

WUXI LITTLE SWAN COMPANY LIMITED

ANNUAL REPORT 2017



March 2018

Part I Important Statements, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Board, as well as the Directors, Supervisors and senior management of Wuxi Little Swan Company Limited (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representations, misleading statements or material omissions in this Report.

Mr. Fang Hongbo, the Company’s legal representative, Mr. Sun Yunan, the Company’s Chief Financial Officer, and Mr. Xu Yunwei, the Company’s Financial Manager hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All the Company’s Directors have attended the Board meeting for the review of this Report.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as virtual promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The Board has considered and approved a proposal for profit distribution: Based on the total shares of 632,487,764, a cash dividend of RMB10.00 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no stock dividend in any form.

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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Definitions

Term	Definition
Company, the Company or Little Swan	Wuxi Little Swan Company Limited
Midea Group	Midea Group Co., Ltd.
TITONI	TITONI Investments Development Ltd.
Midea Holding	Midea Holding Co., Ltd.
Midea Group Finance	Midea Group Finance Co., Ltd.
GD Midea Holding	GD Midea Holding Co., Ltd.
Hefei Midea Washing Machine	Hefei Midea Washing Machine Co., Ltd.
Wuxi FILIN Electronics	Wuxi FILIN Electronics Co., Ltd.
CSRC	The China Securities Regulatory Commission
The “Reporting Period”	The period from January 1, 2017 to December 31, 2017

Part II Corporate Profile and Key Operating Results

I Corporate Information

Stock name	Little Swan A, Little Swan B	Stock code	000418, 200418
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	无锡小天鹅股份有限公司		
Abbr.	小天鹅		
Company name in English	Wuxi Little Swan Company Limited		
Legal representative	Fang Hongbo		
Registered address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China		
Zip code	214028		
Office address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China		
Zip code	214028		
Company website	http://www.littleswan.com		
Email address	ir@littleswan.com.cn		

II Contact Information

	Board Secretary	Securities Representative
Name	Zhou Sixiu	Zhao Yulin
Address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China
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Email address	ir@littleswan.com.cn	ir@littleswan.com.cn

III Media for Information Disclosure and Place where this Report is Kept

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is kept	Securities Department of the Company

IV Company Registered Information and Alterations

Credibility code	91320200704046760T
Changes in primary business scope of the Company since going public	No changes
Changes of controlling shareholder	The Company was incorporated in November 1993 by raising funds from targeted sources, with Jiangsu Little Swan Group Co., Ltd. as the controlling shareholder. In June 2007, Wuxi Guolian Development (Group) Co., Ltd. became the controlling shareholder as Jiangsu Little Swan Group Co., Ltd. transferred the 87,673,341 Little Swan A-shares to it according to law. In April 2008, GD Midea Holding Co., Ltd. became the controlling shareholder as it took over, upon agreement, all the Company's shares held by Wuxi Guolian Development (Group) Co., Ltd. In September 2013, Midea Group Co., Ltd. became the controlling shareholder as it merged in GD Midea Holding Co., Ltd. in a stock swap.

V Other Information

Independent certified public accounting (or "CPA") firm hired by the Company:

Name	PricewaterhouseCoopers Zhong Tian LLP
Office address	11/F PricewaterhouseCoopers Center Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Accountants writing signatures	Huang Meimei, Cai Xiujuan

Independent sponsor hired by the Company to exercise constant supervision over the Company during the

Reporting Period:

Applicable Not applicable

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

Independent financial advisor hired by the Company to exercise constant supervision over the Company during the Reporting Period:

Applicable Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	2017	2016	Change	2015
Operating revenue (RMB)	21,384,699,076.65	16,334,914,501.69	30.91%	13,131,626,932.44
Net income attributable to shareholders of the listed company (RMB)	1,506,412,505.22	1,175,054,922.85	28.20%	919,181,968.58
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	1,456,953,109.59	1,162,942,494.37	25.28%	903,388,867.00
Net cash flows from operating activities (RMB)	2,015,753,818.30	3,896,072,787.38	-48.26%	3,598,695,468.80
Basic earnings per share (RMB/share)	2.38	1.86	27.96%	1.45
Diluted earnings per share (RMB/share)	2.38	1.86	27.96%	1.45
Weighted average return on equity (%)	23.12%	21.14%	1.98%	19.32%
	December 31, 2017	December 31, 2016	Change	December 31, 2015
Total assets (RMB)	21,338,421,243.67	18,885,986,837.64	12.99%	14,327,655,366.60
Net assets attributable to shareholders of the listed company (RMB)	7,047,090,800.97	5,983,847,862.72	17.77%	5,124,866,173.14

VII Accounting Data Differences under CAS (Chinese Accounting Standards) and IFRS (International Financial Reporting Standards) and Foreign Accounting Standards

1. Net Income and Net assets Differences Arising from Reporting under CAS and IFRS

Applicable Not applicable

No such differences for the Reporting Period.

2. Net Income and Net Assets Differences Arising from Reporting under CAS and Foreign Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	5,690,391,543.42	4,877,669,310.79	5,409,053,680.82	5,407,584,541.62
Net income attributable to shareholders of the listed company	397,203,444.77	334,337,057.70	411,479,306.87	363,392,695.88
Net income attributable to shareholders of	395,282,206.35	319,515,008.40	399,291,895.16	342,863,999.68

the listed company before nonrecurring gains and losses				
Net cash flows from operating activities	-168,999,611.82	26,588,919.58	831,632,909.66	1,326,531,600.88

Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

Yes No

IX Nonrecurring Gains and Losses

Unit: RMB

Item	2017	2016	2015	Note
Gains/Losses on disposal of non-current assets (inclusive of offset impairment allowances)	-975,423.00	-1,833,734.45	-280,195.57	
Government subsidy charged to current gains/losses (exclusive of government grants closely related to the Company's normal business operations and constantly given at fixed quotas or amounts as per government's uniform standards)	31,151,026.31	13,872,569.26	31,893,010.09	
Gains/Losses on changes in fair value of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges related to normal business operations of the Company)	22,954,813.04			
Effects of all adjustments required by taxation, accounting and other applicable laws and regulations on current gains and losses			2,679,264.25	
Non-operating income and expense other than above	12,987,329.86	4,288,097.78	-8,815,676.21	
Less: Income tax effects	12,040,092.19	2,455,096.12	3,899,799.51	
Non-controlling interests effects (net of tax)	4,618,258.39	1,759,407.99	5,783,501.47	
Total	49,459,395.63	12,112,428.48	15,793,101.58	--

Explanation of why the Company classified an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassified any nonrecurring gain/loss item given as an example in the said explanatory announcement as a recurring gain/loss:

Applicable Not applicable

No such cases in the Reporting Period.

Part III Business Summary

I Primary Business Scope for Reporting Period

Wuxi Little Swan Company Limited designs, manufactures and markets washing machines and clothes driers. Its main products include roller washing machines, fully-auto washing machines, double-cylinder washing machines and clothes driers. Little Swan is the earliest washing machine manufacturer in China. In 1978, China's first fully-auto washing machine greeted the world in the Company. And the Company has focused on clothes driers as a new business in the recent years. The Company is one of the world's few manufacturers who can produce the full lines of both washing machines and clothes driers.

