,756,879.62	1,228,306,694.39

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Item	Amount at period-end		
	Book balance	Impairment provision	Book value
Low value consumable articles	11,897,317.81	-	11,897,317.81
Goods in transit	140,873,127.33	87,047.65	140,786,079.68
Goods-in-process	19,161,409.06	-	19,161,409.06
Deferred expense for moulds	43,852,951.03	-	43,852,951.03
<b>Total</b>	<b>1,663,627,679.08</b>	<b>72,257,268.24</b>	<b>1,591,370,410.84</b>

(Continued)

Item	Amount at year-begin		
	Book balance	Impairment provision	Book value
Raw materials	142,734,356.80	1,427,876.25	141,306,480.55
Stock commodities	1,290,558,995.85	79,430,353.78	1,211,128,642.07
Low value consumable articles	11,776,746.58	-	11,776,746.58
Goods in transit	113,686,853.24	177,014.68	113,509,838.56
Goods-in-process	19,621,573.80	-	19,621,573.80
Deferred expense for moulds	57,602,927.95	-	57,602,927.95
<b>Total</b>	<b>1,635,981,454.22</b>	<b>81,035,244.71</b>	<b>1,554,946,209.51</b>

(2) Inventory falling price reserves

Item	Amount at year-begin	Increased in the year	Decreased in the year		Amount at period-end
			Switch-back	Other switch-out	
Raw materials	1,427,876.25	-14,535.28		-	1,413,340.97
Stock commodities	79,430,353.78	3,272,286.38		11,945,760.54	70,756,879.62
Goods in transit	177,014.68	134,451.37		224,418.40	87,047.65
<b>Total</b>	<b>81,035,244.71</b>	<b>3,392,202.47</b>	<b>-</b>	<b>12,170,178.94</b>	<b>72,257,268.24</b>

9. Other current assets

Item	Balance at period-end	Balance at year-begin	Nature
Financial products	-	500,000,000.00	Bank financial products
Value-added tax to be deducted	16,107,461.56	12,862,817.57	Reclassify of value-added tax to be deducted
Advance payment of income tax	14,332,658.84	24,200,227.82	Reclassify of advance payment of income tax

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Item	Balance at period-end	Balance at year-begin	Nature
Advance payment of business tax	-	2,038,533.05	Reclassify of advance payment of business tax
<b>Total</b>	<b>30,440,120.40</b>	<b>539,101,578.44</b>	

### 10. Finance asset available for sales

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

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

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

Invested Unit	Year-begin	Increase in the year	Decrease in the year	Period-end	Holding proportion in invested unit	Cash dividend for the year
Huishang Bank Co., Ltd.	5,000,000.00			5,000,000.00	0.0972%	
Sichuan Hongyun New it Investment Fund	12,000,000.00			12,000,000.00	16.00%	
<b>Total</b>	<b>17,000,000.00</b>			<b>17,000,000.00</b>		

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

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### 11. Long-term equity investment

Invested Unit	Balance at year-begin	Change in the year								Balance at period-end	Impairment reserve balance at period-end
		Additional investment	Disinvestment	Investment profit and loss confirmed by equity method	Other comprehensive income adjustment	Other changes of equity	Declaration of cash dividends or profits	Provision for impairment	Other		
<b>Associated companies</b>											
1. Changhong Ruba Electric Company (Private) Ltd.	29,713,680.32			-534,486.95	808,869.62					29,988,062.99	
2. Hefei Xingmei Assets Management Co., Ltd.	12,846,069.09			-56,019.64						12,790,049.45	
3. Sichuan Zhiyijia Network Technology Co., Ltd.	4,813,098.30			2,322,881.18						7,135,979.48	
4. Hengyuan Dineng Rebao Technology Company Limited	4,045,502.68	4,900,000.00		-2,196,252.31						6,749,250.37	
5. Sichuan Tianyou Guigu Technology Co., Ltd.	22,821,196.62			-682,887.61						22,138,309.01	
<b>Total</b>	<b>74,239,547.01</b>	<b>4,900,000.00</b>	<b>-</b>	<b>-1,146,765.33</b>	<b>808,869.62</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,801,651.30</b>	

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### 12. Investment properties

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

Item	Houses and buildings	Land use rights	Total
<b>I. Original book value</b>			
1. Balance at year-begin	23,142,172.83	916,691.38	24,058,864.21
2. Increased in the year			
3. Decreased in the year			
4. Balance at period-end	23,142,172.83	916,691.38	24,058,864.21
<b>II. Accumulated depreciation and accumulated amortization</b>			
1. Balance at year-begin	9,558,221.21	416,429.49	9,974,650.70
2. Increased in the year	385,106.79	19,184.28	404,291.07
(1) provision or amortization	385,106.79	19,184.28	404,291.07
3. Decreased in the year			
4. Balance at period-end	9,943,328.00	435,613.77	10,378,941.77
<b>III. Provision for impairment</b>			
<b>IV. Book value</b>			
<b>1. Book value at period-end</b>	13,198,844.83	481,077.61	13,679,922.44
<b>2. Book value at year-begin</b>	13,583,951.62	500,261.89	14,084,213.51

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

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

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

### 13. 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>	921,581,186.91	971,993,630.24	25,328,176.24	158,551,637.05	2,077,454,630.44
<b>2. Increased in the year</b>	4,820,694.03	44,386,481.23	431,163.31	6,995,260.43	56,633,599.00
(1) Purchase	2,649,436.80	964,638.32	382,494.03	2,510,554.97	6,507,124.12
(2) Construction in progress transfer-in	2,171,257.23	43,421,842.91	45,640.17	4,482,897.51	50,121,637.82
(3) Asset reclassification transfer-in					

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Item	Houses and buildings	Mechanical equipment	Transport equipment	Others equipment	Total
(4) Increase in exchange rate changes	-	-	3,029.11	1,807.95	4,837.06
<b>3. Decreased in the year</b>	2,120,084.24	17,059,770.22	1,039,474.58	1,948,561.85	22,167,840.89
(1) Dispose or retirement	2,120,084.24	17,059,770.22	1,039,474.58	1,948,561.85	22,167,840.89
(2) Transferred to construction in process					
(3) Asset reclassification decrease					
(4) Other decrease					
<b>4. Balance at period-end</b>	924,281,846.70	999,320,341.25	24,719,864.97	163,598,335.63	2,111,920,388.55
<b>II. Accumulated depreciation</b>					
<b>1. Balance at year-begin</b>	155,193,162.74	567,509,433.24	16,171,932.43	67,688,069.73	806,562,598.14
<b>2. Increased in the year</b>	15,150,575.24	46,939,329.31	1,054,758.01	6,326,323.91	69,470,986.47
(1) Provision	15,150,575.24	46,939,329.31	1,054,758.01	6,326,323.91	69,470,986.47
(2) Increase of enterprise merger					
<b>3. Decreased in the year</b>	390,894.34	14,900,364.64	967,609.41	652,856.81	16,911,725.20
(1) Dispose or retirement	390,894.34	14,900,364.64	967,609.41	652,856.81	16,911,725.20
(2) Transferred to construction in process					
(3) Asset reclassification decrease					
(4) Other decrease					
<b>4. Balance at period-end</b>	169,952,843.64	599,548,397.91	16,259,081.03	73,361,536.83	859,121,859.41
<b>III. Provision for impairment</b>					
<b>1. Balance at year-begin</b>	1,240,639.77	1,950,369.18	7,403.67	199,687.70	3,398,100.32
<b>2. Increased in the year</b>					
<b>3. Decreased in the year</b>	950,000.00	-	-	-	950,000.00
(1) Dispose or retirement	950,000.00	-	-	-	950,000.00
<b>4. Balance at period-end</b>	290,639.77	1,950,369.18	7,403.67	199,687.70	2,448,100.32
<b>IV. Book value</b>					
<b>1. Book value at period-end</b>	754,038,363.29	397,821,574.16	8,453,380.27	90,037,111.10	1,250,350,428.82
<b>2. Book value at year-begin</b>	765,147,384.40	402,533,827.82	9,148,840.14	90,663,879.62	1,267,493,931.98

(2) No fixed assets temporary idle at period-end.

(3) No fixed assets for collateral at period-end.

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(4) No fixed assets leased through operating lease at period-end.

(5) No fixed assets leased through operating lease at period-end.

Item	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	251,274.95	191,388.94		59,886.01
Transport equipment	197,640.00	187,758.00		9,882.00
Other equipment	38,098,356.52	9,254,329.98		28,844,026.54
<b>Total</b>	<b>38,547,271.47</b>	<b>9,633,476.92</b>	-	<b>28,913,794.55</b>

Other equipments leased under operating lease refer to the air conditioners leased out by Changhong Air Conditioner to university dormitories. According to the contract, 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)

Item	Book value	Reason of not complete the property certificate
Inspection room of 7# freezer plant	223,872.47	In procedure
II canteen of living area	25,021,910.92	In procedure
Hot water room of living area	2,814,405.68	In procedure
7#Freezer Plant	29,259,521.05	In procedure
8#Freezer Plant	29,441,416.42	In procedure
9#Freezer Plant	32,849,729.61	In procedure
Freezer salvage station	294,135.84	In procedure
Freezer subsidiary station	3,505,962.36	In procedure
3#Big refrigerator Plant	83,278,185.37	In procedure
3#Big refrigerator finished-goods Plant	44,594,678.28	In procedure
Canteen	2,158,803.07	In procedure
3# makeshift shelter	4,819,035.29	In procedure
4# makeshift shelter	5,650,638.18	In procedure
5# makeshift shelter	4,353,504.13	In procedure
6# building for cadres	7,562,846.94	In procedure
7# building for cadres	6,957,084.78	In procedure



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8# makeshift shelter	4,386,176.83	In procedure
<b>Total</b>	<b>287,171,907.22</b>	

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

### 14. Construction in progress

#### (1) Details of construction in progress

Item	Amount at period-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Phase II of industry park capacity expansion	2,099,680.58		2,099,680.58	1,996,064.77		1,996,064.77
Construction project of Phase II for matching life district of Industrial Park	-		-	1,325,050.00		1,325,050.00
Project of mid-large volume environment icebox production annual output for 0.6 million	-		-	540,601.71		540,601.71
Relocation and capacity expansion project of Zhongke Meiling	28,258,911.67		28,258,911.67	4,420,650.01		4,420,650.01
Capacity expansion of energy-saving and environmental refrigerator with annual output of 2 millions sets	36,085.47		36,085.47	36,085.47		36,085.47
Equipments pending for installation	2,689,663.29		2,689,663.29	4,033,590.36		4,033,590.36
Laboratory reconstruction of water cooled chiller and water source heat pump unit	-		-	1,597,191.46		1,597,191.46
Phase 1 VISA laboratory	-		-	4,692,307.69		4,692,307.69
KA line	2,429,229.95		2,429,229.95	1,279,229.95		1,279,229.95
Comprehensive promotion of non shrink tube expander	87,220.00		87,220.00	7,725,638.80		7,725,638.80
Central air conditioning relocation and Capacity Upgrading Project	1,092,360.60		1,092,360.60	1,092,360.60		1,092,360.60
R290 line transformation	11,372,942.18		11,372,942.18	9,920,126.79		9,920,126.79
The new purchase of evaporator with 6.35 C production line	547,008.54		547,008.54	2,764,217.07		2,764,217.07
C line small refrigerator production and transformation projects	-		-	2,319,042.81		2,319,042.81

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Item	Amount at period-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
The freezer front-end equipment capacity expansion project	1,515,940.18		1,515,940.18	2,332,760.65	-	2,332,760.65
M line transformation capacity upgrade project	10,170,175.27		10,170,175.27	2,944,802.39	-	2,944,802.39
Project of Jiangxi Meiling's squeeze board line removal	593,777.99		593,777.99		-	
Other miscellaneous items	6,925,581.99		6,925,581.99	7,485,160.46	-	7,485,160.46
<b>Total</b>	<b>67,818,577.71</b>		<b>67,818,577.71</b>	<b>56,504,880.99</b>		<b>56,504,880.99</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 period-end	Source of funds
Relocation and capacity expansion project of Zhongke Meiling	4,420,650.01	23,838,261.66			28,258,911.67	Self-raised
Phase II construction project of Meiling tech industrial park living area	1,325,050.00		1,325,050.00		-	Self-raised
Project of mid-large volume environment icebox production annual output for 0.6 million	540,601.71		540,601.71		-	Self-raised

(Continued)

Projects	Budget (in 10 thousand yuan)	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year
Relocation and capacity expansion project of Zhongke Meiling	11,354.04	24.89%	19%			
Phase II construction project of	4,859.00	93.79%	100%			

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Meilingtech industrial park living area						
Project of mid-large volume environment icebox production annual output for 0.6 million	6,679.00	88.17%	100%			

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

### 15. Disposal of fixed assets

Item	Ending amount	Amount at year-begin	Reasons for disposal transferred
Relevant assets disposal for reserved lands	75,788,138.47	75,773,138.47	Relocation for land reserve

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

### 16. Intangible assets

(1) According to intangible assets item

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Item	Land use right	Trademark special right	Non-patent technology	Other	Total
<b>I.Original book value</b>					
1.Balance at year-begin	621,593,887.18	283,292,439.34	125,275,031.23	12,406.87	1,030,173,764.62
2.Increased in the year			31,129,531.30	149,292.45	31,278,823.75
3.Decreased in the year					
4.Balance at period-end	621,593,887.18	283,292,439.34	156,404,562.53	161,699.32	1,061,452,588.37
<b>II.Accumulated depreciation</b>					
1.Balance at year-begin	104,809,120.83	267,076,417.49	64,838,113.89	413.56	436,724,065.77
2.Increased in the year	6,500,848.44	1,941,443.40	10,958,792.09	16,169.94	19,417,253.87
(1) Provision	6,500,848.44	1,941,443.40	10,958,792.09	16,169.94	19,417,253.87
3. Decreased in the year					
4. Balance at period-end	111,309,969.27	269,017,860.89	75,796,905.98	16,583.50	456,141,319.64
<b>III. Provision for impairment</b>					
<b>IV. Book value</b>					
<b>1.Book value at period-end</b>	510,283,917.91	14,274,578.45	80,607,656.55	145,115.82	605,311,268.73
<b>2.Book value at year-begin</b>	516,784,766.35	16,216,021.85	60,436,917.34	11,993.31	593,449,698.85

As of the period-end, 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	20,439,947.72	See Note 32. Long-term loans

### 17. Development expense

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Item	Balance at year-begin	Increase during the year		Decrease during the year			Ending balance
		Internal development expenditure	other	Included in current profits and losses	Confirmed as intangible assets	Other	
Technology development for Air-conditioner	50,919,386.00	23,555,738.77	-	1,762,426.90	28,482,550.00	-	44,230,147.87
Technology development for refrigerator	2,397,040.54	8,489,274.83	-	-	2,646,981.30	-	8,239,334.07
Technology development for others	28,401.18	455,131.33	-	-	-	-	483,532.51
<b>Total</b>	<b>53,344,827.72</b>	<b>32,500,144.93</b>	<b>-</b>	<b>1,762,426.90</b>	<b>31,129,531.30</b>	<b>-</b>	<b>52,953,014.45</b>

### 18. Goodwill

#### (1) Original value of goodwill

Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Ending balance
		Formation from enterprise merger	Other	Formation from enterprise merger	Other	
Hefei Meiling Group Holding Co., Ltd.	10,922,803.73					10,922,803.73
Guangxi Huidian Household Electrics Co., Ltd	5,313,913.50					5,313,913.50
<b>Total</b>	<b>16,236,717.23</b>					<b>16,236,717.23</b>

#### (2) Impairment provision of goodwill

Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Ending balance
		Provision	Other	Provision	Other	
Hefei Meiling Group Holding Co., Ltd.	10,922,803.73					10,922,803.73
Guangxi Huidian Household Electrics	5,313,913.50					5,313,913.50

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Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Ending balance
		Provision	Other	Provision	Other	
Co., Ltd						
<b>Total</b>	<b>16,236,717.23</b>					<b>16,236,717.23</b>

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

#### (1) Deferred income tax assets

Item	Ending balance		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	127,559,491.79	19,498,110.66	110,979,461.54	16,646,919.23
Deferred income tax assets recognized from accrual liability	333,689,789.42	50,053,468.41	338,125,014.55	50,718,752.18
Deferred income tax assets recognized from Dismission welfare	36,764,268.61	5,514,640.29	45,269,999.29	6,790,499.89
Deferred income tax assets recognized from deferred income	54,575,742.18	8,186,361.33	28,526,710.37	4,279,006.56
Deferred income tax assets recognized from changes in the fair value	1,278,570.21	191,785.53	-	-
<b>Total</b>	<b>553,867,862.21</b>	<b>83,444,366.22</b>	<b>522,901,185.75</b>	<b>78,435,177.86</b>

The “Deferred income tax assets recognized from changes in the fair value” at period-end is the net amount resulted from offsetting between deferred income tax assets and deferred income liabilities

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

Item	Ending balance	Balance at year-begin
Deductible temporary difference	46,004,111.56	33,825,285.91
Deductible loss	317,189,143.50	381,710,616.21
<b>Total</b>	<b>363,193,255.06</b>	<b>415,535,902.12</b>

### 20. Other non-current assets

Item	Ending balance	Balance at year-begin
Term deposit for pledge	45,158,472.00	44,221,416.00

### 21. Short-term loans

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

Type of loans	Ending balance	Balance at year-begin
Loan in pledge	-	24,268,373.19
Loan in credit	718,762,164.03	34,411,720.00
<b>Total</b>	<b>718,762,164.03</b>	<b>58,680,093.19</b>

New loans in the Period:

1) The Company signed the Export Commercial Invoice Financing Business Cooperation Agreement (JHL SP2015-04) with the Construction Bank of China Hefei Luyang Branch. It was agreed that export commercial invoice financing facilities shall not exceed RMB170 million with the term from 14 October 2015 to 22 July 2016. As of 30 June 2016, the balance of borrowing under this credit facilities was €6,200,000.00, equivalent of RMB 45,725,000.00.