The Company has attached great importance to continual investment in research and development, with a RMB909 million investment in this respect in 2017 and over 800 R&D personnel. The Company has a sound technological R&D system, including one state-level technological center and two state-recognized labs. Little Swan Lab is the first washing machine lab in China to pass the UL North American safety verification and the German VDE verification. Little Swan holds on to independent innovation and has the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core washing technologies. It owns 2 manufacturing bases, one in Wuxi, Jiangsu Province and the other one in Hefei, Anhui Province, with a total floor area of more than 800,000 m² as well as a combined annual production capacity reaching 24 million units.. It also has domestically and internationally first-class manufacturing equipments and an experienced manufacturing team. The Company's products are sold to the domestic market as well as over 160 other countries and regions, with the overseas market accounting for approximately 20% in the Company's total sales. In domestic sale, the Company adopts the marketing mode of "agents+direct sale" and simultaneously develops the online and offline channels. In overseas sale, the Company focuses on OEM and attaches importance to its own brands at the same time. The Company adopts a two-brand strategy ("Little Swan" and "Midea") and the business under both brands has seen fast and sound growth in the recent years.

The Company has been focusing on its main business, improving its product mix according to consumers' needs, and increasing product quality. Therefore, its management efficiency has increased significantly, its profitability has been enhanced and its position in the industry as well as its share in the market have kept increasing, which have made the Company one of the most competitive washing machine manufacturers. According to All View

Cloud, a data company, the Company took up a share of 28.1% in the domestic retail market of washing machines by unit sales in the period from January to December 2017, 0.8 percentage point higher than last year; and accounted for 24.6% in domestic retail sales value, up by 1.3 percentage points. Meanwhile, according to customs statistics, the Company's share in China's export volume of washing machines was 19.4% in the period from January to December 2017, 1.6 percentage points higher than last year; and that percentage in China's export value was 17.2%, up by 3.6 percentage points. These percentages were both the highest among the country's washing machine makers.

For the status quo and seasonality of the laundry industry, which is currently at a mature stage, please see "(I) Macro-Environment" under "I Overview" in "Part IV Company Performance Discussion and Analysis", as well as "Tendency of Industry Development" under "IX Outlook of the Company's Future Development" in the same part.

II Material Changes in Main Assets

1. Material Changes in Main Assets

Main assets	Reason for any material change in the period
Equity assets	No material change
Property, plant and equipment	No material change
Intangible assets	No material change
Construction in progress	Due to equipment purchase for a roller washing machine capacity expansion program, construction in progress increased by RMB37.97 million

2. Main Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

Our core competitiveness is demonstrated in the following aspects:

1. Our knowledge and experience accumulated in the long history of our main business. We are the sole company in China that has focused on the washing machine industry since the end of 1970s. As of the end of the Reporting Period, we have produced and sold over 100 million washing machines. Profound knowledge and experience has been accumulated through these several decades in technology, R&D and innovation, market

research, business operation, etc., which has been transformed into our tacit knowledge through the accumulation and inheritance by our talent team and has thus become our most important core competitiveness.

2. Our capability of seeing the industry clearly and R&D. We have our unique capability of judging and foreseeing developments in the industry and technology. Through constant input of R&D resources over the years, we have owned leading technological competitiveness in the industry. We hold on to independent innovation and have the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core technologies. As of the end of the Reporting Period, we boast more than 2,000 washing machine-related patents, as well as over 200 software copyrights. We connect technology, products and customers through medium and long-term technological planning, and have research talent, talent reserve and development talent for our R&D.

3. Our capability of managing the industrial chain. We keep building a customer-oriented supply chain management system, have set up an industry-leading cross-enterprise procurement platform with the help of Midea Group, constantly increase the efficiency of our supply chain and foster a strategic partnership with our suppliers. In terms of channels, in the domestic first and secondary markets, we mainly work with Suning, Gome and some other big regional customers; in the tertiary and fourth markets, we combine agent channels, flagship stores and franchised stores to distribute our products to households. In e-commerce, we continue to enhance cooperation with major online shopping platforms, expand our own online shopping center and optimize the supply of products. As a result, our online sales have achieved a fast growth. Overseas, we keep optimizing our global operations, deepening our cooperation with strategic customers and enhancing the promotion of our own brands. We enjoy a good and long-term cooperation with our major customers at home and abroad.

4. Our capability to respond to needs of consumers. We have been keeping a watchful eye on market changes, studying consumers' needs, and focusing on improvement of the whole process experience of customers in shopping, product use and after-sales service. Consumers are always looking for professional, intelligent, green and individualized washing machines. And we satisfy customers' needs with the spirit of craftsman and provide them with extremely easy use experience through our innovative solutions of intelligent accurate self-loading, intelligent roller water cube, intelligent WIFI, cold water washing, silver nano-particle sterilization, allergies prevention, ultrasonic wave washing and classified washing. We adopt a two-brand strategy ("Little Swan" and "Midea") to create differentiation for the satisfaction of different needs. With a history of nearly four decades, Little Swan is considered a very reliable brand among consumers, with the slogan of "Whole-hearted Little Swan" being well-known among them. As for Midea, a comprehensive home appliance brand, its share in the washing

machine market keeps rising with increasing recognition.

5. Our capability of reform and self-improvement. Through years of accumulation, we have developed a corporate culture of sustained reform and self-improvement. Along with rapid changes in the market and this new era, we will keep reforming our organizational structure and operating model so as to ensure our capability of sustainable development. We are the first in the sector to adopt a T+3 order-oriented production and sale system, a direct delivery system, a shared inventory system, a CDOC (Concept→Design→Optimize→Capability) system and a product manager system to cope with the fast changes of market needs. And in order for continuing vitality, we keep seeking for creative incentive mechanisms, promoting organizational and cultural recreation, improving our talent pool and furthering the reform of our operations, which has produced impressive results.

No significant changes occurred to our core competitiveness in the Reporting Period.

Part IV Company Performance Discussion and Analysis

I Overview

(I) Macro-Environment

During 2017, despite unfavorable factors such as the appreciation of the RMB, rising raw material prices and a stricter real estate policy, the continual recovery in the global economy and the steadily improving domestic economy boosted market demand, which helped bring a steady growth in the home appliance sector.

China's supply-side structural reform went further during the year. Washing machine manufacturers were busy upgrading by way of encouraging technological innovation and adjusting their product mix to include a larger proportion of medium- and high-end products, which resulted in a more centralized market. Washing machine consumption was still undergoing substantial change, with the priority consumers consider shifting from "being affordable" to diversified factors. Roller, smart, inverter and large-capacity washing machines, as well as clothes driers continued to see rapid growth, while partitioned washing was gaining increasing popularity among consumers. Online sales still grew faster than offline sales, with an increasing proportion of high-end products being sold, but retail stores were developing faster. During the Reporting Period, the laundry industry saw a stable growth in spite of the fiercer competition. According to ChinaIOL.com, during the period from January to December 2017, China sold a total of 64,069,600 units of washing machines, representing a year-over-year increase of 7.67%, of which 44,136,400 units were sold domestically, up 7.26% from last year, and 19,933,100 units were exported, up 8.59% from last year.

(II) Analysis of Main Business

In face of a complex and volatile international situation, as well as the rise of general cost in the home appliance sector during 2017, the Company continued to adhere closely to its core strategy of "Advanced Products, Efficiency-Driven Growth and Global Operations", and focused on its main business of washing machines and clothes driers. As a professional washing machine manufacturer, it provides quality products through intelligent manufacturing to satisfy the needs of consumers. It upgraded its domestic marketing system, worked for a larger share in the overseas market, and promoted quality operations throughout the value chain, which helped produce good operating results. During the Reporting Period, the Company achieved operating revenue of RMB21.385 billion, up 30.91% compared to last year. The net income attributable to the shareholders of the parent stood at

RMB1.506 billion, representing a year-over-year growth of 28.20%. And the average gross margin was 25.26%. Increased unit sales and product selling prices resulted in the growth in revenue. The unit sales rose because of better product and distribution channel structures. By product, roller washers maintained a fast growth in unit sales while driers also saw a rapid increase in this respect. By distribution channel, domestic online channels continued to generate fast growing unit sales, and there was also a strong growth in exports to regions such as Europe and North America, with a fast growth in the unit sales of the Company's own products. The average selling price of the Company's products also increased because the product mix had been further optimized and the Company properly raised the prices due to higher costs caused by fluctuations in raw material prices and foreign currency exchange rates. During the Reporting Period, the Company's unit sales witnessed a year-over-year increase of 18.37%, far higher than the industry average.

The higher earnings came from a bigger business size, better efficiency and higher investment income. By promoting quality operations throughout the value chain, the Company significantly improved its operating efficiency. In addition, the investment income increased because of a greater amount of free cash. During the Reporting Period, the Company achieved a net income of RMB1.708 billion, increasing 27.23% from the year earlier.



(III) Work Done in 2017

1. Continuously enlarging input on R&D, and stably improving the product power

The Company continuously reinforced R&D input, took making qualified products as the principle, established the 4-grade R&D system from preliminary research to product development, and scheduled mid-to-long term technology reservation and long-term competitiveness construction. The Company carried forward the reform of R&D and product manager system, set itself oriented by operation, stretched the value chain, clarified product managers' duty and responsibility to the integration of research, layout, and development, and further motivated the vigor of organization, as well the innovation ability of R&D. The Company perfected

the layout of mid-to-high end products, applied the innovative CDOC (Concept→Design→Optimize→Capability) concept for product development, focused on user demand and the trend of consumption upgrade, continuously launched the high-end Beverly series, the cold-water washing series, and the antiallergic series, and further optimized product structure as a result. The Company reinforced the development of clothes-dryer products, made all-around layout in the market of all-in-one machine of washing and drying, heat-pump clothes dryer, condensation clothes dryer, and straight-line clothes dryer, and achieved rapid growth of clothes dryer products. In the Reporting Period, the Little Swan washing machine won the China Appliance Innovation Award, the Beverly compound washing machine won the Product Innovation Award in the industry of household appliances and a “Red-Top” award at The 9th China High-End Household Appliance Awards, the Little Swan all-in-one machine of washing and drying was certified for its resistance to the allergen, and the Little Swan test center was identified by the German CTF Identification Lab. The advantage of the Company’s technology foundation became more solid, and the product competitive power was improved in a constant way, wining high recognition by the users and the market.

2. Deepening marketing transformation for domestic sales, and achieving stable growth for both online and offline sales

The Company kept deepening marketing transformation for domestic sales, focused on ends and improved marketing efficiency through promoting channel reform, continuously optimized product structure, and strengthened quality growth. The Company vigorously set the layout in mid-to-high end market, took the promotion of the high-end Beverly series as a key job, and constantly improved the proportion of mid-to-high end products. The Company reinforced the competitive power of all channels, positively helped with the transformation of agencies for offline sales, and enlarged self-sales and optimized product structure for online sales, reaching stable online and offline sales. According to the AVC data, the Company’s e-commerce retail sales volume and amount in the whole network ranked the top in the industry. The mobile system of CCS2.0 was brought online, promoting the system application and data analysis in distributor level. The Company continuously strengthened brand construction, positively improved brand influence and promoted the younger tendency of the brand by positive application of new-media propagation. The Company named the Wuxi International Marathon and the Snooker World Cup in 2017, which further improved its brand reputation. In 2017, the Beverly series was selected into the national brand plan. In the Reporting Period, the Company’s domestic sales was RMB15.199 billion, showing a year-over-year increase of 32.76%.

3. Positively expanding overseas market, and achieving sharp growth for self-own brands

The Company insisted on carrying forward global operation strategy, positively expanded overseas market, constantly deepened its cooperation with strategic big clients, strived to develop new clients, further optimized global business layout, focused on key breakthroughs in strategic markets, constantly cleared some blank markets, and reached over 160 countries for the Company's exports. The Company centered on users, strengthened the localization and individuation of product design, successively launched embedded washing machine and high-capacity washing machine, applied technologies such as the roller water cube and antiallergic function to export products, increased sales of differentiated and mid-to-high end products, and continuously optimized product sales structure. The Company enlarged the development of self-own brands, reinforced the publicity and promotion of the brand of Media, enriched and optimized product lines, realized key breakthroughs in certain countries, achieved sharp growth for self-own brands. The Company focused on improving operation quality, and positively took action against the impacts from the fluctuation of raw materials and exchange rates through improving efficiency, improving structure, as well as managing and controlling finance. In the Reporting Period, the Company's overseas sales reached RMB4.27 billion, representing a year-over-year increase of 28.89%.

4. Carrying forward operational excellence for the whole value chain, and continuously improving operation efficiency

The Company focused on improving operation efficiency, implemented the digital 2.0 project, deepened the reform of T+3 client order mechanism, promoted manufacturing upgrade, and gradually realized the digital, visual, and mobile management for the whole value chain. The Company applied refining improvement and automation to improve refining manufacturing and its efficiency, brought the roller automation line and SCOTT automation box line into operation, and continuously improved the self-manufacturing rate for components. The Company cooperated with Toshiba for OEM business, strengthened resource synergy step by step, and improved the competitiveness of value chain. The Company reinforced channel inventory sharing, further stretched R&D, manufacturing, and sales by organization reform, and improved the agility and efficiency of the whole value chain. The Company continued to optimize the construction of mechanism and system, enhanced talent training and introduction of specialists, promoted the reform of employment in the manufacturing system, improved the Company's culture atmosphere, and solidly founded its competitive power for the future. In the reporting period, the Company's operation efficiency was obviously improved.

II Analysis of Main Business

1. Summary

The Company is mainly engaged in washing machines. And this remained the same during the Reporting Period.

Movements of revenue, cost, expense, etc. are as follows:

Unit: RMB

Item	2017	2016	Change	Change (%)
Operating revenue	21,384,699,076.65	16,334,914,501.69	5,049,784,574.96	30.91%
Cost of operating revenue	15,982,893,658.84	12,111,213,286.28	3,871,680,372.56	31.97%
Period expense	3,529,363,681.05	2,676,141,071.58	853,222,609.47	31.88%
Operating income	2,048,866,736.50	1,552,191,580.24	496,675,156.26	32.00%
Pretax income	2,064,694,943.36	1,584,427,028.99	480,267,914.37	30.31%
Net income attributable to the parent	1,506,412,505.22	1,175,054,922.85	331,357,582.37	28.20%

2. Revenues and Costs

(1) Breakdown of Operating Revenue

Unit: RMB

	2017		2016		Change
	Revenue	Percentage of total operating revenue (%)	Revenue	Percentage of total operating revenue (%)	
Total	21,384,699,076.65	100%	16,334,914,501.69	100%	30.91%
By business segment					
Home appliance manufacturing	19,469,125,226.23	91.04%	14,761,654,334.87	90.37%	31.89%
Others	1,915,573,850.42	8.96%	1,573,260,166.82	9.63%	21.76%
By product					
Washing machines	19,469,125,226.23	91.04%	14,761,654,334.87	90.37%	31.89%
Others	1,915,573,850.42	8.96%	1,573,260,166.82	9.63%	21.76%
By geographic segment					
Domestic	17,114,743,424.78	80.03%	13,022,118,060.74	79.72%	31.43%
Overseas	4,269,955,651.87	19.97%	3,312,796,440.95	20.28%	28.89%

(2) Business Segment, Product or Geographic Segment Contributing over 10% of Operating Revenue or Income

Unit: RMB

	Operating revenue	Cost of operating revenue	Gross margin percentage	YoY change in operating revenue	YoY change in cost of operating revenue	YoY change in gross margin percentage
By business segment						
Home appliance manufacturing	19,469,125,226.23	14,208,417,615.09	27.02%	31.89%	31.86%	0.02%
By product						
Washing machines	19,469,125,226.23	14,208,417,615.09	27.02%	31.89%	31.86%	0.02%
By geographic segment						
Domestic	15,199,169,574.36	10,429,605,948.80	31.38%	32.76%	31.84%	0.48%
Overseas	4,269,955,651.87	3,778,811,666.29	11.50%	28.89%	31.91%	-2.03%