2) The Company entered into Trading Financing Comprehensive Credit Agreement with China Everbright Bank Hefei Branch, which specified that the total trading financing facilities shall not exceed RMB300 million. On 28 August 2015, Trading Financing Comprehensive Credit Agreement (2015MMLH) was executed for issuance of import letter of credit business, import negotiation, export negotiation business, discounting business under forward letter of credit as well as performance guarantee business. As of 30 June 2016, the total balance of the borrowings under this credit agreement was €8,000,000.00, equivalent to RMB 59,000,000.00.

3) The Company entered into an Agreement on Trade Financing (TF) [Serial No.: 2016-008] with Hefei Jinzai Road Branch of Agricultural Bank of China, the Agreement stands from 1 Jan. 2016 to 31 Dec. 2016. The borrowing balance corresponding to the Agreement up to 30 June 2016 was US\$ 15,410,000.00, equivalent to RMB 102,186,792.00.

4) The Company entered into a Cooperation Agreement on Cross-Border Funded Risk Participation of CBC with Hefei Luyang Branch of Construction Bank of China, the Agreement stands from 27 May 2016 to 23 November 2016. The borrowing balance corresponding to the Agreement up to 30 June 2016 was US\$ 7,500,000.00, equivalent to RMB 49,734,000.00.

5) The Company entered into an Export Accounts Receivable Pool Financing Business Contract [Serial No.: HF1640620150056] with Hefei Branch of Hua Xia Bank. The borrowing balance corresponding to the Contract up to 30 June 2016 was US\$ 15,661,414.53, equivalent to RMB 103,853,972.03.

6) The Company entered into a TF Master Agreement with Hefei Branch of CMSB, total amount for trade financing agreed up to Two Hundred Million Yuan. The borrowing balance corresponding to the Agreement up to 30 June 2016 was US\$ 2,000,000.00, equivalent to RMB 13,262,400.00.

7) The Company entered into a General Agreement of Export Order Financing with Hefei Changjian Road (E) Branch of ICBC. The borrowing balance corresponding to the Agreement up to 30 June 2016 was RMB 45,000,000.00.

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8) The Company entered into an Export TF Contract with Hefei Branch of Bank of Communications, total amount for export trade financing agreed up to Three Hundred Million Yuan. The borrowing balance corresponding to the Contract up to 30 June 2016 was RMB 300,000,000.00.

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

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

Item	Ending balance	Balance at year-begin
Derivative financial liabilities	3,618,878.41	-
<b>Total</b>	<b>3,618,878.41</b>	<b>-</b>

### 23. Notes payable

Type	Ending balance	Balance at year-begin
Bank acceptance bill	2,716,301,619.00	2,154,377,903.42
Commercial acceptance bill	117,940,976.61	17,687,020.37
<b>Total</b>	<b>2,834,242,595.61</b>	<b>2,172,064,923.79</b>

Notes expired at period-end without paid.

### 24. Account payable

(1) Age of account payable

Item	Ending balance	Balance at year-begin
<b>Total</b>	<b>2,340,133,319.01</b>	<b>1,604,075,191.50</b>
Including: over 1 year	45,356,636.58	35,963,023.64

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

### 25. Account payable

(1) Age of account payable

Item	Ending balance	Balance at year-begin
<b>Total</b>	<b>305,437,199.80</b>	<b>295,604,800.16</b>
Including: over 1 year	12,137,577.52	17,816,277.00

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

### 26. Wages payable

(1) Types of wages payable



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Item	Balance at year-begin	Increase in this year	Decrease in this year	Ending balance
Short-term compensation	104,153,335.66	512,560,179.35	548,617,351.81	68,096,163.20
After-service welfare- defined contribution plans	4,085,558.31	39,437,837.43	39,301,116.22	4,222,279.52
Dismiss welfare	7,058,535.43	3,195,294.54	4,344,751.64	5,909,078.33
<b>Total</b>	<b>115,297,429.40</b>	<b>555,193,311.32</b>	<b>592,263,219.67</b>	<b>78,227,521.05</b>

### (2) Short-term compensation

Item	Balance at year-begin	Increase in this year	Decrease in this year	Ending balance
Wages, bonuses, allowances and subsidies	94,179,244.88	454,206,750.12	489,667,571.18	58,718,423.82
Welfare for workers and staff	105,706.00	19,321,765.96	19,340,473.43	86,998.53
Social insurance	2,358,874.25	16,716,480.74	16,813,121.29	2,262,233.70
Including: Medical insurance	2,196,322.88	14,167,984.92	14,257,781.84	2,106,525.96
Work injury insurance	79,480.84	1,292,675.70	1,318,574.37	53,582.17
Maternity insurance	83,070.53	1,255,820.12	1,236,765.08	102,125.57
Housing accumulation fund	6,032,414.92	21,678,925.47	22,134,303.03	5,577,037.36
Labor union expenditure and personnel education expense	1,477,095.61	636,257.06	661,882.88	1,451,469.79
<b>Total</b>	<b>104,153,335.66</b>	<b>512,560,179.35</b>	<b>548,617,351.81</b>	<b>68,096,163.20</b>

### (3) Defined contribution plans

Item	Balance at year-begin	Increase in this year	Decrease in this year	Ending balance
Basic endowment insurance	3,186,528.80	36,697,464.48	36,618,194.61	3,265,798.67
Unemployment insurance	899,029.51	2,740,372.95	2,682,921.61	956,480.85
<b>Total</b>	<b>4,085,558.31</b>	<b>39,437,837.43</b>	<b>39,301,116.22</b>	<b>4,222,279.52</b>

The Company withdrew the outstanding salary, bonus and subsidy from the closing balance of staff salary payables which were granted in the Period.

### 27. Tax payable

Item	Ending balance	Balance at year-begin
Value-added tax	131,792,428.52	36,732,243.37
Business tax	49,694.05	345,276.14
Enterprise income tax	3,115,987.88	506,399.61
Individual income tax	2,431,831.84	1,807,299.13

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Item	Ending balance	Balance at year-begin
Urban maintenance and construction tax	13,025,293.50	4,102,776.80
House property tax	5,103,702.14	5,722,887.03
Land-use right tax	4,746,706.15	4,688,835.65
Educational surtax	9,330,628.60	2,917,920.88
Stamp tax	914,794.00	2,012,329.38
Construction fund of Water Conservancy Projects	478,896.95	496,683.41
Treatment fund for abandon electric & electronics products	15,748,166.00	9,140,895.00
Other	2,092,478.23	2,056,937.14
<b>Total</b>	<b>188,830,607.86</b>	<b>70,530,483.54</b>

Tax payable at period-end increased over beginning of the year mainly because during the peak season, payable VAT increased over that of year-begin.

## 28. Interest payable

## (1) Classification of interest payable

Item	Ending balance	Balance at year-begin
Interest on long-term loans of installment payment	35,547.83	214,328.89

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

## 29. Dividends payable

Item	Ending balance	Balance at year-begin
City Insurance company	376,729.65	302,954.85
Hefei Branch of BOC	188,364.80	151,477.40
Hefei collective industry association	188,364.52	151,477.18
BOC-Fullgoal Tianyi Securities Investmen Fund	153,697.50	153,697.50
Entrust Investment Wuhu of Provincial ABC	150,691.86	121,181.94
Other piecemeal units	1,487,952.90	1,319,711.04
<b>Total</b>	<b>2,545,801.23</b>	<b>2,200,499.91</b>

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

## 30. Other payable

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

Nature of account	Ending balance	Balance at year-begin
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Nature of account	Ending balance	Balance at year-begin
1. Accrued expenses (expenses occurred without reimbursed)	833,862,522.66	510,133,656.28
2. Receivables received temporary and deducted temporary	14,337,908.79	10,538,181.53
3. Deposit, margin	83,721,396.26	76,195,308.46
4. Not the come-and-go with related parties in statement scope	6,697,108.06	7,472,243.44
5. Other	32,115,294.44	39,227,697.62
<b>Total</b>	<b>970,734,230.21</b>	<b>643,567,087.33</b>

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

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

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

Item	Ending balance	Balance at year-begin
Long term loans due within one year	250,000,000.00	-
Deferred income transfer to gains and losses within one year	11,130,799.00	11,153,067.68
<b>Total</b>	<b>261,130,799.00</b>	<b>11,153,067.68</b>

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

Item of government subsidies	Amount at year-begin	Subsidy increase during this period	Amount reckoned into non-operation revenue in the Period	Other changes	Ending balance	Assets-related/Income-related
Demolition compensation of Jiangxi Meiling	1,797,880.32		898,940.16	898,940.16	1,797,880.32	Assets-related
Demolition compensation of Hefei Meiling	2,467,003.32		1,226,476.44	1,204,207.68	2,444,734.56	Assets-related
technical reform for Athena Project	4,286,250.00		2,143,125.00	2,143,125.00	4,286,250.00	Assets-related
Freezer project of Hefei Meiling	734,062.44		367,031.25	367,031.33	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

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Item of government subsidies	Amount at year-begin	Subsidy increase during this period	Amount reckoned into non-operation revenue in the Period	Other changes	Ending balance	Assets-related/Income-related
Adaptability improvement R290D52/13-R290 project for production of FTXS	167,871.60		83,935.80	83,935.80	167,871.60	Assets-related
<b>Total</b>	<b>11,153,067.68</b>		<b>4,719,508.65</b>	<b>4,697,239.97</b>	<b>11,130,799.00</b>	

### 32. Long-term loans

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

Type	Ending Amount	Amount at year-begin
Loan in pledge	44,588,188.80	43,662,966.40
Loan in mortgage	3,200,000.00	3,840,000.00
Loan in credit	2,501,900.00	195,501,900.00
<b>Total</b>	<b>50,290,088.80</b>	<b>243,004,866.40</b>

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

Loan unit	Borrowing day	Returning day	Foreign currency	Interest rate	Amount at period-end (RMB)	Amount at year-begin (RMB)
Zhongshan Branch of China Guangfa Bank <sup>Note1</sup>	2014-12-24	2017-12-24	USD	3.20%	11,936,160.00	11,688,480.00
Zhongshan Branch of China Guangfa Bank <sup>Note2</sup>	2015-1-6	2018-1-6	USD	3.20%	32,652,028.80	31,974,486.40
Ministry of Finance of Hefei <sup>Note3</sup>	2002-11-21	2017-11-20	RMB	1.80%	1,301,900.00	1,301,900.00
Ministry of Finance of Hefei <sup>Note4</sup>	2004-12-10	2019-12-10	RMB	1.80%	1,200,000.00	1,200,000.00
Ministry of Finance of Hefei <sup>Note5</sup>	2006-11-9	2021-11-8	RMB	2.55%	3,200,000.00	3,840,000.00
Anhui branch Import and Export Bank <sup>Note6</sup>	2015-12-18	2017-4-18	RMB	2.65%	-	193,000,000.00
<b>Total</b>					<b>50,290,088.80</b>	<b>243,004,866.40</b>

Note1: On 24 December 2014, subsidiary Zhongshan Changhong 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. The loans are contributed for the joint venture project in Pakistan, which are Zhongshan Changhong Electrics and RUBA GENERAL TRADING FZE. This borrowing was secured by the fixed deposit of USD 1,820,000.00 saved by Zhongshan Changhong in China Guangfa Bank Zhongshan Branch.

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Note 2: on 6 January 2015, subsidiary Zhongshan Changhong entered into Middle and Long Term Foreign Currency Borrowing Contract with China Guangfa Bank Zhongshan Branch, which agreed that China Guangfa Bank Zhongshan Branch would provide loans of USD 4,924,000.00 to the Company to finance the joint venture project conducted by Zhongshan Changhong Appliances Co., Ltd and RUBA GENERAL TRADING FZE Company in Pakistan. This borrowing was secured by Zhongshan Changhong with the fixed deposits of USD 86, 000.00 and USD 4, 904,000.00 saved by it in China Guangfa Bank Zhongshan Branch, respectively.

Note 3: 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).

Note 4: 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.

Note 5: 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 (Annual rate will be determine by the Notice on Regular Payment for interest & principal of the Treasury Bond Fund Lending issued by Hefei Municipal Bureau of Finance). On 1 March 2013, according to the Letter Relating to Ceasing Process of Other Securities in respect of the Properties in Feidong Longgang Industrial Park of Hefei Meiling Co., Ltd. (HCJ(2006)No.85) issued by the finance office of Hefei, Meiling commenced the national purchase of its land parcels in Longgang in compliance with the land planning of Hefei municipal government, which required its properties in Longgang land parcel to be unrestricted. The real estate for mortgage lifted in 2006 of the Company with registration No. HGYJCZ No.0121 which was used as the security for treasury bonds lending capital (details were set out in Note VI.13). The Company repaid principal of RMB 640,000.00 and interest of RMB 97,900.00 in this year.

Note 6: on 18 December 2015, the Company and the Export-Import Bank Anhui Branch executed a Borrowing Contract (High-tech Products Export Seller Credit) which agreed that the Export-Import Bank Anhui Branch would grant to the Company loans with total facilities of RMB250 million. Utilization of this

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loan is subject to export of high-tech products only. The term of the loan is 16 months, and the interest rate is based on export seller credit rate. The long-term borrowings at period-end are re-classify to “Non-current liability due within one year” for presentation.

### 33. Long-term wage payable

Item	Ending balance	Balance at year-begin
Dismissal welfare	30,855,190.28	38,211,463.86
<b>Total</b>	<b>30,855,190.28</b>	<b>38,211,463.86</b>

### 34. Projected liability

Item	Ending balance	Balance at year-begin	Reason
Product quality guarantee	11,146,216.49	11,146,216.49	Guarantee of product
Guarantee fund for quality service	322,543,572.93	326,978,798.06	Guarantee of product
<b>Total</b>	<b>333,689,789.42</b>	<b>338,125,014.55</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.

### 35. Deferred income

#### (1) Classification of deferred income

Item	Ending amount	Amount at year-begin
Government subsidies---subsidies of development project	54,369,086.41	52,631,208.54
Government subsidies---subsidies of Relocation	78,072,325.24	80,259,410.00
<b>Total</b>	<b>132,441,411.65</b>	<b>132,890,618.54</b>

#### (2) Government subsidy

Item	Amount at year-begin	New subsidy in the Year	Amount reckoned into non-operating income	Other changes	Ending amount	Concerned with assets/earnings
Demolition compensation of Hefei Meiling	47,378,064.69			1,204,207.68	46,173,857.01	Assets concerned
technical reform for Athena Project	17,736,562.50			2,143,125.00	15,593,437.50	Assets concerned
Freezer project of Hefei	2,936,250.04			367,031.33	2,569,218.71	Assets

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Item	Amount at year-begin	New subsidy in the Year	Amount reckoned into non-operating income	Other changes	Ending amount	Concerned with assets/earnings
Meiling						concerned
Low temperature refrigeration equipment industrialization project	5,000,000.00				5,000,000.00	Assets concerned
Relocation of Mianyang Meiling production base	23,526,710.37		83,936.92		23,442,773.45	Assets concerned
Capital appropriated from the national treasury	2,950,000.00				2,950,000.00	Assets concerned
VISA research and application	10,100,000.00				10,100,000.00	Assets concerned
Development and production of the CHIQ AC	2,350,000.00				2,350,000.00	Assets concerned
Adaptability improvement R290/D52/13-R290 project for production of FTXS	7,258,396.00		-	83,935.80	7,174,460.20	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	9,354,634.94			898,940.16	8,455,694.78	Assets concerned
Research and application of frequency conversion control MCU chip	-	2,300,000.00			2,300,000.00	Assets concerned
Subsidy for air-conditioner of energy-saving house	-	31,970.00			31,970.00	Assets concerned
Research and industrialization of intelligent control system for indoor air quality	-	2,000,000.00			2,000,000.00	Assets concerned
Design and application of energy saving air conditioning duct	300,000.00				300,000.00	Assets concerned
<b>Total</b>	<b>132,890,618.54</b>	<b>4,331,970.00</b>	<b>83,936.92</b>	<b>4,697,239.97</b>	<b>132,441,411.65</b>	

### 36. Share capital

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

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Item	Balance at year-begin	Change during the year (+, -)					Balance at period-end
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
<b>Total shares</b>	<b>763,739,205.00</b>						<b>763,739,205.00</b>

### 37. Capital reserve

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at period-end
Share premium	1,481,014,545.23		99,962,053.64	1,381,052,491.59
Other capital reserve	48,169,810.90	3,451.80		48,173,262.70
<b>Total</b>	<b>1,529,184,356.13</b>	<b>3,451.80</b>	<b>99,962,053.64</b>	<b>1,429,225,754.29</b>

Decreases of the share premium in the Period, mainly because: in January 2016, Guangdong Changhong Ridian Technology Co., Ltd. was included in the consolidate statement scope for investment by the Company in way of enterprise combine under the same control. The statement at period-begin are re-presented in line with the rules.

### 38. Other comprehensive income

Item	Balance at year-begin	Account in the year					Balance at period-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	-2280500.61	2484848.72			1814457.07	670391.65	-466043.54

### 39. Surplus reserves



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Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at period-end
Statutory surplus reserve	251,459,292.02			251,459,292.02
Discretionary surplus reserve	115,607,702.16			115,607,702.16
<b>Total</b>	<b>367,066,994.18</b>			<b>367,066,994.18</b>

### 40. Retained profit

Item	This period	Last year
<b>Balance at period-end of last year</b>	<b>817,667,531.64</b>	835,453,313.49
Add: adjustment from undistributed profit at year-begin		8,143,561.37
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		8,143,561.37
<b>Balance at year-begin of the year</b>	<b>817,667,531.64</b>	<b>843,596,874.86</b>
Add: net profit attributable to shareholders of parent company for this year	109,992,701.28	27,104,897.12
Less: withdraw of statutory surplus reserve		7,209,888.04
withdraw of discretionary surplus reserve		
Withdraw of general risk provision		
Dividend payable for ordinary shares	45,824,352.27	45,824,352.30
Dividend of ordinary shares transferred to share capital		
<b>Balance at period-end</b>	<b>881,835,880.65</b>	<b>817,667,531.64</b>

### 41. Operating income and operating cost

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

Item	Amount for this period	Amount for the same period of last year
Main business income	6,635,243,672.98	6,303,928,575.41
Other business income	231,387,589.70	268,551,391.33
<b>Total</b>	<b>6,866,631,262.68</b>	<b>6,572,479,966.74</b>
Main business cost	5,226,428,116.77	4,976,932,459.27
Other business cost	206,033,570.33	236,560,244.26

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Item	Amount for this period	Amount for the same period of last year
<b>Total</b>	<b>5,432,461,687.10</b>	<b>5,213,492,703.53</b>

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

Product	Amount for this period		Amount for the same period of last year	
	Operation income	Operation cost	Operation income	Operation cost
Refrigerator, freezer	3,511,755,682.66	2,641,347,914.01	3,512,414,086.42	2,709,365,844.09
Air-condition	2,578,582,275.76	2,117,657,552.65	2,441,545,800.41	1,973,497,153.25
Washing machine	214,447,675.62	174,849,330.14	132,189,681.66	107,975,889.59
Other	330,458,038.94	292,573,319.97	217,779,006.92	186,093,572.34
<b>Total</b>	<b>6,635,243,672.98</b>	<b>5,226,428,116.77</b>	<b>6,303,928,575.41</b>	<b>4,976,932,459.27</b>

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

Region	Amount for this period		Amount for the same period of last year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic	4,999,875,111.36	3,763,161,367.63	4,992,074,159.04	3,784,976,069.38
Overseas	1,635,368,561.62	1,463,266,749.14	1,311,854,416.37	1,191,956,389.89
<b>Total</b>	<b>6,635,243,672.98</b>	<b>5,226,428,116.77</b>	<b>6,303,928,575.41</b>	<b>4,976,932,459.27</b>

Top five clients have income in sales of RMB 2,564,919,633.80 yuan in total, a 37.35% in total operation income.

### 42. Business tax and extra charges

Amount for this period	Amount for the same period of last year	Amount for this period
Business tax	354,041.11	381,847.10
City construction tax	19,899,317.46	10,690,695.68
Extra charge for education and local education surcharge	14,421,660.64	7,840,737.70
Treatment fund for abandon electrics & electronics	27,244,167.00	26,557,501.00
Other	222,391.26	252,185.17
<b>Total</b>	<b>62,141,577.47</b>	<b>45,722,966.65</b>

### 43. Sales expense

Item	Amount for this period	Amount for the same period of last year
Market support fee	267,473,422.40	165,821,875.39

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Salary and extra, social security	236,101,636.65	223,627,148.79
Transport expenses	207,605,016.03	225,384,243.39
Air conditioner installation fee	120,680,390.00	108,043,860.00
National three guarantees expense	82,896,108.22	82,731,870.82
Storage lease expenses	51,149,832.06	56,817,423.67
Advertisement expenses	29,181,669.39	22,028,522.55
Travelling expenses	14,924,457.13	15,666,868.56
Operation activities expenses	8,087,086.19	8,457,802.06
Meeting organization	6,235,033.36	4,856,614.75
House-lease expenses	5,521,119.25	3,924,534.55
Vehicle consumption	3,604,088.38	3,201,808.05
Depreciation expenses	2,999,300.47	2,563,349.22
Communication expenses	2,432,210.13	2,713,750.62
Exhibition cost	2,267,160.86	1,384,286.00
Other expenses	34,489,220.08	29,544,895.20
<b>Total</b>	<b>1,075,647,750.60</b>	<b>956,768,853.62</b>

### 44. Administration expense

Item	Amount for this period	Amount for the same period of last year
Salary and social security etc.	78,371,373.79	78,106,261.72
Trial fee of R&D	19,368,311.75	20,337,756.39
Amortized intangible assets	19,260,530.22	16,551,239.00
Tax fee	17,316,003.79	17,152,917.97
Depreciation fee	10,181,555.80	9,121,252.18
Inspection and authentication fee	4,684,054.78	4,009,588.95
Domestic travelling fee	4,132,225.03	4,268,082.81
Utilities	4,029,484.90	6,195,790.08
Business activities	3,906,395.17	2,710,602.39
Office charge	3,027,548.26	3,600,649.96
Property insurance	1,797,851.23	1,639,216.72
Others	27,205,090.02	33,590,628.04
<b>Total</b>	<b>193,280,424.74</b>	<b>197,283,986.21</b>

### 45. Financial expense

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Item	Amount for this period	Amount for the same period of last year
Interest expenditure	4,108,756.46	10,512,502.13
Less: Interest income	32,356,650.27	51,382,806.82
Add: exchange loss	-18,503,350.12	-5,757,556.52
Procedure charge expenditure	10,153,124.33	2,075,669.89
Discount expenditure	-3,102,122.56	-1,149,949.37
Other expenditure	900.00	26,068.11
<b>Total</b>	<b>-39,699,342.16</b>	<b>-45,676,072.58</b>

### 46. Loss from Assets depreciation

Item	Amount for this period	Amount for the same period of last year
Bad debt losses	33,194,478.64	34,115,646.92
Provision for falling price of inventory	3,392,202.47	1,342,189.73
<b>Total</b>	<b>36,586,681.11</b>	<b>35,457,836.65</b>

### 47. Changes in fair value gains/losse

Item	Amount for this period	Amount for the same period of last year
Financial assets measured at fair value and whose movements are included in the profit and loss of the current period	2,340,308.20	3,572,100.00
Including :Income of fair value changes from derivative financial instruments	2,340,308.20	3,572,100.00
Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period	-3,618,878.41	81,170.00
Including :Income of fair value changes from derivative financial instruments	-3,618,878.41	81,170.00
<b>Total</b>	<b>-1,278,570.21</b>	<b>3,653,270.00</b>

### 48. Investment income

#### (1) Sources of investment income

Item	Amount for this period	Amount for the same period of last year
Long-term equity investment income by equity method	-833,210.42	-6,482,572.94
Investment income obtained from disposal of finance asset available for sales	-	480,332.00
Other	4,986,301.37	517,808.22

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Item	Amount for this period	Amount for the same period of last year
<b>Total</b>	<b>4,153,090.95</b>	<b>-5,484,432.72</b>

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

Item	Amount for this period	Amount for the same period of last year	Reason of change of this year than last year
Hefei Xingmei Assets Management Co., Ltd.	-56,019.64	-161,530.37	Changes of net profit of the invested unit
Changhong Ruba Electric Company (Private) Limited	-220,932.04	486,831.97	
Sichuan Zhiyijia Network Technology Co., Ltd.	2,322,881.18	-6,416,155.32	Changes of net profit of the invested unit and counter current transaction offset
Hongyuan Dineng Rebao Technology Co. Ltd.	-2,196,252.31		
Sichuan Tianyou Guigu Technology Co., Ltd.	-682,887.61	-391,719.22	
<b>Total</b>	<b>-833,210.42</b>	<b>-6,482,572.94</b>	

### (3) Investment income obtained from disposal of finance asset available for sales:

Item	Amount for this period	Amount for the same period of last year
Disposal of equity of Fuyang Jiujiang Meiling Appliance Marketing Co., Ltd.	-	480,332.00
<b>Total</b>	<b>-</b>	<b>480,332.00</b>

### (4) Others:

Item	Amount for this period	Amount for the same period of last year
Trust financing	4,986,301.37	517,808.22
<b>Total</b>	<b>4,986,301.37</b>	<b>517,808.22</b>

## 49. Non-operation revenue

### (1) Non-operation revenue

Item	Amount for this period	Amount for the same period of last year	Amount reckoned into non-recurring gains/losses in the Year
Gains from disposal of non-current assets	330,833.76	14,784.00	330,833.76
Including: Gains from disposal of	330,833.76	14,784.00	330,833.76

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Item	Amount for this period	Amount for the same period of last year	Amount reckoned into non-recurring gains/losses in the Year
fixed assets			
Government subsidy	16,456,206.17	12,344,884.49	14,750,673.67
Income of penalty	301,433.90	371,270.49	301,433.90
Other	4,383,228.61	2,280,248.88	4,383,228.61
<b>Total</b>	<b>21,471,702.44</b>	<b>15,011,187.86</b>	<b>19,766,169.94</b>

### (2) Government subsidy

Item	Amount for this period	Amount for the same period of last year	Resource and basis	Assets/benefit related
Skill grant for position	-	87,500.00	He Ren She Mi (2013) No.:139	Benefit related
VAT refunds	1,705,532.50	4,028,798.75	Drawback policy of VAT for software product	Benefit related
Subsidy for brand propagate extension aboard	-	2,000,000.00	Yue Shangwu Cai Han [2014] No.:143	Benefit related
Other government subsidy etc.	2,641,549.48	1,355,811.00	-	Benefit related
Other Deferred income transfer-in	4,803,445.57	4,872,774.74	Deferred income transfer-in	Assets related
A special fund of trade promotion for year of 2016	1,733,000.00		City Commercial Bureau- special fund of trade promotion for year of 2016	Benefit related
Reward of the new-type industrialization development policy promotion	1,538,700.00		He Zhen [2015] No. 36	Benefit related
Subsidy for technically improve of the fixed assets	1,217,800.00		He Zhen [2015] No. 36	Benefit related
Subsidy of industry carry-over fund	1,000,000.00		Hefei 2015 Economic & Technological Development Area (HETA) - promotion of the new-type industrialization development policy	Benefit related
Policy rewards	1,014,456.72		Agreement of the Tianjin Xintai Industrial Economic Development Management Center	Benefit related
Enterprise development fund distributed by High-Tech Zone	801,721.90		Contract of the investment of 2 million frigerators for one year	Benefit related

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Item	Amount for this period	Amount for the same period of last year	Resource and basis	Assets/benefit related
<b>Total</b>	<b>16,456,206.17</b>	<b>12,344,884.49</b>		

### 50. Non-operating expenditure

Item	Amount for this period	Amount for the same period of last year	Amount reckoned into non-recurring gains/losses in the Year
Loss from disposal of non-current assets	1,545,129.64	5,700,586.03	1,545,129.64
Including: loss from disposal of fixed assets	1,545,129.64	5,700,586.03	1,545,129.64
Penalty and late fee	259,138.22	2,207,106.34	259,138.22
Other	14,606.32	1,360,703.50	14,606.32
<b>Total</b>	<b>1,818,874.18</b>	<b>9,268,395.87</b>	<b>1,818,874.18</b>

### 51. Income tax expenses

Item	Amount for this period	Amount for the same period of last year
Current income tax	23,825,374.34	17,784,503.80
Deferred Income Tax	-5,009,188.36	-3,272,330.20
<b>Total</b>	<b>18,816,185.98</b>	<b>14,512,173.60</b>

### 52. Other comprehensive income

Found more in "VI. 38. Other comprehensive income" in the Note

### 53. Items of 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	Amount for this period	Amount for the same period of last year
Government subsidy and rewards	9,947,228.10	3,355,811.00
Margin, deposit	3,672,988.85	3,830,556.27
Rental and trade mark income	3,930,732.75	3,401,766.87
Compensations	103,131.84	633,835.83
Other	1,961,189.58	3,795,593.47

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Item	Amount for this period	Amount for the same period of last year
<b>Total</b>	<b>19,615,271.12</b>	<b>15,017,563.44</b>

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

Item	Amount for this period	Amount for the same period of last year
Marketing supporting fee	100,020,332.36	80,633,153.77
AD charge	14,594,018.03	27,446,706.38
Business expenses	21,472,512.46	21,940,902.20
Rental expense	9,218,885.60	12,450,147.10
Business activities expenses	11,903,159.89	12,058,369.67
Pretty cash for employees	11,554,152.86	7,935,074.23
Meeting organization charge	7,113,406.24	5,334,604.14
Regular bus expenses	4,598,247.00	4,991,269.00
Certification and Inspection costs	5,446,512.42	3,684,382.29
vehicle costs	3,973,278.42	3,012,365.60
Handling Charges	25,077,479.49	2,694,554.88
Office Charges	3,575,528.11	2,786,126.70
Exhibition expenses	3,215,177.35	1,497,432.71
Penalty and overdue fine	259,138.22	2,207,106.34
Changes of the limited monetary fund	60,085,067.00	50,768,920.59
Others	36,462,279.04	100,509,234.93
<b>Total</b>	<b>318,569,174.49</b>	<b>339,950,350.53</b>

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

Item	Amount for this period	Amount for the same period of last year
Interest income arising from bank savings	31,720,923.67	50,775,845.44
Government investment granted	4,331,970.00	2,350,000.00
Margin	336,823.00	287,933.60
<b>Total</b>	<b>36,389,716.67</b>	<b>53,413,779.04</b>

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

Item	Amount for this period	Amount for the same period of last year
Tender bond of projects returned	-	427,715.77



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

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

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

Item	Amount for this period	Amount for the same period of last year
Handling charge of dividend	98,192.48	93,855.90
Amount refund to minority shareholders due to the cancellation of subsidiary	-	130,164.45
<b>Total</b>	<b>98,192.48</b>	<b>224,020.35</b>