Main business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

 Applicable Not applicable**(3) Whether Revenue from Physical Sales Is Higher than Service Revenue**

Business segment	Item	Unit	2017	2016	Change
Home appliance manufacturing	Unit sales	Unit	20,462,099	17,287,074	18.37%
	Output	Unit	20,393,476	18,891,795	7.95%
	Inventory	Unit	2,607,516	2,676,139	-2.56%

Reason for any over 30% YoY movements in the data above:

 Applicable Not applicable**(4) Execution Progress of Major Signed Sales Contracts in Reporting Period** Applicable Not applicable**(5) Breakdown of Cost of Operating Revenue**

Unit: RMB

Business segment	Item	2017		2016		+/-%
		Amount	As a percentage of cost of operating	Amount	As a percentage of cost of operating	

			revenue (%)		revenue (%)	
Washing machines	Raw materials	13,209,710,404.00	92.97%	9,987,516,184.35	92.69%	32.26%
Washing machines	Labor costs	632,054,812.60	4.45%	456,420,377.10	4.24%	38.48%
Washing machines	Depreciation	201,388,852.40	1.42%	166,480,328.30	1.55%	20.97%
Washing machines	Energy	77,018,797.10	0.54%	63,655,701.04	0.59%	20.99%

(6) Changes in the Scope of the Consolidated Financial Statements for this Reporting Period

Yes No

(7) Major Changes in the Business, Products or Services in this Reporting Period

Applicable Not applicable

(8) Main Customers and Suppliers

Main customers

Total sales to top five customers (RMB)	8,256,259,086.95
Total sales to top five customers as a percentage of the total sales for this Reporting Period (%)	42.41%
Total sales to related parties among top five customers as a percentage of the total sales for this Reporting Period (%)	17.00%

Information about top five customers

No.	Customer	Sales amount (RMB)	As a percentage of the total sales for this Reporting Period (%)
1	Customer A	3,308,956,411.77	17.00%
2	Customer B	2,261,109,007.59	11.61%
3	Customer C	1,943,204,169.04	9.98%
4	Customer D	463,332,880.04	2.38%
5	Customer E	279,656,618.51	1.44%
Total	--	8,256,259,086.95	42.41%

Other information about the main customers

Customer A is the total of partial subsidiaries controlled by controlling shareholders of the Company.

Main suppliers

Total purchases from top five suppliers (RMB)	4,653,026,833.03
Total purchases from top five suppliers as a percentage of the total purchases for this Reporting Period (%)	35.22%
Total purchases from related parties among top five suppliers as a percentage of the total	24.12%

purchases for this Reporting Period (%)	
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Information about top five suppliers

No.	Supplier	Purchase amount (RMB)	As a percentage of the total purchases for this Reporting Period (%)
1	Supplier A	3,186,487,808.47	24.12%
2	Supplier B	486,710,850.76	3.68%
3	Supplier C	347,424,603.43	2.63%
4	Supplier D	328,751,435.44	2.49%
5	Supplier E	303,652,134.93	2.30%
Total	--	4,653,026,833.03	35.22%

Other information about the main suppliers

Supplier A is the total of partial subsidiaries controlled by controlling shareholders of the Company.

3. Expense

Unit: RMB

	2017	2016	+/-%	Reason for any significant change
Selling expenses	2,872,849,586.14	2,325,645,712.65	23.53%	Sales revenue increased
Administrative expenses	728,323,077.71	505,321,107.14	44.13%	Due to the increase of R&D expenditure, employee compensation, and share-based payment.
Finance costs	-71,808,982.80	-154,825,748.21	-53.62%	The loss of current exchange increased for appreciation of the RMB

4. R&D Input

During the Reporting Period, the Company was market-oriented and centered on customers' needs, intensifying R&D continuously. The R&D input was mainly for: 1. strengthening R&D and innovation of high-end, intelligent, and frequency conversion products and dryers for better competitive edges in the future; 2. strengthening user research continuously, increasing manufacturability of products and creating continuous cost competitive advantages; 3. expanding the high-end talent pool. In 2017, the Company's expenditure on R&D was RMB909 million, representing 11.07% of its audited net assets and 4.25% of its revenue in the year.

Information about R&D input:

	2017	2016	+/-%
Number of R&D personnel	887	707	25.46%
R&D personnel as a percentage in the total employees	8.70%	9.20%	-0.50%

R&D input (RMB)	909,450,308.84	695,077,712.27	30.84%
R&D input as a percentage in operating revenues	4.25%	4.26%	-0.01%
Capitalized R&D input (RMB)	0.00	0.00	0.00
Capitalized R&D input as a percentage in the total R&D input	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of the R&D input in the operating revenues

Applicable Not applicable

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2017	2016	+/-%
Subtotal of cash inflows from operating activities	17,737,932,301.25	16,377,852,960.18	8.30%
Subtotal of cash outflows from operating activities	15,722,178,482.95	12,481,780,172.80	25.96%
Net cash flows from operating activities	2,015,753,818.30	3,896,072,787.38	-48.26%
Subtotal of cash inflows from investing activities	11,517,797,636.35	9,274,869,699.89	24.18%
Subtotal of cash outflows from investing activities	15,658,505,062.46	11,534,305,378.00	35.76%
Net cash flows from investing activities	-4,140,707,426.11	-2,259,435,678.11	-83.26%
Subtotal of cash inflows from financing activities	680,166,782.34	183,813,064.12	270.03%
Subtotal of cash outflows from financing activities	1,267,750,117.45	464,554,974.82	172.90%
Net cash flows from financing activities	-587,583,335.11	-280,741,910.70	-109.30%
Net increase in cash and cash equivalents	-2,754,200,845.50	1,379,004,588.52	-299.72%

Explanation of why the data above varied significantly

Applicable Not applicable

The reason for the decrease of Net cash flows from operating activities: mainly due to the increase of payment in cash for products, labor services, and employee remuneration.

The reason for the decrease of Net cash flows from investing activities: mainly due to the increase of bank financial products purchase and the scale of structural deposits in the Reporting Period.

The reason for the decrease of Net cash flows from financing activities: the increase of payment in cash for dividend, profits distribution and interests in the Reporting Period.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

Applicable Not applicable

III Analysis of Non-core Business

Applicable Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in the Asset Composition

Unit: RMB

	December 31, 2017		December 31, 2016		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary assets	1,588,264,516.05	7.44%	4,272,077,211.11	22.62%	-15.18%	The structural deposits increased dramatically in the Reporting Period, so monetary fund reduced.
Accounts receivable	1,736,724,496.10	8.14%	1,465,654,497.90	7.76%	0.38%	
Inventories	1,980,766,196.14	9.28%	1,724,837,944.69	9.13%	0.15%	
Investment property	61,695,825.00	0.29%	64,854,903.25	0.34%	-0.05%	
Property, plant and equipment	1,029,668,355.84	4.83%	970,859,291.03	5.14%	-0.31%	
Construction in process	37,972,252.60	0.18%		0.00%	0.18%	Equipment purchase increased in the Reporting Period.
Short-term borrowings	81,393,672.34	0.38%	183,813,064.12	0.97%	-0.59%	Accounts receivables factoring financing decreased in the Reporting Period.
Other current assets	12,778,240,745.22	59.88%	8,385,724,282.16	44.40%	15.48%	Bank financial products purchase and the scale of structural deposits increased in the Reporting Period
Notes receivable	1,283,192,684.28	6.01%	1,297,609,202.29	6.87%	-0.86%	

2. Assets and Liabilities Measured at Fair Value

Unit: RMB

Item	Opening balance	Profit/loss on	Cumulative	Impairm	Purchased in this	Sold in this	Closing balance
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		fair value changes in this Reporting Period	fair value changes charged to equity	ent provided in this Reportin g Period	Reporting Period	Reporting Period	
Financial assets							
1. Financial assets measured at fair value with its changes recorded into the current gain and loss (excluding derivative financial assets)		5,270,238.03					5,270,238.03
2. Available-for- sale financial assets	5,994,142,671.24	-104,142,671.24	57,871,097.59		4,745,000,000.00	-6,900,000,000.00	3,792,871,097.59
Total of the above	5,994,142,671.24	-98,872,433.21	57,871,097.59	0.00	4,745,000,000.00	-6,900,000,000.00	3,798,141,335.62
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Significant changes in the measurement attributes of the main assets in this Reporting Period

Yes No

3. Restricted Asset Rights as of the End of this Reporting Period

As of the end of this Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged or limited in any other way.