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

Item	Amount for this period	Amount for the same period of last year
<b>1. Net profit is adjusted to cash flow of operation activities:</b>		
Net profit	109,923,646.84	158,829,148.33
Add: provision for depreciation of assets	36,586,681.11	35,457,836.65
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	69,875,277.54	71,058,016.79
Amortization of intangible assets	19,417,253.87	16,497,028.01
Amortization of long-term retained expense		
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	1,214,295.88	5,685,802.03
Loss from discarding fixed assets as useless (gain is listed with "-")		
Loss from change of fair value (gain is listed with "-")	1,278,570.21	-3,653,270.00
Financial expense (gain is listed with "-")	-28,247,893.81	-40,870,304.69
Investment loss (gain is listed with "-")	-4,153,090.95	5,484,432.72
Decrease of deferred income tax assets (increase is listed with "-")	-5,009,188.36	-3,272,330.20
Increase of deferred income tax liabilities		

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

From 1 January 2016 to 30 June 2016

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

Item	Amount for this period	Amount for the same period of last year
(decrease is listed with “-”)		
Decrease of inventories (increase is listed with “-”)	-27,646,224.86	227,109,371.01
Decrease of operational accounts receivable (increase is listed with “-”)	-995,881,410.16	-1,494,652,495.21
Increase of operational accounts payable (decrease is listed with “-”)	1,694,331,587.58	1,374,699,974.30
Other		
Net cash flow arising from operation activities	871,689,504.89	352,373,209.74
<b>2. Major investment and financing activities that do not involve cash receipts:</b>		
Conversion of debt into capital		
Switching Company bonds due within one year		
financing lease of fixed assets		
<b>3. Net change in cash and cash equivalents:</b>		
Balance at period-end of cash	4,062,884,413.48	2,829,327,347.72
Less: Balance at year-begin of cash	2,121,161,238.01	2,709,097,193.11
Add: Balance at period-end of cash equivalents		
Less: Balance at year-begin of cash equivalents		
Net increase in cash and cash equivalents	1,941,723,175.47	120,230,154.61

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

(4) No cash received by disposal of subsidiary in the Year

(5) Cash and cash equivalent

Item	Amount for the period	Amount at period-begin
Cash	4,062,884,413.48	2,121,161,238.01
Including: cash in stock	60,482.76	46,496.63
Bank deposits available for payment at any time.	3,877,671,618.65	2,043,331,029.26
Bank deposits available for payment at any time	185,152,312.07	77,783,712.12
Cash equivalents		
Including: bond investment due within 3 months		
Balance of cash and cash equivalents at period end	4,062,884,413.48	2,121,161,238.01
Including: using the restricted cash and cash equivalents of the parent company or subsidiary of the group		

54. Assets with ownership or the right to use restricted

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

From 1 January 2016 to 30 June 2016

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

Item	Ending book value	Reasons
Monetary fund	74,113,708.14	Bank acceptance margin and Taobao account margin
Notes receivable	424,908,045.67	Pledged
Intangible assets	20,439,947.72	Long term loan collateral
Other non-current assets	45,158,472.00	Fixed deposit pledge
<b>Total</b>	<b>564,620,173.53</b>	

### 55. Foreign currency

#### (1) Foreign currency

Item	Ending foreign currency balance	Exchange rate	Ending RMB converted balance
<b>Monetary fund</b>			
Including: USD	51,894,371.09	6.6312	344,121,953.54
Euro	3,922,627.09	7.3750	28,929,374.76
AUD	1,221,342.38	4.9452	6,039,782.34
Rupi	19,430,966.73	0.0633	1,230,174.50
<b>Account receivable</b>			
Including: USD	80,511,552.20	6.6312	533,888,204.97
Euro	9,282,110.87	7.3750	68,455,567.67
AUD	1,553,082.19	4.9452	7,680,302.05
Rupi	1,050,816,711.46	0.0633	66,527,206.00
<b>Other receivables</b>			
Including: USD	67,569.47	6.6312	448,066.67
Rupi	34,093,451.11	0.0633	2,158,456.39
<b>Accounts payable</b>			
Including: USD	1,650,996.56	6.6312	10,948,088.39
Rupi	7,994,822.84	0.0633	506,152.23
<b>Other accounts payable</b>			
Including: USD	936.81	6.6312	6,212.17
Rupi	111,591,460.00	0.0633	7,064,855.33
<b>Short-term loans</b>			
Including: USD	40,571,414.53	6.6312	269,037,164.03
Euro	14,200,000.00	7.3750	104,725,000.00
<b>Long-term loans</b>			
Including: USD	6,724,000.00	6.6312	44,588,188.80

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

From 1 January 2016 to 30 June 2016

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

### (2) Foreign operational entity

The foreign operational entity of the Company was Changhong Ruba Trading Company (Privat) Limited, mainly operates in Lahore, Pakistan; Recording currency is Rupi.

## VII. Changes of consolidation range

1. Enterprise combined under the different control: Nil

2. Enterprise combined under the same control:

(1) Enterprise combined under the same control in the period

Combined party	Interest percentage obtained in business merger	Basis of consideration as the business merger under the same control	Combined date	Determine basis of combined date	Revenue of the combined party from combined period-begin to the date combined	Net profit of the combined party from combined period-begin to the date combined	Combined party's revenue during a comparison	Combined party's net profit during a comparison
Guangdong Changhong Ridian Technology Co., Ltd.	98.856%	Controlled by the same controlling shareholder	2016.01.01	Equity amount have been paid in total	-	-	151,580,514.58	-213,726.49

### (2) Combined cost

Combined cost	Amount
Cash	95,650,000.00
Book value of non cash assets	-
Book value of the debt issued or undertaken	-

### (3) Book value of the assets and liabilities from the combined party on combination date

Item	Combined date	At period-end of last year
<b>Assets:</b>		
Monetary Fund	67,851,083.54	63,218,175.23
Note receivable	26,112,732.92	37,633,773.70

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

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Account receivable	6,155,199.93	12,957,809.80
Advance payment	372,374.51	10,201.82
Other receivables	1,163,683.39	865,629.91
Stock	9,553,171.57	20,277,030.48
Fixed assets	46,666,626.48	46,604,346.93
Construction in process		1,649,025.81
Intangible assets	15,414,228.78	14,048,577.50
Development expenditure		648,720.51
<b>Liabilities:</b>		
Short term loan		10,000,000.00
Notes payable	22,476,434.83	43,087,302.41
Accounts payable	25,720,395.79	32,512,293.44
Received in advance	4,641,104.91	3,037,887.91
Salary employees payable	3,461,506.14	1,975,807.68
Taxes payable	806,281.22	138,623.84
Other payable	24,329,982.23	15,923,574.59
Paid-in capital	83,000,000.00	83,000,000.00
Surplus reserve	2,354,955.23	2,293,395.81
Undistributed profit	6,498,440.77	5,944,406.01
Net assets	91,853,396.00	91,237,801.82
Less: minority shareholders' equity	1,050,802.85	1,043,760.45
Net assets acquired	90,802,593.15	90,194,041.37

3. Reversed takeover: Nil

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

From 1 January 2016 to 30 June 2016

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4. Subsidiary liquidated: Nil

5. Subsidiary established

<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 period-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>
Changmei Technology Co., Ltd.	Limited company	Mianyang	Fresh electricity suppliers	5000.00	1,941.20		90.00	90.00	Yes	1,355,909.47

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

From 1 January 2016 to 30 June 2016

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

### VIII. Equity in other entity

#### 1. Equity in subsidiary

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

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Zhongke Meiling Cryogenic Technology Co., Ltd.1)	Hefei	Hefei	Manufactures, sales	70.00		Investment establishment
Mianyang Meiling Software Technology Co., Ltd.2)	Mianyang	Mianyang	Software development	99.00	1.00	Investment establishment
Mianyang Meiling Refrigeration Co., Ltd.3)	Mianyang	Mianyang	Manufactures, sales	95.00	5.00	Investment establishment
Jiangxi Meiling Appliance Co., Ltd.4)	Jingdezhen	Jingdezhen	Manufactures, sales	98.75	1.25	Investment establishment
Hefei Meiling Appliance Marketing Co., Ltd.5)	Hefei	Hefei	Sales	99.82	0.18	Investment establishment
Guangxi Huidian Home Appliance Co., Ltd.6)	Nanning	Nanning	Sales		100.00	Enterprise combined not under the same control
Luohe Meiling Appliance Marketing Co., Ltd.7)	Luohe	Luohe	Sales		100.00	Investment establishment
Wuhu Meiling Appliance Marketing Co., Ltd.8)	Wuhu	Wuhu	Sales		98.00	Investment establishment
Changchun Meiling Appliance Marketing Co., Ltd.9)	Changchun	Changchun	Sales		97.00	Investment establishment
Bengbu Meiling Appliance Marketing Co., Ltd.10)	Bengbu	Bengbu	Sales		93.50	Investment establishment
Jinan Meiling Appliance Marketing Co., Ltd.11)	Jinan	Jinan	Sales		91.40	Investment establishment
Nanchang Xiangyou Appliance Marketing Co., Ltd.12)	Nanchang	Nanchang	Sales		85.00	Investment establishment
Jingzhou Meiling Appliance Marketing Co., Ltd.13)	Jingzhou	Jingzhou	Sales		96.00	Investment establishment
Shenyang Meiling Appliance Marketing Co., Ltd.14)	Shenyang	Shenyang	Sales		98.60	Investment establishment
Wuhan Meizhirong Appliance Marketing Co., Ltd.15)	Wuhan	Wuhan	Sales		91.00	Investment establishment
Zhengzhou Meiling Appliance Marketing Co., Ltd.16)	Zhengzhou	Zhengzhou	Sales		95.00	Investment establishment
Shijiazhuang Meiling Appliance Marketing Co., Ltd.17)	Shijiazhuang	Shijiazhuang	Sales		95.33	Investment establishment
Mianyang Meiling Appliance Marketing Co., Ltd.18)	Mianyang	Mianyang	Sales		93.80	Investment establishment
Chengdu Meiling Appliance Marketing Co., Ltd.19)	Chengdu	Chengdu	Sales		94.00	Investment establishment
Guiyang Meiling Appliance Marketing Co., Ltd.20)	Guiyang	Guiyang	Sales		86.00	Investment establishment
Fuzhou Meiling Appliance Marketing Co., Ltd.21)	Fuzhou	Fuzhou	Sales		99.00	Investment establishment
Nanjing Meiling Appliance Marketing Co., Ltd.22)	Nanjing	Nanjing	Sales		99.00	Investment establishment
Hefei Meiling White Appliance Marketing Co., Ltd.23)	Hefei	Hefei	Sales		95.00	Investment establishment
Taiyuan Meiling Appliance Marketing Co., Ltd.24)	Taiyuan	Taiyuan	Sales		95.00	Investment establishment

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

From 1 January 2016 to 30 June 2016

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Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Changsha Meiling Appliance Marketing Co., Ltd.25)	Changsha	Changsha	Sales		97.00	Investment establishment
Hohhot Meiling Appliance Marketing Co., Ltd.26)	Hohhot	Hohhot	Sales		95.00	Investment establishment
Hangzhou Meiling Appliance Marketing Co., Ltd.27)	Hangzhou	Hangzhou	Sales		95.00	Investment establishment
Chongqing Meiling Appliance Marketing Co., Ltd.28)	Chongqing	Chongqing	Sales		98.00	Investment establishment
Kunming Meiling Appliance Marketing Co., Ltd.29)	Kunming	Kunming	Sales		95.50	Investment establishment
Shanghai Meiling Appliance Marketing Co., Ltd.30)	Shanghai	Shanghai	Sales		99.00	Investment establishment
Nantong Meiling Appliance Marketing Co., Ltd.31)	Nantong	Nantong	Sales		92.00	Investment establishment
Guangzhou Meiling Appliance Marketing Co., Ltd.32)	Guangzhou	Guangzhou	Sales		98.00	Investment establishment
Tianjin Meiling Appliance Marketing Co., Ltd.33)	Tianjin	Tianjin	Sales		100.00	Investment establishment
Urumchi Meiling Appliance Marketing Co., Ltd.34)	Urumchi	Urumchi	Sales		90.00	Investment establishment
Harbin Meiling Appliance Marketing Co., Ltd.35)	Harbin	Harbin	Sales		95.00	Investment establishment
Beijing Meiling Appliance Marketing Co., Ltd.36)	Beijing	Beijing	Sales		99.00	Investment establishment
Lanzhou Meizhilai Appliance Marketing Co., Ltd.37)	Lanzhou	Lanzhou	Sales		72.00	Investment establishment
Xi'an Meizhilai Appliance Marketing Co., Ltd.38)	Xi'an	Xi'an	Sales		98.50	Investment establishment
Hefei Hefei Meiling Non-ferrous Metal Product Co., Ltd.39)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined not under the same control
Hefei Hefei Meiling Packaging Products Co., Ltd.40)	Hefei	Hefei	Manufactures, sales	48.28	51.72	Enterprise combined not under the same control
Changhong Ruba Trading Company41)	Pakistan	Pakistan	Sales		60.00	Investment establishment
Sichuan Changhong Air Conditioner Co., Ltd.42)	Mianyang	Mianyang	Manufactures, sales	100.00		Enterprise combined under the same control
Zhongshan Changhong Appliance Co., Ltd.43)	Zhongshan	Zhongshan	Manufactures, sales	90.00	10.00	Enterprise combined under the same control
Hefei Meiling Group Holding Co., Ltd.44)	Hefei	Hefei	Manufactures, sales	100.00		Enterprise combined not under the same control
Meiling Equator Electric (Hefei) Co., Ltd.45)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined not under the same control
Hefei Equator Electric Co., Ltd.46)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined not under the same control
Hongyuan Earth Energy Heat Pump Technology Co., Ltd.47)	Mianyang	Mianyang	Manufactures, sales		51.00	Investment establishment
Guangdong Changhong Ridian Technology Co., Ltd.48)	Zhongshan	Zhongshan	Manufactures, sales	98.856		Enterprise combined under the same control



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Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Changmei Technology Co. Ltd. (49)	Mianyang	Mianyang	R&D, manufacturing sales	9000		Investment establishment

Note:

1) Zhongke Meiling Low Temperature Technology Company Limited (hereinafter referred to as “Zhongke Meiling”), the predecessor of which was Zhongke Meiling Low Temperature Technology Limited Liability Company, was established on 29 October 2002 by joint contribution from the Company and Technical Institute of Physics and Chemistry, CAS (“TIPC”), with registered capital of RMB60 million upon the establishment, among which, the Company made capital contribution of RMB42 million (including the assets in specie at the consideration of RMB35,573,719.70 as evaluated by Beijing Zhongzheng Appraisal Co., Ltd. with issuance of the Appraisal Report (ZZPBZ(2002)No.029) and cash contribution of RMB6,426,280.30) accounting for 70% of the aforesaid registered capital, and TIPC made capital contribution of RMB18 million with intangible assets of such value (namely the single compressor mixture industrial low temperature refrigeration technology) as evaluated by Jingzhongzi Assets Appraisal Co., Ltd. with issuance of the Appraisal Report (ZZPBZ(2002)No.225) accounting for 30% of the aforesaid registered capital. The paid-in of the above registered capital has been verified by Huazheng Accounting Firm by issuance of the Assets Verification Report (HZYZ (2002) No.B157) dated 16 October 2002.

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

On 10 August 2015, all the founders signed the Founder Agreement of Zhongke Meiling Low Temperature Technology Company Limited, pursuant to which, they decided to change the firm type of Zhongke Meiling Low Temperature Technology Company Limited to a joint stock company. Based on the net assets of RMB 96,431,978.25 as audited by Xinyong Zhonghe CPA as of 30 June 2015, an aggregate of 65,000,000 shares have been converted at the proportion of 1:0.67, which are to be held by the original shareholders according to their respective entitlement. In case that the net assets exceed registered capital, the balance shall be recorded in capital reserve. On 28 August 2015, Xinyong Zhonghe CPA reviewed the registered capital and paid-in thereof in respect of the stock reform, and issued Assets Verification Report (XYZH/2015CDA40161). The Company registered industrial and commercial information on 11 September 2015.

2) Mianyang Meiling Software Technology Co., Ltd. (hereinafter referred to as Meiling Software

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Company) was established on Jan. 24, 2014. It is a limited company jointly invested by the Company and Mianyang Meiling Refrigeration Co., Ltd., being approved by the Industrial and Commerce Bureau of Peicheng District, Mianyang City. The company owes registered capital of RMB 5 million, including RMB 4.95 million contributed by Meiling Company in cash, accounted for 99% of the registered capital; Mianyang Meiling Refrigeration Co., Ltd. contributed RMB 50,000 in cash with 1% of the registered capital occupied. The above mentioned registered capital have been verified by verification report of Chuanjinlai Yanzi No.[2014] B039 issued by Sichuan Jinlai Accounting Firm Co., Ltd.