V Investments Made

1. Total Investments Made

Investments made in this Reporting Period (RMB)	Investments made in the prior year (RMB)	+/-%
320,566,388.23	137,529,712.00	133.09%

The reason for increase in investment: mainly due to the increase of capacity expansion of roller, improvement of self-production rate, security and environmental protection, technical innovation, and etc.

2. Significant Equity Investments Made in this Reporting Period

Applicable Not applicable

3. Significant Non-equity Investments Ongoing in this Reporting Period

Applicable Not applicable

4. Financial Investments**(1) Securities Investments**

Applicable Not applicable

No such cases in this Reporting Period

(2) Investment in Derivative Financial Instruments

Applicable Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Related transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Opening investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Closing investment amount	Proportion of closing investment amount in the Company's closing net assets	Actual gain/loss in the Reporting Period
Bank	Not related	Not	Forward forex contract	0	03/02/2017	12/26/2017	0	143,431	125,755		17,676	2.51%	2,295
Total				0	--	--	0	143,431	125,755		17,676	2.51%	2,295
Capital source for derivative investment				All from the Company's own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				03/09/2017									
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)				04/11/2017									
Analysis of risks and control measures associated with derivative				The Company has considered and formulated the Management Methods for Forex Trading Business to implement full assessment and control on its derivative investments, with highlights as follows:									

investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>1. About market risk: Exchange rate fluctuations may cause great risk to the Company's forex trading business. For instance, failure of capital required to arrive in time for performance in forex trading could result in loss and default.</p> <p>Control measures: Speculative trading is not allowed and a prudent and steady principle is adopted. A hierarchical management mechanism has been implemented, whereby the operating unit which has submitted applications for funds business should conduct a risk analysis on the conditions and environment that could affect the operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update the operating status of the funds business on a timely basis thus ensuring the arrangement of proper funds before expiry dates.</p> <p>2. About operational risk: Risks caused by imperfect internal processes, staff, systems and external issues may cause the Company to incur losses during the course of its forex trading business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly define the assignment of responsibility and approval process for forex trading, but has also established a well-developed monitoring mechanism, aimed at effectively reducing operational risk by strengthening its risk control over the business, decision-making and trading processes.</p> <p>3. About legal risk: The Company's forex trading business is conducted in compliance with laws and regulations, with clearly defined responsibilities and obligations between the Company and agencies.</p> <p>Control measures: The Company has designated relevant departments with the responsibility for enhancing expertise in laws, regulations and market rules, conducting strict examination and verification of contracts, defining responsibility and obligations, and strengthening compliance checks, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p>
Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	Forward forex quotations announced by the Bank of China are used in the fair value analysis of the Company's derivative investments.
Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period	No significant changes
Opinion of independent directors on derivative investments and risk control	The independent directors of the Company are of the opinion that the Company has formulated the Management Methods for Forex Trading Business to, which enables the Company to effectively control risks associated with derivative investment; that for the Reporting Period, derivative investment was conducted mainly on the Company's export business by signing forward forex contracts with domestic financial institutions to lock in exchange rates and avoid risk caused by exchange rate fluctuations; that no speculative trading is allowed, leading to no risk of non-performance; and that trading deadlines are all set according to the Company's expected payments and collections of payments, with no impact on the Company's liquidity.

5. Use of Funds Raised

Applicable Not applicable

No such cases in this Reporting Period

VI Sale of Major Assets and Equity Interests**1. Sale of Major Assets**

Applicable Not applicable

No such cases in this Reporting Period

2. Sale of Major Equity Interests

Applicable Not applicable

VII Main Controlled and Joint Stock Companies

Main subsidiaries and joint stock companies with over 10% effect on the Company's net profit

Unit: RMB'0,000

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	Washing machine manufacture	USD13,552	866,122.70	294,556.56	937,983.33	55,551.79	42,820.98
Wuxi FILIN	Subsidiary	Manufacture of electronic components	USD362.4564	166,178.69	100,713.34	114,498.76	30,983.09	26,398.27

Subsidiaries obtained or disposed in this Reporting Period

Applicable Not applicable

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Outlook for the Future Development of the Company**(I) Development trends of the industry**

In 2018, with the influence of uncertainty of global economy and possible slowdown of China's economic growth, the high cost of home appliance industry, fluctuations in exchange rates, geopolitics and trade protectionism, exports will face greater challenges. However, at the crossroads of "socialism with Chinese characteristics has entered a new era" as the national strategy continues to be implemented, the income of urban and rural residents will increase substantially. The consumption structure will move to a higher level. The great potential of demand for good products from consumers will continue to bring opportunities for the upgrading of home appliance industry structure. In the international market, the global pattern of home appliance industry has undergone major changes, and the huge space for development in emerging markets has provided a good opportunity for China's home appliance enterprises to achieve globalization. From the industry perspective, the development of science and technology represented by artificial intelligence, big data and the Internet of Things will overturn the traditional consumption experience. The upgrading of consumption and supply-side structural reforms will drive the innovation of business model, and continuous change and innovation will become eternal themes. The emergence and change of new technologies, new products, new formats and new models initiated by the core of digitization, networking and intelligence will further accelerate the readjustment and reshuffle of the industrial structure. Overall, opportunities and challenges for the development of the industry coexist and competition will intensify. Consumption upgrading and replacement as well as global operation will continue to drive the steady development of the industry.

(II). Development plan of the Company

In 2018, the Company will continue to adhere to its professional development path and focus on the core business of washing machine and clothes dryer. It will continue to take "leading products, efficiency-driven and global operation" as the strategic thrust, focus on product efficiency, work for endogenous growth and deepen business transformation to pursue quality growth and ensure sustainable growth of revenue and earnings. The Company will mainly carry out the following work with the strategic thrust in 2018:

1. Advanced products

Steadily increase R & D investment, strengthen transformation of R & D and management innovation, continue to build a future-oriented R & D organization system and competitiveness. Implement an R & D pattern of research for reservation and development take leading technologies as the leader, promote the transformation of research achievements and continue to provide the market with leading products. Continue to promote the launch of product manager responsibility system and focus on operation and user dissatisfaction. Carry on innovative research with the CDOC methodology to constantly optimize product structure and high-end product layout.

Connect the manufacturing platform and R & D platform to co-ordinate the process of new product design to the manufacture in factories. Develop the ability of process development and continuously improve product manufacturability and reliability to produce good products for users.

2. Efficiency-driven growth

Continued to promote the excellent operation of full value chain, and built a new efficiency-driven cost competitive advantage through supply chain improvement, manufacturing efficiency improvement and quality efficiency improvement. Continue to deepen T+3 customer order system and enhance flexible information-based manufacturing capability base on the digital 2.0 project. Enhance product manufacturability and quality reliability through standardized modularization of products, and continuously speed up the market reaction speed through digital transparency of marketing process, so as to improve the operation efficiency of value chain. Further increase investment in automation to promote intelligent manufacturing upgrading. Continue to promote organizational change, reshape manufacturing grassroots teams and optimize management mechanism to build long-term competitiveness.

3. Global operations

For domestic sales, the Company will focus on retail deepening transformation and retail organization restructuring. For offline products, adjust product layout and strengthen brand positioning to develop Beverly high-end brands. For online products, continuous to optimize product structure and enhance professional operation capability to improve online profitability. Achieve lean operation, deepen marketing changes and improve organizational, channel and resource efficiency base on big data. Actively expand overseas business, continue to deepen cooperation with major clients, improve product structure and layout, and develop differentiated products and new sub-divided products with high-growth. Improve the layout of self-owned brands, promote the sales of Toshiba-owned brands and promote local operations to speed up the development of self-owned brands. Actively explore and create a global layout, and strengthen global competitiveness.

(III) Key Capital Expenditure Plan for the near Future

To actively adapt to internal and external environment change and satisfy the future development demand of the Company, the investment focus of the Company in 2018 shall be put on R&D and innovation, quality improvement, intelligent manufacturing, dryer products expansion, and information system improvement etc. and meanwhile the Company shall actively explore global layout and promote the global competitiveness of the Company. The Company shall strictly control non-production operation investment. Investment fund comes from the Company's own fund.

(IV) Main Risks in Future Development

1. Macro risk. Under the influence of risk of world economy, slowdown of domestic economic growth, continuous control of real estate and turbulence of political and economical structure, consumption market recession may continue and the industry may face the risk of insufficient growth power.

2. Market risk. Washing machine industry is a mature and fully competitive industry with many foreign enterprises and local enterprises involved. Though the Company has strong competition advantage, it still faces the impact brought by market risks such as intensification of industry competition, continuously upgrading of consumption structure, profound adjustment of global industrial pattern and re-division.

3. Cost risk. If the price of raw materials continues to rise in 2018, cost pressure of the Company shall further increase to directly affect the profitability of the Company with continuous rise in Labor cost.

4. Exchange rate risk. Since exchange rate fluctuation is very uncertain, though the Company has adopted certain countermeasures to deal with exchange rate fluctuation risk, exchange rate fluctuation still greatly affect the profitability of the export sales business of the Company.

5. Policy risk. Overseas non-tariff trade barriers and anti-dumping policy shall also have an impact on the scale and profit of export sales business of the Company.

X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
04/25/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors Dated 04/25/2017 (No. 2017-01) on www.cninfo.com.cn
05/03/2017-05/17/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors for 05/03/2017-05/17/2017 (No. 2017-02) on www.cninfo.com.cn
07/04/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors Dated 07/04/2017 (No. 2017-03) on www.cninfo.com.cn
08/07/2017-08/10/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors for 08/07/2017-08/10/2017 (No. 2017-04) on www.cninfo.com.cn
08/23/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors Dated 08/23/2017 (No. 2017-05) on www.cninfo.com.cn
10/25/2017-11/01/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors for 10/25/2017-11/01/2017 (No. 2017-06) on www.cninfo.com.cn
11/10/2017-11/24/2017	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors for 11/10/2017-11/24/2017 (No. 2017-07) on www.cninfo.com.cn
Times of visit			19

Number of visiting institutions	73
Number of visiting individuals	103
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	No

Part V Significant Events

I Profit Distribution and Converting Capital Reserve into Share Capital for Common Shareholders

Plans/proposals for profit distribution and converting capital reserve into share capital for common shareholders for the past three years (including this Reporting Period):

2017 profit distribution proposal: Based on the total 632,487,764 shares of the Company as of December 31, 2017, it is proposed that a cash dividend of RMB10 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company and that no capital reserve should be converted into share capital. The said proposal has been reviewed and approved by the Board of Directors and is to be submitted to the Shareholders' Meeting for final approval.

2016 profit distribution plan: Based on the total 632,487,764 shares of the Company as of December 31, 2016, a cash dividend of RMB7.5 (tax inclusive) per 10 shares would be distributed to all shareholders of the Company and no capital reserve would be converted into share capital. The said plan has been carried out in May 2017.

2015 profit distribution plan: Based on the total 632,487,764 shares of the Company as of December 31, 2015, a cash dividend of RMB6 (tax inclusive) per 10 shares would be distributed to all shareholders of the Company and no capital reserve would be converted into share capital. The said plan has been carried out in May 2016.

The Company raised RMB1.03 billion of cash through its initial public offering and has distributed RMB2.97 billion of cash dividend until 2017 (inclusive), with its dividend payout ratio over 40% for six consecutive years.

Cash dividend distribution of the Company to common shareholders over the past three years (including this Reporting Period)

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the Company in the consolidated statements for the year	Proportion in net profit attributable to common shareholders of the Company in the consolidated statements for the year (%)	Cash dividends in other forms	Ratio of cash dividends in other forms
2017	632,487,764.00	1,506,412,505.22	41.99%	0.00	0.00%
2016	474,365,823.00	1,175,054,922.85	40.37%	0.00	0.00%
2015	379,492,658.40	919,181,968.58	41.29%	0.00	0.00%

Indicate by tick mark whether the Company made profit in this Reporting Period and the profit distributable to

common shareholders of the Company was positive, but it did not put forward a proposal for cash dividend distribution to its common shareholders

Applicable Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for this Reporting Period

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	10.00
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	632,487,764
Total cash dividends (RMB) (tax included)	632,487,764
Distributable profit (RMB)	2,794,932,872.49
Percentage of cash dividends in the total profit to be distributed (%)	100.00%
Cash dividend policy	
Other	
Details about the proposal for profit distribution and converting capital reserve into share capital	
<p>Pursuant to the Auditor's Report issued by PricewaterhouseCoopers Zhong Tian LLP, the Company realized a net profit of RMB660,934,633.37 for 2017. Adding that figure to the undistributed profit at the beginning of the year of RMB2,608,364,062.12, the distributable profit will come out at RMB3,269,298,695.49. Deducting the dividends of RMB474,365,823.00 for 2016, which were distributed during this Reporting Period, the distributable profit at the end of this Reporting Period will come out at RMB2,794,932,872.49.</p> <p>2017 profit distribution proposal: Based on the total 632,487,764 shares of the Company as of December 31, 2017, it is proposed that a cash dividend of RMB10 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company, totaling RMB632,487,764 (the rest of the undistributed profit to be carried forward for future distribution); and that no capital reserve should be converted into share capital, nor should any bonus shares be granted for 2017.</p>	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and other Commitment Makers, Fulfilled in this Reporting Period or Ongoing at the Period-end

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Period of commitment	Fulfillment

Commitments made in share reform	Controlling shareholder	Commitment concerning shareholding reduction	Where the controlling shareholder Midea Group plans to sell the Company's shares released from trading moratorium held by it via the bid trading system of the Shenzhen Stock Exchange, and Midea Group decreases over 5% shares within six months since the first reduction of holdings, Midea Group will disclose an indicative public announcement on share selling through the Company two trading days before its first reduction of holdings.	02/28/2008	Long-standing	Ongoing
Commitments made in acquisition documents or shareholding alteration documents	Controlling shareholder and actual controller	Commitment of avoiding horizontal competition	1. As for the commitment of avoiding horizontal competition, Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises neither recently nor in the future will engage in any production or operation activity the same as or similar to the recently main business of Little Swan or its controlled enterprises, as well as will neither engage in nor participate in any competitive business the same as the recently main business of Little Swan or its controlled enterprises through controlling other economic entities, institutions, economic organizations. If Little Swan and its controlled enterprises further developed its scope of the operation business on the basis of the recently business, and if the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises had executed production of that, would solve the corresponding horizontal competition problems within the reasonable period. If recently there was no any production or operation, would not engage in the similar new business that competed with Little Swan and its controlled enterprises. If there was any situation violated the above commitments, the profits gained from the business related to operation were belongs to Little Swan.	12/01/2010, 06/06/2014	Long-standing	Ongoing
	Controlling shareholder and actual controller	Commitment on regulation of related-party transactions	2. The commitment by Midea Group and the actual controller on the specification of the related-party transaction. Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises will specify and try their best to reduce the related-party transactions with Little Swan and its controlled enterprises. If occurred the unavoidable related transactions with Little Swan and its controlled enterprises, would sign the	12/01/2010, 06/06/2014	Long-standing	Ongoing