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 registered 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., Ltd, than 5 percent equity was transfer to Jiangxi Meiling Appliance.

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

5) Hefei Meiling Appliance Marketing Co., Ltd. (Meiling Marketing Company for short) is the limited company jointly invested by the Company and Mianyang Meiling Company on 21 Oct. 2009. Registered capital and paid-up capital was RMB 10 million, including RMB 9.9 million invested by the Company, a 99% of the registered capital; Mianyang Meiling Company contributed RMB 0.1 million, a 1% of the registered capital. The above mentioned paid-up registered capital have been verified by verification report of

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[Wan An Lian Xin Da Yan Zi (2009) No. 074] issued by Anhui An Lian Xin Da Accounting Firm Co., Ltd. On 25 Nov. 2010, the Company increased capital RMB 45 million, registered capital amounting to RMB 55 million, including RMB 54.9 million contributed by the Company, a 99.82% of the registered capital, while Mianyang Meiling invested RMB 0.1 million, a 0.18% of the registered capital. The increased capital have been verified by verification report of [Wan Hua Shen Zheng Da Kuai Yan Zi (2010) No. 1514] issued by Anhui Hua Shen Zhengda CPA Co., Ltd.

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

7) 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, Meiling Marketing purchased minority equity of 27%; in 2014, Meiling Marketing purchased minority equity of 35.6%; Jiangxi Meiling Marketing signed equity transfer agreement with the minority shareholders in 2015, to acquire as the transferee the 0.4% equity interests of Luohe Meiling held by minority shareholders. Upon completion of such equity transfer, Meiling Marketing and Jiangxi Meiling Appliances held in aggregate the entire equity interests of Luohe Meiling.

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. After Meiling Marketing acquired 65% equity interests from the minority shareholders in 2014, Meiling Marketing the Company totally holds 98% equity of the Wuhu Meiling.

9) Changchun Meiling Appliance Marketing Co., Ltd. (Changchun Meiling for short) was established dated 22 December 2010 with registered capital of RMB 3million; Meiling Marketing invested RMB 2.91 million, accounted for 97% of the registered capital.

10) Bengbu Meiling Appliance Marketing Co., Ltd. (Bengbu Meiling for short) was established dated 27 December 2010 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.55 million, accounted for 85% of the registered capital. In 2013, Meiling Marketing 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, Meiling Marketing totally holds 93.5% equity of the Bengbu Meiling.

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

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

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

14) Shenyang Meiling Appliance Marketing Co., Ltd. (Shenyang 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. After Meiling Marketing acquired 3.8% equity interests from the minority shareholders in 2016, Meiling Marketing totally holds 98.6% equity of Shenyang Meiling.

15) Wuhan Meizhirong Appliance Marketing Co., Ltd. (Wuhan Meizhirong for short) formerly known as Wuhan Meiling Appliance Marketing Co., Ltd. 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.

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, Meiling Marketing purchased 10% equity from minority; In April 2015, Meiling Marketing purchased 39% equity from minority; In February 2016, Meiling Marketing purchased 10% equity from minority; upon completion of such equity transfer, Meiling Marketing held in aggregate the 95% equity interests of Zhengzhou Meiling.

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; After Meiling Marketing acquired 27.33% equity held by the minority in 2014; Meiling Marketing acquired 32% equity held by the minority in 2015; upon completion of such equity transfer, Meiling Marketing held in aggregate the 95.33% equity interests of Shijiazhuang Meiling.

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. After Meiling Marketing purchased 33% equity from minority in 2013, and purchased 8.8% equity from minority in 2015, Meiling Marketing totally holds 93.8% equity of Mianyang Meiling.

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,

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accounted for 83.4% of the registered capital; After Meiling Marketing purchased 1.6% equity from minority in 2014, and purchased 9% equity from minority in 2015, Meiling Marketing totally holds 94% equity of Chengdu Meiling.

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, Meiling Marketing purchased 18% equity from minority; In 2015, Meiling Marketing purchased 42% equity from minority; Upon completion of such equity transfer, Meiling Marketing held in aggregate the 86% equity interests of Guiyang Meiling.

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.

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.

23) Hefei Meiling White Appliance Marketing Co., Ltd. (White Appliance for short) was established dated 21 January 2011 with registered capital of RMB 6 million; Meiling Marketing invested RMB 5.1 million, accounted for 85% of the registered capital; In 2015, Meiling Marketing purchased 10% equity from minority, upon completion of such equity transfer, Meiling Marketing held in aggregate the 95% equity interests of White 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 Meiling Marketing purchased 45.5% equity from minority, after in 2016 Meiling Marketing purchased 9.75% equity from minority, Meiling Marketing totally holds 95% equity of the TaiyuanMeiling.

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; In 2014 Meiling Marketing purchased 50% equity from minority, after in 2016 Meiling Marketing purchased 11% equity from minority, Meiling Marketing totally holds 97% equity of Changsha Meiling.

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 Meiling Marketing purchased 28% equity from minority, in 2016, Meiling Marketing purchased 12% equity from minority, Meiling Marketing totally holds 95% equity of the Hohhot Meiling.

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; in 2015, Meiling Marketing purchased 6.5% equity from minority, upon completion of such equity transfer, Meiling Marketing held in aggregate the 95% equity interests of Hangzhou Meiling.

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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; After Meiling Marketing purchased 13% equity from minority in 2015, Meiling Marketing totally holds 98% equity of Chongqing Meiling.

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 Meiling Marketing purchased 40% equity from minority, In 2016 Meiling Marketing purchased 9% equity from minority, Meiling Marketing totally holds 95.5% equity of the Kunming Meiling.

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.

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 Meiling Marketing purchased 34% equity from minority, Meiling Marketing totally holds 92% equity of the Nantong Meiling.

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

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; In 2015, Meiling Marketing and Jiangxi Meiling Appliances entered into equity transfer agreements with minority shareholders respectively, to acquire as the transferees the 14.1% and 0.4% equity interests of Guangxi Weidian held by minority shareholders. Upon completion of equity transfer in December 2015, Meiling Marketing totally held the entire equity interests of Tinjian Meiling.

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.

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; Meiling Marketing acquired 41.5% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 17.5% equity interests from the minority shareholders in 2015, Meiling Marketing totally held the 95% equity interests of Harbin Meiling.

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,

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accounted for 99% of the registered capital.

37) Lanzhou Meizhilai Appliance Marketing Co., Ltd. (Lanzhou Meizhilai for short) formerly known as Lanzhou Meiling Appliance Marketing Co., Ltd. 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 Meiling Marketing purchased 11% equity from minority, in 2016 Meiling Marketing purchased 20.5% equity from minority, Meiling Marketing totally holds 72% equity of the Lanzhou Meizhilai.

38) Xi'an Meizhilai Appliance Marketing Co., Ltd. (Xi'an Meiling for short) formerly known as Xi'an Meiling Appliance Marketing Co., Ltd. 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; Meiling Marketing acquired 24% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 13.5% equity interests from the minority shareholders in 2015, Meiling Marketing totally held the 98.5% equity interests of Xi'an Meizhilai.

39) Hefei Meiling Nonferrous Metal Products Co., Ltd. (hereinafter referred to as 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.

40) Hefei Meiling Packing Products Co., Ltd. (hereinafter referred to as 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, 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

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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.

41) Changhong Ruba Trading Company (Private) Limited (hereinafter referred to as “Changhong Ruba”) was a joint venture established by Zhongshan Changhong Appliances Company Limited and RUBA GENERAL TRADING FZE Company (“RUBA”) on 5 August 2011 with the approval from Guangdong Development and Reform Commission by issuance of the Approval Relating to Joint Construction of a Manufacturing and Selling Platform Project in Pakistan by Zhongshan Changhong Appliances Company Limited (YFGWZ(2011)958). The registered capital of the joint venture is USD6 million, among which, USD3.6 million is contributed by Zhongshan Changhong Appliances in cash with shareholding proportion of 60%, and the remaining USD2.4 million is contributed by RUBA in cash with shareholding proportion of 40%.

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.

43) Zhongshan Changhong Electric Co., Ltd.( hereinafter referred to as 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 transferred by Changhong Air-conditioner on April 11, 2010. On 25 May 2014, the Company increased RMB 36 million to Zhongshan Changhong, and Changhong AC increased RMB 4 million. After capital increased, registered capital of Zhongshan Changhong turns to RMB 120 million, including RMB 108



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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. On 2 June 2016, the Company increased RMB 57.60 million to Zhongshan Changhong, and Changhong AC increased RMB 6.4 million. After capital increased, registered capital of Zhongshan Changhong turns to RMB 184 million, including RMB 165.6 million contributed by the Company, accounted for 90% of the registered capital, Changhong AC invested RMB 18.4 million, accounted for 10% of the registered capital.

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.

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. 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.

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.

47) Hongyuan Ground Energy Heating Pump Technology Company (hereinafter referred to as "Hongyuan Ground Energy") was established as a limited liability company with joint capital contribution from Sichuan Changhong Air Conditioner Company ("Changhong Air Conditioner") and Hengyouyuan Science & Technology Development Group on 28 August 2015, with the approval from the Industrial and

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Commercial Administration Office of Fucheng district, Mianyang, Sichuan province. The registered capital of the company is RMB50 million, among which, RMB25.5 million is contributed by Changhong Air Conditioner in cash with shareholding proportion of 51%, and the remaining RMB24.5 million is contributed by Hengyouyuan Science & Technology Development Group in cash with shareholding proportion of 49%.

48) Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred to as Changhong Ridian), formerly Guangdong Changhong Digital Technology Co., Ltd., was a Limited Liability Company established by Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as Sichuan Changhong) and Sichuan Changhong Motor Transport Co., Ltd. (hereinafter referred to as Changhong Motor Transport) on 25 May 2006. Registered capital and paid-up capital both amounting as RMB 40 million; Sichuan Changhong contributes RMB 32 million, representing 80% of the registered capital while Changhong Motor Transport contributes RMB 8 million, representing 20% of the registered capital. On 4 January 2007, the Company increased RMB 43 million for the registered capital, including RMB 1.8 million invested by Sichuan Changhong, RMB 40 million contributed by Guangdong Xiongfeng Electric Co., Ltd. (hereinafter referred to as Guangdong Xiongfeng) and RMB 1.2 million contributed by 10 natural shareholders including Kou Huameng. At the same time, according to the resolution of the shareholders meeting, the RMB 8 million capital invested by Changhong Motor Transport are agreed to be transferred to Sichuan Changhong Innovation Investment Co., Ltd. (hereinafter referred to as Changhong Innovation Investment), after capital increment, the registered capital structure becomes: Sichuan Changhong contributed RMB 33.8 million, takes 40.72%; Guangdong Xiongfeng invested RMB 40 million, takes 48.19%; Changhong Innovation Investment contributed RMB 8 million, takes 9.64% and 10 natural shareholders including Kou Huameng contributed RMB 1.2 million, takes 1.45%. On 18 Feb. 2009, totally 7 natural person shareholders transferred the 0.76% equity to Hu Zhiheng. And the company re-named as Guangdong Changhong Ridian Technology dated 31 May 2013. Kou Huameng, who takes 0.301% equity of the registered capital, transferred the equity to Changhong Innovation Investment on 9 October 2014. Guangdong Xiongfeng transfers all 48.19% equity to Sichuan Changhong on 11 Dec. 2014. On 4 Jan. 2016, Sichuan Changhong and Changhong Innovation Investment respectively entered into the "Equity Transfer Agreement of Guangdong Changhong Ridian Technology Co., Ltd." with Hefei Meiling Co., Ltd. (hereinafter referred to as Hefei Meiling). According to the agreement, the 88.92% equity of the company held by Sichuan Changhong are transferred by Hefei Meiling with price of RMB 86.0324 million, and 9.94% equity of the company held by Changhong Innovation Investment are transferred with price of RMB 9.6176 million. Registered capital structure after changed comes to: Hefei Meiling contributes RMB 82.0505 million, takes 98.856% while minority shareholders contribute RMB 0.9495 million, representing 1.144%.

49) Changmei Technology Co., Ltd. (hereinafter referred to as Changmei Technology) was a Limited Liability Company established by Hefei Meiling Co., Ltd. and management team members (23 persons in total) on 1 April 2016 with registered capital of RMB 50 million; including RMB 45 million contributed by Meiling, representing 90% of the registered capital while management team contributed RMB 5 million, a 10% of the registered capital. The first payment of the contribution from Meiling and management team amounting to 40%, the rest of the capital will be paid in full within 3 years since the company established.

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### (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 period-end
Zhongke Meiling Cryogenic Technology Co., Ltd.	30.00%	645,469.93	292,500.00	30,643,826.42
Guangdong Changhong Ridian Technology Co., Ltd.	1.144%	34,715.16		1,085,518.01
Hongyuan Ground Energy Heating Pump Technology Company	49.00%	-391,329.71		9,080,298.31

### (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	97,318,680.97	46,702,066.47	144,020,747.44	36,874,659.38	5,000,000.00	41,874,659.38
Changhong Ridian	128,237,199.29	60,639,892.76	188,877,092.05	93,989,154.00	-	93,989,154.00
Hongyuan Ground Energy	61,441,258.45	599,795.43	62,041,053.88	43,509,832.84	-	43,509,832.84

(Continued)

Subsidiary	Balance at period-begin					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhongke Meiling	110,871,612.72	23,171,786.54	134,043,399.26	28,073,877.64	5,000,000.00	33,073,877.64
Changhong Ridian	111,208,245.86	62,080,855.26	173,289,101.12	81,435,705.12		81,435,705.12
Hongyuan Ground Energy	25,708,356.81	45,480.97	25,753,837.78	16,423,984.68	-	16,423,984.68

(Continued)

Subsidiary	Amount in the year			
	Operation income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongke Meiling	38,908,381.02	2,151,566.44	2,151,566.44	6,169,648.52

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Subsidiary	Amount in the year			
	ChanghongRidian	222,027,059.04	3,034,542.05	3,034,542.05
Hongyuan Ground Energy	34,314,113.36	-798,632.06	-798,632.06	-926,619.14

(Continued)

Subsidiary	Amount in last year			
	Operation income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongke Meiling	42,750,432.40	2,320,689.88	2,320,689.88	-1,782,467.56
ChanghongRidian	151,580,514.58	-213,726.49	-213,726.49	8,962,222.71
Hongyuan Ground Energy				

(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

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

Item	Jingzhou Meiling	Shenyang Meiling	Zhengzhou Meiling	Taiyuan Meiling	Changsha Meiling	Hohhot Meiling	Kunming Meiling	Lanzhou Meizhikai	Total
Original ratio of shares held	81.00%	94.80%	85.00%	85.25%	86.00%	83.00%	86.50%	51.50%	
Equity purchased from minority	15.00%	3.80%	10.00%	9.75%	11.00%	12.00%	9.00%	20.50%	
Ratio of shares held at period-end	96.00%	98.60%	95.00%	95.00%	97.00%	95.00%	95.50%	72.00%	
Cash	11.00	9.00	9.00	12.00	15.00	12.00	14.00	333,778.00	333,860.00
Acquisition cost/total disposal consideration	11.00	9.00	9.00	12.00	15.00	12.00	14.00	333,778.00	333,860.00
Less: net assets of subsidiary measured by equity shares obtained by disposed	-903,669.21	-352,541.98	-1,080,438.58	-995,732.37	167,599.27	-194,991.57	-251,298.63	-367,120.57	-3,978,193.64
Balance	903,680.21	352,550.98	1,080,447.58	995,744.37	-167,584.27	195,003.57	251,312.63	700,898.57	4,312,053.64
Including: Capital public reserve adjusted	-903,680.21	-352,550.98	-1,080,447.58	-995,744.37	167,584.27	-195,003.57	-251,312.63	-700,898.57	-4,312,053.64
Surplus public reserve adjusted									
Retained profit adjusted									

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 -4,312,053.64 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	
<b>Affiliated enterprise:</b>						
1.ChanghongRubaElectricCompany (Private)Ltd.	Lahore, Pakistan	Lahore	Manufactures, sales		40.00	Equity method
2.Hefei Xingmei Assets Management Co., Ltd.	Hefei	Hefei	Rental, agency	48.28		Equity method
3.Sichuan Zhiyijia Network Technology Co., Ltd.	Mianyang	Mianyang	Sales	30.00		Equity method
4.Hongyuan Dineng Rebao Technology Co. Ltd.	Mianyang	Mianyang	R & D, sales, after-sales		49.00	Equity method
5.Sichuan Tianyou Guigu Technology Co., Ltd.	Mianyang	Mianyang	Manufactures, sales		25.00	Equity method

#### (2) Financial information for major Joint venture: Nil

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

Item	Ending balance /Current Year				
	ChanghongRubaElectricCompany(Private)Ltd.	Hefei Xingmei Assets Management Co., Ltd.	Sichuan Zhiyijia Network Technology Co.,Ltd.	Hongyuan Dineng Rebao Technology Co. Ltd.	Sichuan Tianyou Guigu Technology Co.,Ltd.
Current assets:	57,151,378.11	4,899,931.72	1,151,731,999.79	149,209,552.62	64,584,297.31
Including: cash and cash equivalent	284,327.38	888,771.72	10,073,753.50	3,438,402.87	41,602,160.88
Non-current assets	88,631,877.31	23,485,265.76	10,765,142.54	1,249,641.49	32,673,915.06
Total assets	145,783,255.42	28,385,197.48	1,162,497,142.33	150,459,194.11	97,258,212.37
Current liability	55,156,684.60	1,893,794.31	1,128,525,720.68	134,701,791.21	52,935,134.75
Non-current liability	-	-	-	-	5,745,454.55
Total liabilities	55,156,684.60	1,893,794.31	1,128,525,720.68	134,701,791.21	8,680,589.30
Minority's interest		-	-	-	-
Equity attributable to shareholder of parent company	90,626,570.82	26,491,403.17	33,971,421.65	15,757,402.90	88,577,623.07

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

From 1 January 2016 to 30 June 2016

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

Share of net assets measured by shareholding	36,250,628.33	12,790,049.45	10,191,426.49	7,721,127.42	22,144,405.77
Adjustment item			-	-	-
-Goodwill			-	-	-
Unrealized profit of the internal downstream transactions	6,262,565.34	-	3,055,447.01	971,877.05	6,096.76
Unrealized profit of the internal upstream transactions	334,483.81	-		-	-
Other		-		-	-
Book value of the equity investment for affiliate	29,988,062.99	12,790,049.45	7,135,979.48	6,749,250.37	22,138,309.01
Fair value of equity investment for the affiliates with consideration publicly				-	-
Operation income	70,462,882.13	844,579.58	1,558,745,387.54	90,683,257.48	4,030,586.19
Financial expenses	100,521.40	-3,138.37	-4,722,600.31	-24,436.43	-310,111.90
Income tax expenses	-	-	1,997,985.96	-	-
Net profit	-2,017,456.15	-116,030.74	9,003,340.70	-4,238,296.19	-2,700,889.12
Net profit of discontinuing operation					
Other comprehensive income					
Total comprehensive income					
Dividend received from affiliates in the Year					

(Continued)

Item	Balance at year-begin / Last Year				
	Changhong Ruba Electric Company (Private) Ltd	Hefei Xingmei Assets Management Co., Ltd.	Sichuan Zhiyijia Network Technology Co., Ltd.	Hongyuan Dineng Rehao Technology Co., Ltd.	Sichuan Tianyou Guigu Technology Co., Ltd.
Current assets:	80,097,168.57	4,422,052.11	1,049,476,856.75	23,764,511.93	72,222,287.99
Including: cash and cash equivalent	7,375,329.25	4,422,051.68	91,309,812.52	8,883,320.31	55,646,748.59
Non-current assets	89,542,558.20	24,020,971.98	1,601,922.21	735,873.42	33,684,137.62
Total assets	169,639,726.77	28,443,024.09	1,051,078,778.96	24,500,385.35	105,906,425.61
Current liability	79,017,873.84	1,835,590.18	1,026,110,698.01	14,504,686.26	7,727,913.42
Non-current liability					6,900,000.00
Total liabilities	79,017,873.85	1,835,590.18	1,026,110,698.01	14,504,686.26	14,627,913.42
Minority's interest					

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

From 1 January 2016 to 30 June 2016

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

Equity attributable to shareholder of parent company	90,621,852.92	26,607,433.91	24,968,080.95	9,995,699.09	91,278,512.19
Share of net assets measured by shareholding	36,248,741.17	12,846,069.09	7,490,424.28	4,897,892.55	22,819,628.05
Adjustment item					
-Goodwill					
Unrealized profit of the internal downstream transactions	6,535,060.85		2,677,325.98	852,389.87	-1,568.58
Unrealized profit of the internal upstream transactions	628,197.71				
Other					
Book value of the equity investment for affiliate	29,713,680.32	12,846,069.09	4,813,098.30	4,045,502.68	22,821,196.62
Fair value of equity investment for the affiliates with consideration publicly					
Operation income	53,465,851.90	718,954.00	779,965,255.17		78,645.86
Financial expenses	41,481.34	-2,629.60	-31,655.82		-45,690.08
Income tax expenses	-	4,755.05	-		-
Net profit	1,017,466.19	-334,569.94	-21,387,184.40		-1,566,876.88
Net profit of discontinuing operation					
Other comprehensive income					
Total comprehensive income					
Dividend received from affiliates in the Year					

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

Item	Ending balance / Current Year	Balance at year-begin / Last Year
<b>Affiliate:</b>		
Total book value of investment		
Total amount measured by shareholding ratio		
--net profit	<b>-1,831,541.72</b>	<b>-1,432,211.70</b>
--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



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

From 1 January 2016 to 30 June 2016

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

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

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

4. Major conduct joint operation: Nil

5. Structured body excluding in consolidate financial statement: Nil

### IX. Relevant risks related with financial instrument

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

In connection with exchange risks, in order to prevent from exchange risks arising from foreign currency transaction amount, foreign currency dominated loans and interest expenditure, the Company entered into several forward exchange contracts with banks. Fair value of the forward exchange contract which has been recognized as derivative financial instrument has been included in profits and losses. As export business is increasing, if risks that are out of control of the Company occur such as appreciation of RMB, the Company will mitigate the relevant risks by adjusting its sales policy.

The Company's interest rate risk arises from bank borrowings and interest-bearing debt. Financial liabilities at floating rate expose the Company to cash flow interest rate risk, and financial liabilities at fixed rate expose the Company to fair value interest rate risk. The Company will determine the respective proportion of contracts at fixed and floating rates based on the prevailing market conditions. As of 30 June 2016, the interest-bearing debts mainly referred to borrowing contracts at floating rate denominated in RMB with total amount of 350,701,900.00, borrowing contracts at fixed rate denominated in USD with total amount of 313,625,352.83 and borrowing contracts at fixed rate denominated in Euro with total amount of 104,725,000.00. Risks relating to change of fair value of financial instruments arising from movement of interest rate mainly related to bank borrowings at fixed rate. As for borrowings at fixed rate, the Company aims to keep its floating rate. Risks relating to change of cash flow of financial instruments arising from movement of interest rate mainly related to bank borrowings at floating rate. The Company establishes its policy to keep floating rate for these borrowings so as to eliminate fair value risk arising from movement of interest rate.

### X. Disclosure of fair value

Item	Fair value at period-end			
	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level	Total
I. Continuous measure of fair value				
(I) Financial assets measured by fair value and with variation reckoned into current gains/losses				

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

From 1 January 2016 to 30 June 2016

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

1. Transactional financial assets		2,340,308.20	2,340,308.20
(1) Debt instrument investment			
(2) Equity instrument investment			
(3) Derivative financial assets		2,340,308.20	2,340,308.20
(4) Other			
<b>Total assets continue to be measured at fair value</b>		<b>2,340,308.20</b>	<b>2,340,308.20</b>
<b>(II) Financial liabilities measured by fair value and with variation reckoned into current gains/losses</b>			
1. Transactional financial liabilities		3,618,878.41	3,618,878.41
(1) Trading bonds issued			
(2) Derivative financial liabilities		3,618,878.41	3,618,878.41
(3) Other			
<b>Total liabilities continue to be measured at fair value</b>		<b>3,618,878.41</b>	<b>3,618,878.41</b>

## 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	Mianyang	Manufacture and sales	4,616,244,222	24.88%	24.88%

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

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

Controlling shareholder	Balance at year-begin	Increase during the year	Decrease during the year	Balance at year-end
Sichuan Changhong Electric Co., LTD	4,616,244,222			4,616,244,222

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

From 1 January 2016 to 30 June 2016

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

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

Controlling shareholder	Amount of shares held		Shareholding ratio	
	Balance at year-end	Balance at year-begin	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 blance results:

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

## 4. Other related parties

OtherRelated parties	Relationship
Huayi Compressor Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Jijia Fine Co., Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Hongfa Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Package Printing Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Control by same controlling shareholder and ultimate controller

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

From 1 January 2016 to 30 June 2016

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

OtherRelated parties	Relationship
Sichuan Jiahong Industrial 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
Guangdong Changhong Electronics 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 Power Source 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
CHANGHONG(HK)TRADINGLIMITED	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Hotel Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Communication Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Control by same controlling shareholder and ultimate controller
Chengdu Changhong Minsheng Logistic Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Travel Agency Co., Ltd.	Control by same controlling shareholder and ultimate controller
PT.CHANGHONGELECTRICINDONESIA	Control by same controlling shareholder and ultimate controller
Sichuan CCO Display Device 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 Devices Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
CHANGHONGELECTRIC(AUSTRALIA)	Control by same controlling shareholder and ultimate controller
CHANGHONGELECTRICMIDDLEEASTFZE	Control by same controlling shareholder and ultimate controller

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

From 1 January 2016 to 30 June 2016

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

OtherRelated parties	Relationship
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hefei Changhong Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Lejiayi Chain Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Minsheng Logistics Co., LTD	Control by same controlling shareholder and ultimate controller
ChanghongEuropeElectrics.r.o	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Anhui Xinhao PDP Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Huafeng Corp. Group	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Network Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Chengdu Changhong Electronic Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangyuan Hongcheng Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
BVCH Optronics (Sichuan) Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Electronic System Co., Ltd.	Control by same controlling shareholder and ultimate controller
081 Electronic Group Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Group Finance Co., Ltd.	Control by same controlling shareholder and ultimate controller
Yibin Hongxing Electronics Co., Ltd.	Control by same controlling shareholder and ultimate controller
Jingdezhen Honghua Home Appliance Parts Co., Ltd.	Control by same controlling shareholder and ultimate controller
Beijing Changhong Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller before April 2016
Mianyang Hongrun Electronic Co., Ltd.	Affiliate enterprise of controlling shareholder
Sichuan Hongyu Metal Manufacture Co., Ltd.	Affiliate enterprise of controlling shareholder

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

From 1 January 2016 to 30 June 2016

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

OtherRelated parties	Relationship
Sichuan Changxin Refrigeration Parts Co., Ltd.	Affiliate enterprise of controlling shareholder
Mianyang Highly Electric Co., Ltd.	Affiliate enterprise of controlling shareholder
Sichuan Changhe Technology Co., Ltd.	Affiliate enterprise of controlling shareholder

### (II) Related transactions

#### 1. Purchasing commodity

Related parties	Content	Current Period (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electric Co., LTD	Purchasing commodity	7,972.57	7,272.32
Huayi Compressor Co., Ltd.	Purchasing commodity	23,598.51	28,354.30
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Purchasing commodity	24,724.78	18,050.50
Sichuan Changhong Jijia Fine Co., Ltd.	Purchasing commodity	11,425.50	10,254.28
Sichuan Changhong Package Printing Co., Ltd.	Purchasing commodity	2,819.62	2,634.87
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Purchasing commodity	471.03	346.07
Sichuan Jiahong Industrial Co., Ltd.	Purchasing commodity	2.91	-
Sichuan Changhong New Energy Technology Co., Ltd.	Purchasing commodity	16.18	37.89
081 Electronic Group Co., Ltd.	Purchasing commodity	165.29	163.70
Sichuan Changhong Devices Technology Co., Ltd.	Purchasing commodity	2,578.26	2,111.91
Mianyang Hongrun Electronic Co., Ltd.	Purchasing commodity	583.74	471.38
Guangdong Changhong Electronics Co., Ltd.	Purchasing commodity	561.62	333.51
CHANGHONG(HK)TRADINGLIMITED	Purchasing commodity	179.34	-
Sichuan Changhong Lighting Technology Co.,Ltd.	Purchasing commodity	0.57	-
Sichuan Zhiyijia Network Technology Co., Ltd.	Purchasing commodity	1.32	-
Mianyang Hongfa Technology Co., Ltd.	Purchasing commodity	46.93	49.27
Sichuan Changhong Xinrui Technology Co., Ltd	Purchasing commodity	2,874.03	4,355.12
Sichuan Changhong Power Source Co., Ltd.	Purchasing commodity	3.68	-
Sichuan Hongwei Technology Co., Ltd.	Purchasing commodity	4.92	17.75
Sichuan Hongyu Metal Manufacture Co., Ltd.	Purchasing commodity	6.97	34.77
Sichuan ChangheTechnology Co., Ltd.	Purchasing commodity	308.60	181.61
Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchasing commodity	11,569.40	9,365.67
Mianyang Highly Electric Co., Ltd.	Purchasing commodity	11,853.60	10,254.53
Hongyuan Dineng Rebao Technology Co. Ltd.	Purchasing commodity	7,981.68	-
Sichuan Tianyou Guigu Technology Co., Ltd.	Purchasing commodity	175.02	-

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From 1 January 2016 to 30 June 2016

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

Related parties	Content	Current Period (10 thousand Yuan)	Last Year (10 thousand Yuan)
<b>Total</b>		<b>109,926.07</b>	<b>94,289.45</b>

### 2. Labor service receive

Related parties	Content	Current Period	Last Year
Sichuan Changhong Minsheng Logistics Co., LTD	Labor service receive	179,284,102.84	175,100,098.64
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Labor service receive	54,735,610.51	57,695,124.96
Sichuan Changhong Electric Co., LTD	Labor service receive	12,247,946.22	4,659,981.96
Sichuan Hongwei Technology Co., Ltd.	Labor service receive	-	581,150.94
Guangdong Changhong Electronics Co., Ltd.	Labor service receive	298,128.51	40,025.96
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Labor service receive	-	12,279.45
Sichuan Changhong Jijia Fine Co., Ltd.	Labor service receive	-	4,304.00
Sichuan Hongxin Software Co., Ltd.	Labor service receive	37,735.85	-
Sichuan Changhong Electronics Group Co., Ltd.	Labor service receive	9,235.00	-
Sichuan Jiahong Industrial Co., Ltd.	Labor service receive	148,240.81	14,390.60
Sichuan Changhong International Travel Agency Co., Ltd.	Labor service receive	81,913.94	-
CHANGHONG(HK)TRADINGLIMITED	Labor service receive	97,468.90	8,846.15
<b>Total</b>		<b>246,940,382.58</b>	<b>238,116,202.66</b>

### 3. Fuels and energy receive

Related parties	Content	Current Period	Last Year
Huayi Compressor Co., Ltd.	Fuels and energy receive	262,087.18	192,958.98
Guangdong Changhong Electric Co., LTD	Fuels and energy receive	570,996.81	500,672.92
Sichuan Changhong Electronic Appliance Co., Ltd.	Fuels and energy receive	6,045,488.65	5,321,532.77
Sichuan Jiahong Industrial Co., Ltd.	Fuels and energy receive	7,135.70	-
Sichuan Changhong Electronics Group Co., Ltd.	Fuels and energy receive	10,243.00	-
<b>Total</b>		<b>6,895,951.34</b>	<b>6,015,164.67</b>

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

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From 1 January 2016 to 30 June 2016