			normative related-party transactions agreement Little Swan according to laws and would execute the approval procedure according to the relevant regulations to ensure the fairness of the price of the related-party transactions; ensure to execute the information disclose obligation of related-party transactions according to the relevant regulations; ensure not to make advantage of the related-party transactions for illegally transferring the assets and profits of Little Swan, as well as not to make advantage of the related-party transactions for harming to the interests of Little Swan and the shareholders; would not require Little Swan to offer any more favorable condition compared with that offered to the independent third party in any fair trade market transaction; execute the voting debarb obligation when involved in the voting of the related events of the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises. If Midea Group and Mr. He Xiangjian violated the above commitments and promises that led to the harm for the equity of Little Swan or other shareholders, Midea Group and Mr. He Xiangjian should take the responsibility of the corresponding liability for damage.			
	Controlling shareholder and actual controller	Commitment on independence	3. As for the commitment on independence, Midea Group and the actual controller Mr. He Xiangjian has promised that, to further ensure the independent operation of Little Swan, Mr. He Xiangjian, Midea Group and its controlled other enterprises would maintain the mutual independent in terms of personnel, finance, assets, business and institutions with Little Swan according to the relevant laws and regulations as well as the normative documents.	12/01/2010, 06/06/2014	Long-standing	Ongoing
	Controlling shareholder	Commitment on related-party deposits and borrowings	4. As for the commitment on related-party deposits and borrowings, up to April 8, 2010, the Financial Settlement Center of Midea Group had settled all internal deposits and borrowings with Hefei Midea Washing Machine Co., Ltd.; and Midea Group has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Midea Washing Machine Co., Ltd..	12/01/2010	Long-standing	Ongoing
	Controlling shareholder	Commitment on housing properties with no ownership certificates	5. The commitment by Midea Group on housing properties with no ownership certificates of the target company for sale is detailed as follows. Two pieces of the buildings of Hefei Midea Washing Machine Co., Ltd. assessed and sold to the Company are of no ownership certificates—the warehouse for half-finished products (176 square meters) and the workshop for injection molding (834 square meters), both located in the old factory on Hewa Road, Hefei. Midea Group has promised that if loss occurs	12/01/2010	Long-standing	Ongoing

			due to the said two buildings without ownership certificates in the asset disposal process in the future, it will assume the loss thus caused and make compensation to the Company.			
	Controlling shareholder	Commitment on trademarks	6. The commitment by Midea Group on trademarks is detailed as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, Midea Group has promised that it will make sure that Hefei Midea Washing Machine Co., Ltd. uses the “Midea” trademark in a proper manner. Hefei Midea Washing Machine Co., Ltd. will be allowed to use the “Midea” trademark with a trademark use fee not more than that paid by Midea Group (the controlling shareholder of Midea Group) and its subsidiaries (currently 3‰ of the annual sales income generated by products using the “Midea” trademark), and upon negotiation and signing of the “Agreement for Trademark Use”. The related-party transactions incurred due to the said use of the “Midea” trademark will be submitted to the decision-making organ of the Company for approval according to the stipulated procedure. As such, interests of the Company and its minority shareholders will be safeguarded. (2) Concerning the “Royalstar” trademark: Midea Group has signed the “Contract for Trademark Use” with Hefei Royalstar Group and obtained the ordinary use rights of the “Royalstar” (both in Chinese and English) trademark. As the transferor in the transfer transaction of equity interests of Royalstar Washing Equipment, Midea Group has promised that within the scope as agreed in the “Contract for Trademark Use”, if any dispute arises between Hefei Midea Washing Machine Co., Ltd. and Hefei Royalstar Group over the former’s execution of the “Contract for Trademark Use”, Little Swan will not be involved. If Hefei Midea Washing Machine Co., Ltd. and Little Swan have to assume any responsibility or loss due to the aforesaid dispute, Midea Group is willing to take on the responsibility instead and make compensations to Hefei Midea Washing Machine Co., Ltd. and Little Swan at full amount.	12/01/2010	March 31, 2013	The use right of the “Royal star” trademark detailed in (2) expired on and was not renewed. And the other commitment continues. Ongoing
	Controlling shareholder	Commitment on social security payment and tax risks	7. The commitment by Midea Group on social security payment and tax risks is detailed as follows. Midea Group has promised that upon the completion of the said equity transfer deal, if Hefei Midea Washing Machine Co., Ltd. is obliged to take on any responsibility or pay relevant fares as required by relevant government authorities due to its social security payment before the said deal, Midea Group is willing to pay relevant fares for Hefei Midea Washing Machine Co., Ltd. to relevant government authorities in a timely manner and assume any other liability. If any loss thus occurs to Hefei Midea Washing Machine Co., Ltd.	12/01/2010		Long-standing Ongoing

			or Little Swan, Midea Group is willing to assume relevant responsibilities for compensation. Upon the completion of the said equity transfer deal, if income tax evasion or any other tax risk is found in Hefei Midea Washing Machine Co., Ltd., Midea Group is willing to assume relevant legal responsibilities and risks and pay relevant taxes in a timely manner to relevant government authorities; and if any loss thus occurs to Little Swan, Midea Group will assume the corresponding responsibility for compensation.			
	Controlling shareholder	Commitment on capital safety	8. The commitment by Midea Group on capital safety at the finance companies of the Company: during the validity period of the Financial Services Agreement, when Midea Group occurred emergency situation of payment difficulty at finance companies, it should adopt the effective measures such as increase the capital fund of the finance companies according to the actual needs of solving the payment difficulty to ensure the capital safety of the Company.	03/18/2019	Effective for one year	Ongoing
Commitments made in time of asset restructuring						
Commitments made in time of IPO or refinancing						
Equity incentive commitments						
Other commitments made to minority shareholders						
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

2. Where there had been an Earnings Forecast for an Asset or Project and this Reporting Period was still within the Forecast Period, Explain why the Forecast has been Reached for this Reporting Period.

Applicable Not applicable

IV Occupation of the Company's Funds by the Controlling Shareholder or its Related Parties for Non-operating Purposes

Applicable Not applicable

No such cases in this Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) regarding the "Auditor's Non-standard Report" Issued by the CPAs Firm for this Reporting Period

Applicable Not applicable

VI YoY Changes in Accounting Policies, Estimations and Methods

Applicable Not applicable

For the changes to the Company's key accounting policies during the Reporting Period, see Note V, (29) in Part XI.

VII Retroactive Restatement due to Correction of Material Accounting Errors in this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

VIII YoY Changes in the Scope of the Consolidated Financial Statements

Applicable Not applicable

No such cases in this Reporting Period.

IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

Name of the domestic CPAs firm	PricewaterhouseCoopers Zhong Tian LLP
The Company's payment for the domestic CPAs firm (RMB'0,000)	240
Consecutive years of the audit service provided by the domestic CPAs firm	3
Names of the certified public accountants from the domestic CPAs firm	Huang Meimei, Cai Xiujuan

Indicate by tick mark whether the CPAs firm was changed in this Reporting Period

Yes No

CPAs firm, financial advisor or sponsor engaged for internal control audit

Applicable Not applicable

X Possibility of Listing Suspension or Termination after Disclosure of this Report

Applicable Not applicable

XI Bankruptcy and Restructuring

Applicable Not applicable

No such cases in this Reporting Period.