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

Related parties	Content	Current Period (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electronic Appliance Co., Ltd.	Sales of goods	53,934.25	54,811.76
Sichuan Changhong Electronics Group Co., Ltd.	Sales of goods	148.47	-
Sichuan Changhong Jijia Fine Co., Ltd.	Sales of goods	2,269.56	1,697.64
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Sales of goods	8,989.13	5,209.47
Lejiayi Chain Management Co., Ltd.	Sales of goods	176.06	364.29
081 Electronic Group Co., Ltd.	Sales of goods	-	-6.04
ChanghongEuropeElectrics.r.o	Sales of goods	-	92.42
CHANGHONG(HK)TRADINGLIMITED	Sales of goods	36,112.72	27,291.35
Sichuan Changhong Property Co., Ltd.	Sales of goods	-	1.38
Anhui Xinhao PDP Co., Ltd.	Sales of goods	5.13	53.85
Sichuan Changhong Xinrui Technology Co., Ltd.	Sales of goods	75.89	2,216.58
Sichuan Changhong International Hotel Co., Ltd.	Sales of goods	-	-2.56
Sichuan Hongwei Technology Co., Ltd.	Sales of goods	0.61	2.44
Sichuan Changhong Devices Technology Co., Ltd.	Sales of goods	0.17	37.46
Sichuan Changhong Packing & Printing Co., Ltd.	Sales of goods	-	21.16
Sichuan Changhong Precision Electronic Technology Co., Ltd.	Sales of goods	-	14.92
Sichuan Changhong Minsheng Logistic Co., Ltd.	Sales of goods	58.92	4.28
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	Sales of goods	285.23	286.92
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Sales of goods	364.88	445.82
Hefei Changhong Industrial Co., Ltd.	Sales of goods	104.71	209.32
Sichuan Huafeng Corp. Group	Sales of goods	15.58	3.13
Guangdong Changhong Electrics Co., Ltd.	Sales of goods	0.14	-
Sichuan Changhong Network Technology Co., Ltd.	Sales of goods	0.61	-
Chengdu Changhong Electric Technology Co., Ltd.	Sales of goods	1.55	-
Guangyuan Hongcheng Industrial Co., Ltd.	Sales of goods	-	0.03
Sichuan Ejar Network Technology Co., Ltd.	Sales of goods	66,360.65	27,857.07
CHANGHONGELECTRIC(AUSTRALIA)	Sales of goods	10.66	-
Sichuan Changhong Property Co., Ltd.	Sales of goods	3.70	-
Sichuan Changhong Wisdom Health Science and Technology Co., Ltd.	Sales of goods	0.30	-
Sichuan Huanyu Industrial Co. Ltd.	Sales of goods	0.42	-



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

Related parties	Content	Current Period (10 thousand Yuan)	Last Year (10 thousand Yuan)
Mianyang Hong fa Technology Co., Ltd.	Sales of goods	0.23	-
Mianyang Highly Electric Co., Ltd.	Sales of goods	-	0.46
Sichuan Changxin Refrigeration Parts Co., Ltd.	Sales of goods	3,962.85	2,630.30
Hongyuan Dineng Rebao Technology Co. Ltd.	Sales of goods	12,126.08	-
Sichuan Tianyou Guigu Technology Co., Ltd.	Sales of goods	210.02	-
Hefei Meiling Solar Energy Technology Co.,	Sales of goods	-	55.73
CHANGHONGRUBAELECTRICCO.,LTD	Sales of goods	3,524.40	1,335.98
Fuyang Weiao Meiling Appliance Marketing Co., Ltd.	Sales of goods	-	337.56
<b>Total</b>		<b>188,742.92</b>	<b>124,972.72</b>

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

### 5. Fuel and energy providing

Related parties	Content	Current Period	Last Year
Guangdong Changhong Electronics Co., Ltd.	Fuel and energy providing	292,821.41	315,249.10
Sichuan Changhong Minsheng Logistics Co., LTD	Fuel and energy providing	20,229.17	11,959.67
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Fuel and energy providing	-	68.38
Sichuan Hongwei Technology Co., Ltd.	Fuel and energy providing	-	218.23
Sichuan Changhong Jijia Fine Co., Ltd.	Fuel and energy providing	65,288.54	211,756.53
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Fuel and energy providing	3,010,107.37	3,256,618.73
Sichuan Changhong Diveces Technology Co., Ltd.	Fuel and energy providing	136,553.66	58,522.05
<b>Total</b>		<b>3,525,000.15</b>	<b>3,854,392.69</b>

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

From 1 January 2016 to 30 June 2016

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

### 6. Related rental

#### (1) Renting

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this period	Leasing income last year
Meiling	Sichuan Changhong Jijia Fine Co., Ltd.	Warehouse	14,060.38	-
Meiling	Sichuan Changhong Jijia Fine Co., Ltd.	Plant	-	233,280.00
Meiling	Sichuan Changhong Jijia Fine Co., Ltd.	Forklift truck	442.45	23.12
Meiling	Sichuan Changhe Technology Co., Ltd.	Warehouse	1,833.96	-
Meiling	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Plant	-	647,190.00
Meiling	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Warehouse	34,301.89	-
Meiling	Sichuan Changhong Xinrui Technology Co., Ltd.	Forklift truck	390.57	389.15
Meiling	Sichuan Changhong Xinrui Technology Co., Ltd.	Warehouse	12,226.42	-
Changhong Air-Conditioner	BVCH Optronics (Sichuan) Co., Ltd.	Goods lift	63,720.00	63,720.00
Zhongshan Changhong	Sichuan Changhong Jijia Fine Co., Ltd.	2# living area	3,889.43	-
Zhongshan Changhong	Sichuan Changhong Minsheng Logistics Co., LTD	Warehouse	100,000.00	-
Zhongshan Changhong	Guangdong Changhong Electronics Co., Ltd.	Trade center	402,298.16	492,170.06
Zhongshan Changhong	Sichuan Changhong Minsheng Logistics Co., LTD	Trade center	20,006.99	3,388.28
Mianyang Refrigeration	Sichuan Changhong Package Printing Co., Ltd.	Rental of warehouse	-	2,264.15
Mianyang Refrigeration	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Rental of warehouse	32,943.40	32,943.40
Mianyang Refrigeration	Sichuan Changhe Technology Co., Ltd.	Rental of warehouse	113.21	135.85
Mianyang Refrigeration	Sichuan Changxin Refrigeration Parts Co., Ltd.	Rental of warehouse	113.21	452.83
Ridian Technology	Sichuan Hongwei Technology Co., Ltd.	Workshop lease	-	34,560.00
Ridian Technology	Sichuan Changhong Devices Technology Co., Ltd.	Workshop lease	418,624.00	417,984.00
Ridian Technology	Sichuan Changhong Minsheng Logistics Co., LTD	Workshop lease	515,462.10	179,307.84
Jiangxi Electric	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Rental of plant	241,197.71	225,960.00

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

From 1 January 2016 to 30 June 2016

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

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this period	Leasing income last year
Jiangxi Electric	Sichuan Changhong Jijia Fine Co., Ltd.	Rental of plant	-	67,032.00
Jiangxi Electric	Sichuan Changhong Jijia Fine Co., Ltd.	Machinery equipment	-	49,743.59
Total			<b>1,861,623.88</b>	<b>2,450,544.27</b>

### (2) Lessee

Lessor	Lessee	Type of assets leasing	Leasing income recognized in this period	Leasing income last year
Sichuan Changhong Electric Co., LTD	Changhong Air-Conditioner	Plant	2,204,901.44	3,711,585.62
Sichuan Changhong electronic Holding Group Co., Ltd.	Changhong Air-Conditioner	Building	51,912.42	-
Sichuan Changhong electronic Holding Group Co., Ltd.	Mianyang Refrigeration	Staff dormitory	2,080.00	2,800.00
Sichuan Changhong Electric Co., LTD	Mianyang software	Office room	46,951.52	13,596.00
Sichuan Changhong Electric Co., LTD	Appliance marketing	Office room	354,901.77	207,440.71
Sichuan Changhong Electric Co., LTD	Beijing Meiling	Office room	89,128.50	-
Guangdong Changhong Electric Co., LTD	Ridian Technology	Staff dormitory	279,543.46	209,027.02
<b>Total</b>			<b>3,029,419.11</b>	<b>4,144,449.35</b>

### 7. Related guarantee

Secured party	Sponsored party	Maximum guarantee amount (in 10 thousand yuan)	Start date	End date	Completed (Y/N)
Hefei Meiling	Zhongshan Changhong	8,000.00	2015.03.30	2016.03.29	Y
Hefei Meiling	Zhongshan Changhong	5,000.00	2015.05.27	2016.05.27	N
Hefei Meiling	Zhongshan Changhong	15,000.00	2015.12.29	2016.12.29	N
Hefei Meiling	Zhongshan Changhong	17,000.00	2015.12.30	2016.12.30	N

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

From 1 January 2016 to 30 June 2016

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

Secured party	Sponsored party	Maximum guarantee amount (in 10 thousand yuan)	Start date	End date	Completed (Y/N)
<b>Counter guarantee:</b>					
Zhongshan Changhong	Hefei Meiling	8,000.00	2015.03.30	2016.03.29	Y
Zhongshan Changhong	Hefei Meiling	5,000.00	2015.05.27	2016.05.27	N
Zhongshan Changhong	Hefei Meiling	15,000.00	2015.12.29	2016.12.29	N
Zhongshan Changhong	Hefei Meiling	17,000.00	2015.12.30	2016.12.30	N

### 8. Assets transfer, debt restructuring of related parties

Related parties	Type	Current Period	Last Year
Sichuan Changhong Electric Co., Ltd.	Purchasing fixed assets	216,211.27	2,464,230.77
Sichuan Hongxin Software Co., Ltd.	Purchasing fixed assets	188,679.25	495,283.02
Sichuan Hongxin Software Co., Ltd.	Purchasing fixed assets	149,292.45	--
Sichuan Hongwei Technology Co., Ltd.	Purchasing fixed assets	1,110,261.19	-
Sichuan Changhong Electronic System Co., Ltd.	Purchasing fixed assets	-	329,059.83
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Purchasing fixed assets	-	59,829.06
Sichuan Changhong New Energy Technology Co., Ltd.	Fixed assets sold	-	15,035.60
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Fixed assets sold	31,091.89	-

### 9. Related transaction with Changhong Finance Company

#### (1) Saving balance

Related transaction	Opening balance	Ending balance	Interest income
Bank savings	1,260,081,706.55	1,961,248,737.41	9,011,493.56

#### (2) Notes discounted

Related transaction	Bank acceptance book discounted amount	Bank acceptance discounted amount	Expenses of discounted cash paid
Note receivable	543,065,633.55	538,478,569.07	6,620,397.78

#### (3) Notes issued

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

From 1 January 2016 to 30 June 2016

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

Related transaction	Issuing unit	Note amount	Type
Note payable	Sichuan Changhong Group Finance Co., Ltd.	1,005,335,926.96	Trade acceptance

### (III) Come and go balance with related parties

#### 1. Item receivables

Item	Related parties	Ending balance		balance at period-begin	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Sichuan Changhong Electric Co., Ltd.	10,634,631.95	-	2,138,556.68	
Account receivable	Sichuan Changhong Electronics Holding Group Co., Ltd.	3,904,322.41	-	2,209,161.87	
Account receivable	Sichuan Changhong Mold Technology Co., Ltd.	547,345.90	-	207,505.03	
Account receivable	PT.CHANGHONGELECTRICINDONESIA	-	-	212,356.95	
Account receivable	Lejiayi Chain Management Co., Ltd.	652,486.77		325,769.21	
Account receivable	Hefei Changhong Industrial Co., Ltd.	542,529.31		1,492,108.99	
Account receivable	Huayi Compressor Co., Ltd.	263,800.00	-	263,800.00	
Account receivable	Sichuan Changhong Jijia Jinggong Co., Ltd.	-	-	5,536.56	
Account receivable	CHANGHONGELECTRIC(AUSTRALIA)	111,442.65	-	-	
Account receivable	CHANGHONG(HK)TRADINGLIMITED	232,580,699.49	-	133,214,694.78	
Account receivable	Sichuan Changhong Minsheng Logistic Co., Ltd.	265,287.38	-	-	
Account receivable	Sichuan Changhong Devices Technology Co., Ltd.	2,000.00	-	-	
Account receivable	Chengdu Changhong Electronic Technology Co., Ltd.	1,481,370.25	-	1,835,245.20	
Account receivable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	3,559.52	-	3,559.52	

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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance		balance at period-begin	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Sichuan Hongwei Technology Co., Ltd.	-	-	8,998.00	
Account receivable	Yibing Hongxing Electronics Co., Ltd.	1,058,049.10	-	1,058,049.10	
Account receivable	Sichuan Changhong Package Printing Co., Ltd.	-	-	800.00	
Account receivable	Sichuan Zhiyijia Network Technology Co., Ltd.	110,819,472.67	-	260,964,612.33	
Account receivable	CHANGHONGRUBAELECTRICCO.,LTD	37,125,902.04		34,269,278.41	
Account receivable	Anhui Xinhao PDP Co., Ltd.	630,000.00	-	645,000.00	
Account receivable	Sichuan Changhong Network Technology Co., Ltd.	-		51,150.00	
Account receivable	Sichuan Changhong Power Supply Co., Ltd.	18,200.78		-	
Account receivable	Sichuan Changhong Property Co., Ltd.	40,311.80		-	
Account receivable	Sichuan Changhong International Hotel Co., Ltd.	2,240,929.90	-	2,859,768.75	
Account receivable	Hongyuan Dineng Rebao Technology Co. Ltd.	17,705,969.67	-	12,094,465.83	
Account paid in advance	Sichuan Changhong Electric Co., Ltd.	3,001,653.77		-	
Account paid in advance	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	80.03	-	5.38	
Account paid in advance	Huayi Compressor Co., Ltd.	9,313,999.11	-	-	
Account paid in advance	Sichuan Zhiyijia Network Technology Co., Ltd.	5,986.02	-	-	
Other account receivable	Sichuan Changhong Electric Co., Ltd.	-	-	449,090.56	
Other account receivable	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	200,000.00	-	200,000.00	

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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance		balance at period-begin	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable	Sichuan Changhong Minsheng Logistic Co., Ltd.	-		80,265.12	
Other account receivable	Sichuan Changhong Devices Technology Co., Ltd.	-	-	1,416.11	
Other account receivable	Hongyuan Dineng Rebao Technology Co. Ltd.	68,074.38	-	-	
<b>Total</b>		<b>433,218,104.90</b>		<b>454,591,194.38</b>	

## 2. Item payables

Item	Related parties	Ending balance	Balance at period-begin
Account payable	Sichuan Changhong Electric Co., Ltd.	14,245,010.06	29,851,894.60
Account payable	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	134,180,824.48	46,397,079.60
Account payable	Huayi Compressor Co., Ltd.	478,979.76	139,199,433.03
Account payable	Sichuan Changhong Jijia Jinggong Co., Ltd.	91,324,264.95	18,183,863.16
Account payable	Sichuan Changhong Minsheng Logistic Co., Ltd.	34,752,792.96	13,569,124.33
Account payable	Sichuan Changhong Packing & Printing Co., Ltd.	30,667,631.85	3,815,726.06
Account payable	Sichuan Changhong Devices Technology Co., Ltd.	20,926,513.11	2,856,979.62
Account payable	Mianyang Hongrun Electronic Co., Ltd.	4,512,366.80	438,778.08
Account payable	Sichuan Changhong Precision Electronic Technology Co., Ltd.	5,719,151.79	474,412.43
Account payable	081 Electronic Group	948,792.00	145,004.41
Account payable	Sichuan Changhong New Energy Technology Co., Ltd.	1,901.25	35,055.83
Account payable	Sichuan Changhong Lighting Technology Co., Ltd.	-	28,458.00

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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance	Balance at period-begin
Account payable	Sichuan Changhong Power Co., Ltd.	-	17,694.78
Account payable	Sichuan Hongyu Metal Manufacture Co., Ltd.	448,832.44	76,605.95
Account payable	Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	14,381,111.55	12,325,292.30
Account payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,503.63	10,503.63
Account payable	Chengdu Changhong Minsheng Logistic Co., Ltd.	-	223,001.66
Account payable	Sichuan Changhong Xinrui Technology Co., Ltd.	24,838,499.29	17,899,155.35
Account payable	Mianyang Hongfa Technology Co., Ltd.	4,016,918.00	37,968.00
Account payable	Guangdong Changhong Electrics Co., Ltd.	2,807,027.48	2,698,808.96
Account payable	Sichuan Changhong Electronic System Co., Ltd.	77,000.00	77,000.00
Account payable	Sichuan Hongwei Technology Co., Ltd.	1,356,520.87	-
Account payable	Sichuan Huafeng Group Co., Ltd.	230,374.74	-
Account payable	Sichuan Jiahong Industrial Co., Ltd.	146,102.14	78,317.93
Account payable	Mianyang Highly Electric Co., Ltd.	22,054,033.64	20,557,246.51
Account payable	Sichuan Changxin Refrigeration Parts Co., Ltd.	33,409,088.45	5,266,539.58
Account payable	Sichuan ChangheTechnology Co., Ltd.	2,617,088.48	1,288,398.54
Account payable	Hongyuan Dineng Rebao Technology Co. Ltd.	3,776,176.00	2,846,000.00
Account payable	Sichuan Tianyou Guigu Technology Co., Ltd.	-	333,333.01
Account received in advance	Sichuan Changhong Electric Co., Ltd.	-	4,549,701.77



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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance	Balance at period-begin
Account received in advance	Lejiayi Chain Management Co., Ltd.	20,900.02	900.02
Account received in advance	PT.CHANGHONGELECTRICINDONESIA	-	245.39
Account received in advance	CHANGHONGELECTRICMIDDLEEASTFZE	1,660.78	1,626.32
Account received in advance	CHANGHONG(HK)TRADINGLIMITED	317.48	317.48
Account received in advance	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	20,408.59	25,349.12
Account received in advance	Sichuan CCO Display Device Co., Ltd.	-	74,587.00
Account received in advance	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	375,231.72	339,625.21
Account received in advance	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	-	27,308.76
Account received in advance	Sichuan Zhiyijia Network Technology Co., Ltd.	9,401,708.54	-
Account received in advance	Sichuan Huafeng Group Co., Ltd.	4,500.00	-
Account received in advance	Hefei Meiling Solar Energy Technology Co.,	315,389.49	-
Account received in advance	Hongyuan Dineng Rebao Technology Co. Ltd.	3,878,046.37	-
Account received in advance	Sichuan Tianyou Guigu Technology Co., Ltd.	269,700.06	148,501.26

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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance	Balance at period-begin
Other account payable	Sichuan Changhong Electronics Group Co., Ltd.	-	4,124.00
Other account payable	Sichuan Changhong Electric Co., Ltd.	1,493,604.40	1,992,259.81
Other account payable	081 Electronic Group	255.91	3,549.14
Other account payable	Sichuan Changhong Minsheng Logistic Co., Ltd.	586,504.95	586,504.95
Other account payable	CHANGHONG(HK)TRADINGLIMITED	588,935.68	876,260.05
Other account payable	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	1,606,458.19	1,557,408.63
Other account payable	Sichuan Changhong Jijia Jinggong Co., Ltd.	350,500.00	361,466.64
Other account payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,000.00	10,000.00
Other account payable	Sichuan Changhong Xinrui Technology Co., Ltd.	200,000.00	200,000.00
Other account payable	Huayi Compressor Co., Ltd.	1,050,000.00	1,050,000.00
Other account payable	Sichuan Changhong Packing & Printing Co., Ltd.	67,429.49	50,000.00
Other account payable	Sichuan Zhiyijia Network Technology Co., Ltd.	-	48,707.00
Other account payable	Sichuan Changhong Precision Electronic Technology Co., Ltd.	148.56	-
Other account payable	Sichuan Changhong Devices Technology Co., Ltd.	50,246.64	-
Other account payable	Sichuan Jiahong Industrial Co., Ltd.	2,532.34	2,182.34
Other account payable	Guangdong Changhong Electronics Co., Ltd.	12,557.04	26,485.76
Other account payable	Mianyang Highly Electric Co., Ltd.	527,934.86	603,295.12
Other account payable	Sichuan ChangheTechnology Co., Ltd.	100,000.00	50,000.00
Other account	Sichuan Changxin Refrigeration Parts Co., Ltd.	50,000.00	50,000.00

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

From 1 January 2016 to 30 June 2016

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

Item	Related parties	Ending balance	Balance at period-begin
payable			
	<b>Total</b>	<b>468,912,476.83</b>	<b>331,372,081.12</b>

(IV) Commitments from related parties: Nil

XII. Share-based payment: Nil

XIII. Contingency

1. Pending action or possible liabilities formed from arbitration: Nil
2. Contingency from external guarantee: Nil
3. Other contingency: Nil

XIV. Commitments: Nil

XV. Events occurring after the balance sheet date

1. Important non-adjustment items: Nil
2. Profit distribution: Nil
3. Major sales return: Nil
4. Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

XVI. Other significant matters

1. Correction of previous 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	364,978.24	275,638.73	140,213.68	33,996.48	128,164.00	686,663.13
Including: Income from trading outside	243,441.55	275,617.52	140,213.68	27,390.38	-	686,663.13
Income from trading in branch	121,536.69	21.21	-	6,606.10	128,164.00	-
Operation expenses	355,129.44	274,104.94	141,704.45	34,089.19	127,985.95	677,042.07
Operation profit	9,848.80	1,533.79	-1,490.77	-92.71	-	9,621.06
Total assets	947,521.32	342,097.41	55,300.14	36,386.51	205,704.05	1,175,601.33
Total liability	553,768.68	266,210.20	85,854.77	21,339.03	101,833.38	825,339.30

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

From 1 January 2016 to 30 June 2016

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

Item	Icecuber	AC	Marketing	Other	Sales in branch	Total
Supplementary information	-	-	-	-	-	-
Depreciation and amortization expenses	6,304.93	2,002.20	9.74	612.40	-	8,929.27
Capital expenditure	6,253.90	3,281.00	18.80	329.72	-	9,883.42
Non-cash expenses except for depreciation and amortization	45,075.63	27,823.46	15,538.24	2,841.36	-513.08	91,791.77

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) Classify of account receivable

Category	Ending amount				Book value
	Book balance		Bad debt provision		
	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	367,860,966.26	32.56%	22,512,196.52	6.12%	345,348,769.74
Combination 2	762,085,649.70	67.44%			762,085,649.70
Combination Subtotal	1,129,946,615.96	100.00%	22,512,196.52	1.99%	1,107,434,419.44
Account receivable with single minor amount but withdrawal single item bad debt provision					-
<b>Total</b>	<b>1,129,946,615.96</b>	<b>100.00%</b>	<b>22,512,196.52</b>	<b>1.99%</b>	<b>1,107,434,419.44</b>

(Continued)

Category	Amount at year-begin				Book value
	Book balance		Bad debt provision		
	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	153,138,749.45	16.03%	11,767,503.69	7.68%	141,371,245.76

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

From 1 January 2016 to 30 June 2016

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

Category	Amount at year-begin				Book value
	Book balance		Bad debt provision		
	Amount	Ratio	Amount	Ratio	
Combination 2	801,957,750.21	83.97%			801,957,750.21
Combination Subtotal	955,096,499.66	100.00%	11,767,503.69	1.23%	943,328,995.97
Account receivable with single minor amount but withdrawal single item bad debt provision					
<b>Total</b>	<b>955,096,499.66</b>	<b>100.00%</b>	<b>11,767,503.69</b>	<b>1.23%</b>	<b>943,328,995.97</b>

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

2) Account receivable with Withdrawal of bad debt provision by aging account in combination 1

Age	Ending balance		
	Account receivable	Bad debt provision	Provision ratio (%)
Within 1 year	360,555,926.38	18,027,796.32	5%
1-2 years	303,018.15	45,452.72	15%
2-3 years	3,935,723.07	1,377,503.07	35%
3-4 years	43.55	23.95	55%
4-5 years	32,231.00	27,396.35	85%
Over 5 years	3,034,024.11	3,034,024.11	100%
<b>Total</b>	<b>367,860,966.26</b>	<b>22,512,196.52</b>	—

3) Account receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	703,247,660.01
Account receivable with L/C	58,837,989.69
<b>Total</b>	<b>762,085,649.70</b>

4) No account receivable with single minor amount but withdrawal single item bad debt provision at period-end

(2) Provision, reversal (or recovery) of bad debt provision

The bad debt accrual in the year was RMB 10,744,692.83; no recovery or reversal bad debt provision in the year.

(3) No account receivable actually written-off at period-end.

(4) No arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company at period-end.

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

From 1 January 2016 to 30 June 2016

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

The top five account receivable at period-end has RMB 436,483,257.09 in total, a 38.63% in total account receivable.

(5) Account receivable de-recognized: Nil

### 2. Other account receivable

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

Category	Ending amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Other account receivable with single significant amount and withdrawal single item bad debt provision					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	2,727,268.68	2.30%	329,158.28	12.07%	2,398,110.40
Combination 2	115,916,433.22	97.70%	-		115,916,433.22
Combination Subtotal	118,643,701.90	100.00%	329,158.28	0.28%	118,314,543.62
Other account receivable with single minor amount but withdrawal single item bad debt provision					-
<b>Total</b>	<b>118,643,701.90</b>	<b>100.00%</b>	<b>329,158.28</b>	<b>0.28%</b>	<b>118,314,543.62</b>

(Continued)

Category	Amount at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Other account receivable with single significant amount and withdrawal single item bad debt provision					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	4,840,833.66	8.76%	1,976,106.94	40.82%	2,864,726.72
Combination 2	50,391,165.17	91.24%			50,391,165.17
Combination Subtotal	55,231,998.83	100.00%	1,976,106.94	3.58%	53,255,891.89
Other account receivable with single minor amount but withdrawal single item bad debt provision					
<b>Total</b>	<b>55,231,998.83</b>	<b>100.00%</b>	<b>1,976,106.94</b>	<b>3.58%</b>	<b>53,255,891.89</b>

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

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

From 1 January 2016 to 30 June 2016

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

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

Age	Ending balance		
	Account receivable	Bad debt provision	Provision ratio (%)
Within 1 year	2,058,180.21	102,909.01	5%
1-2 years	482,108.47	72,316.27	15%
2-3 years	10,000.00	3,500.00	35%
3-4 years	-	-	55%
4-5 years	176,980.00	150,433.00	85%
Over 5 years	-	-	100%
<b>Total</b>	<b>2,727,268.68</b>	<b>329,158.28</b>	—

### 3) Other receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	95,509,358.72
Loans of employee's pretty cash	3,871,741.10
Export tax refunds receivable	16,535,333.40
<b>Total</b>	<b>115,916,433.22</b>

4) No other account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables at period-end.

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

Releasing bad debt provision in the year amounting to RMB 1,646,948.66; bad debt recovered the original verification was RMB 6,000.00 in the year.

(3) Other account receivable charge off in this year: Nil

(4) No areas from shareholders' unit with over 5 percent (5 percent included) voting rights held at period-end.

Top 5 other account receivable has RMB 113,902,935.79 in total, a 96.00% in total other account receivable.

(5) Other receivables classify by nature

Nature	Ending book balance	Book balance at year-begin
Related parties	95,509,358.72	32,309,376.56
Loans of employee's pretty cash	3,871,741.10	3,317,078.21
Margin	198,295.60	398,295.60
Advance money paid temporary	1,132,421.58	-
Other	1,396,551.50	4,442,538.06
Export rebate	16,535,333.40	14,764,710.40
<b>Total</b>	<b>118,643,701.90</b>	<b>55,231,998.83</b>

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

From 1 January 2016 to 30 June 2016

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

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(6) Other receivable de-recognized: Nil



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

From 1 January 2016 to 30 June 2016

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

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	Ending balance			Balance at year-begin		
	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 Low-temperature 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	169,856,419.37		169,856,419.37	112,256,419.37		112,256,419.37
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 Electric 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	4,950,000.00		4,950,000.00
Guangdong Changhong RidianTechnology Co., Ltd.	90,802,593.15		90,802,593.15			

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

From 1 January 2016 to 30 June 2016

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

Item	Ending balance			Balance at year-begin		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Changmei Technology Co., Ltd.	18,000,000.00		18,000,000.00			
<b>Investment in associates</b>						
Hefei Xingmei Assets Management Co., Ltd.	12,790,049.45		12,790,049.45	12,846,069.09		12,846,069.09
Sichuan Zhiyijia Network Technology Co., Ltd.	10,191,426.49		10,191,426.49	7,490,424.28		7,490,424.28
<b>Total</b>	<b>1,009,682,156.77</b>		<b>1,009,682,156.77</b>	<b>840,634,581.05</b>		<b>840,634,581.05</b>

### (2) Investment in subsidiaries

Invested unit	Balance at year-begin	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	112,256,419.37	57,600,000.00		169,856,419.37		
Sichuan Changhong Air Conditioner Co.,	305,600,437.79			305,600,437.79		

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

From 1 January 2016 to 30 June 2016

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

Invested unit	Balance at year-begin	Increase during the year	Decrease during the year	Ending balance	Provision for impairment losses	Ending balance of impairment loss
Ltd.						
Hefei Meiling Group Holding Co., Ltd.	113,630,000.00			113,630,000.00		
Jiangxi MeiLing Electric 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		
Guangdong Changhong Ridian Technology Co., Ltd.		90,802,593.15		90,802,593.15		
Changmei Technology Co., Ltd.		18,000,000.00		18,000,000.00		
<b>Total</b>	<b>820,298,087.68</b>	<b>166,402,593.15</b>		<b>986,700,680.83</b>		

### (3) Investment in associates

Invested unit	Balance at year-begin	Changes in the Year							Ending balance	Ending balance of impairment	
		Additional Investment	Negative Investment	Investment income recognized under equity	Adjustment for other comprehensive income	Other equity change	Cash dividend or profit announced to issued	Provision for impairment loss			Other
Hefei Xingmei Assets Management Co., Ltd.	12,846,069.09			-56,019.64						12,790,049.45	
Sichuan Zhiyijia Network Technology Co., Ltd.	7,490,424.28			2,701,002.21						10,191,426.49	
<b>Total</b>	<b>20,336,493.37</b>			<b>2,644,982.57</b>						<b>22,981,475.94</b>	

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

From 1 January 2016 to 30 June 2016

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

### 4. Operation income and operation cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main business	3,359,972,441.96	2,762,714,566.29	3,273,590,576.99	2,749,342,602.87
Other business	410,800,721.97	397,417,660.72	450,054,174.95	435,680,329.62
<b>Total</b>	<b>3,770,773,163.93</b>	<b>3,160,132,227.01</b>	<b>3,723,644,751.94</b>	<b>3,185,022,932.49</b>

(1) Classified according to product-main business

Product	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
Refrigerator and freezer	3,178,958,581.60	2,612,206,850.23	3,162,550,759.77	2,654,440,336.36
Washing machine	179,396,785.22	150,507,716.06	111,033,625.17	94,896,268.57
Other	1,617,075.14		6,192.05	5,997.94
<b>Total</b>	<b>3,359,972,441.96</b>	<b>2,762,714,566.29</b>	<b>3,273,590,576.99</b>	<b>2,749,342,602.87</b>

(2) Classified according to region-main business

Regions	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic	2,481,708,373.76	2,002,163,732.22	2,501,342,037.25	2,056,276,249.58
Foreign	878,264,068.20	760,550,834.07	772,248,539.74	693,066,353.29
<b>Total</b>	<b>3,359,972,441.96</b>	<b>2,762,714,566.29</b>	<b>3,273,590,576.99</b>	<b>2,749,342,602.87</b>

Income in sales of top five clients was RMB 809,679,822.07 yuan, a 21.47% in total operation income.

### 5. Investment income

Item	Current Year	Last Year
Long-term equity investment income by cost method	75,261,313.40	
Long-term equity investment income by equity method	2,644,982.57	-6,577,685.69
Other	4,986,301.37	517,808.22
<b>Total</b>	<b>82,892,597.34</b>	<b>-6,059,877.47</b>

## XVIII. Approval of financial statement

The financial statement has already been approved from the board of directors of the Company for reporting dated 28 July 2016.

### Supplementary information for financial statement

#### 1. Non-operational gains and losses for this year

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

From 1 January 2016 to 30 June 2016

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

(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	-1,214,295.88	
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	14,750,673.67	
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses		
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment		
Gains and losses from exchange of non-monetary assets		
Gains and losses from assets under trusted investment or management		
Various provision for impairment of assets withdrew due to act of God, such as natural disaster		
Gains and losses from debt restructuring		
Enterprise reorganization expense		
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value		
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control		
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company		
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	3,707,731.16	
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		

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

From 1 January 2016 to 30 June 2016

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

Item	Current Year	Note
Other non-operating income and expenditure except for the aforementioned ones	4,410,917.97	
Other gains and losses items complying with definition for non-current gains and losses		
Subtotal	21,655,026.92	
Affect on income tax	2,325,980.83	
Affect on minority equity(after taxation)	137,999.52	
<b>Total</b>	<b>19,191,046.57</b>	

### 2. Return on equity and earnings per share

In accordance with requirement of the No. 9 Rule of Information Disclosure Compiling of Public Listed Companies: Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Company in half 2016 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	3.12%	0.1440	0.1440
Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses	2.58%	0.1189	0.1189

3. Accounting difference under the accounting rules in and out of China: Nil

4. Supplementary information for accounting policy changed: Nil

## Section X. Documents Available for Reference

I. Text of semi-annual report with the signature of the Chairman;

II. Accounting statement carrying the signatures and seals of the Chairman, vice president and financial administrator as well as the person in charge of accounting organ(chief accountants);

III. Originals documents of the Company and manuscripts of public notices that disclosed in the newspapers 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 Tabin  
Hefei Meiling Co., Ltd.  
29 July 2016