XII Significant Litigations and Arbitrations

Applicable Not applicable

No such cases in this Reporting Period.

XIII Punishments and Rectifications

Applicable Not applicable

No such cases in this Reporting Period.

XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

Applicable Not applicable

XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or other Incentive Measures for Employees

Applicable Not applicable

No such cases in this Reporting Period.

XVI Significant Related-party Transactions

1. Related-party Transactions Relevant to Routine Operation

Applicable Not applicable

For details, please refer to “14. Related-party and related-party transactions” under “Section XI Financial Report”.

2. Related-party Transactions regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

No such cases in this Reporting Period.

3. Related-party Transitions regarding Joint Investments

Applicable Not applicable

No such cases in this Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

No such cases in this Reporting Period.

5. Other Significant Related-party Transactions

(1) About the Financial Service Agreement which signed with the Midea Group Finance Co., Ltd. of related transaction

It was agreed that, the financial company should provide the service of deposit, loan, note discount, guarantee, settlement, and the series of the financial services that approved by the CBRC according to the requirements of the Company as well as its subsidiaries. During the three-year validity after date of the validation of the agreement, the maximum of the deposit balance that the Company and its subsidiaries disposed in the financial company should not exceed the amount of RMB2 billion per day; and the maximum of the outstanding loan principal and interest balance that the financial company granted to the Company and its subsidiaries should not exceed the amount of RMB2 billion per day.

At the report-end, the deposit balance of the Company at Midea Group Finance Co., Ltd. was of RMB0.282 billion, with no loans.

(2) About Trademark License of Related Transactions

①The Company permitted Wuxi Little Swan Refrigeration Equipment Co., Ltd. and its controlled subsidiaries to use trademark of LITTLE SWAN and picture in air conditioner, heating equipment, ventilating device, heat pump water heater, unified products of air conditioner and hot water, as well as thermal energy saving equipment; permitted GD Midea Group Co., Ltd. and its controlled subsidiaries to use to use trademark of LITTLE SWAN and picture in the refrigerators and the freezers; at the same time GD Midea Holding Co., Ltd. permitted the Company and subsidiaries of the Company to use trademark of Midea in production, sales and ad campaign of washing machines and dryers. The aforesaid licensing contracts were all contracted with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the permitting period last from the January 1, 2017 to December 31, 2019.

②The Company permitted Midea Group Co., Ltd. and its controlled subsidiaries to use trademark of Beverly in water heater, water purification equipment and machinery, which was charged with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the permitting period last from the December 1, 2015 to December 31, 2018.

(3) The Company held the 2016 Annual General Meeting on April 10, 2017 which reviewed and approved the Proposal on Estimating the Amount of the 2017 Daily Related Transactions.

(4) The Company held the 11th Meeting of the 8th Board of Directors on August 3, 2017, which reviewed and approved the Proposal on Adjusting the Amount of the 2017 Daily Related Transactions.

(5) The Company held the 13th Meeting of the 8th Board of Directors on October 23, 2017, which reviewed and approved the Proposal on Adjusting the Amount of the 2017 Daily Related Transactions.

Index to the current announcements about the said related-party transactions disclosed

Title of current announcement	Disclosure date	Disclosure website
Announcement about the Estimating the Amount of the 2017 Daily Related Transactions.	04/11/2017	www.cninfo.com.cn
Announcement about the Adjusting the Amount of the 2017 Daily Related Transactions	08/05/2017	www.cninfo.com.cn
Announcement about the Adjusting the Amount of the 2017 Daily Related Transactions	10/25/2017	www.cninfo.com.cn

XVII Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

Applicable Not applicable

No such cases in this Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in this Reporting Period.

(3) Leasing

Applicable Not applicable

No such cases in this Reporting Period.

2. Significant Guarantees

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total external guarantee line approved during this Reporting Period (A1)			0	Total actual external guarantee amount during this Reporting Period (A2)			0	
Total approved external guarantee line at the end of this Reporting Period (A3)			0	Total actual external guarantee balance at the end of this Reporting Period (A4)			0	
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Hefei Midea Washing Machine Co., Ltd.	03/10/2016	125,000	08/29/2016	3,959.34	Joint-liability	Half year	Yes	No

Hefei Midea Washing Machine Co., Ltd.	03/10/2016	125,000	11/25/2016	9,683.85	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	03/10/2016	125,000	12/26/2016	5,671.14	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	03/27/2017	223.85	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	04/19/2017	29.50	Joint-liability	10 months	No	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	04/19/2017	28.12	Joint-liability	10 months	No	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	04/21/2017	275.09	Joint-liability	10 months	No	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	06/23/2017	4,552.35	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	07/26/2017	12,010.46	Joint-liability	Half year	No	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	11/28/2017	10,897.83	Joint-liability	Half year	No	No
Hefei Midea Washing Machine Co., Ltd.	03/09/2016	125,000	11/29/2017	1,090.72	Joint-liability	Half year	No	No
Total guarantee line for subsidiaries approved during this Reporting Period (B1)			125,000	Total actual guarantee amount for subsidiaries during this Reporting Period (B2)				48,422.24
Total approved guarantee line for subsidiaries at the end of this Reporting Period (B3)			125,000	Total actual guarantee balance for subsidiaries at the end of this Reporting Period (B4)				24,331.72
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total guarantee line for subsidiaries approved during this Reporting Period (C1)			0	Total actual guarantee amount for subsidiaries during this Reporting Period (C2)				0
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)			0	Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)				0
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (A1+B1+C1)			125,000	Total actual guarantee amount during this Reporting Period (A2+B2+C2)				48,422.24
Total approved guarantee line at the end of this Reporting Period (A3+B3+C3)			125,000	Total actual guarantee balance at the end of this Reporting Period (A4+B4+C4)				24,331.72
Proportion of the total actual guarantee amount (A4+B4+C4) in net				3.45%				

assets of the Company	
Of which:	
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)	0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)	0
Portion of the total guarantee amount in excess of 50% of net assets (F)	0
Total amount of the three kinds of guarantees above (D+E+F)	0
Joint responsibilities possibly borne or already borne in this Reporting Period for undue guarantees (if any)	N/A
Provision of external guarantees in breach of the prescribed procedures (if any)	N/A

Explanation on guarantee that adopts complex method

(2) Illegal Provision of Guarantees for External Parties

Applicable Not applicable

No such cases in this Reporting Period.

3. Entrusted Cash Management

(1) Entrusted Asset Management

Unit: RMB'00,000,000

Type	Capital resources	Amount incurred	Outstanding balance	Overdue unrevoked amount
Bank financial products	Self-owned funds	59.10	37.35	0
Total		59.10	37.35	0

Particulars about high risk entrusted asset management with no principal protection

Unit: RMB'00,000,000

Name of trustee institution (or name of trustee)	Type of trustee institution (or name of trustee)	Type of products	Amount	Capital resources	Commencement date	Termination date	Funds allocation	Method of remuneration	Annual yield for reference	Expected earnings (if any)	The actual loss/gain amount in the Reporting Period	The actual withdrawal of loss/gain in the Reporting Period	Amount of provisions for impairment	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any)
Bank	Bank	Type of floating income	12.35	Self-owned funds	01/08/2016	06/28/2017	Plan for asset	Annual yield for	4.40%-5.50%	0.62	0.63	Received as per contract		Yes	Yes	www.cninfo.com.cn (No.:

		with no capital preservation					management	reference subject to contract								2017-07)
Bank	Bank	Type of floating income with no capital preservation	56.05	Self-owned funds	02/23/2016	06/08/2018	Trust plan		4.10%-5.25%	2.37	2.07			Yes	Yes	
Bank	Bank	Type of floating income with no capital preservation	37.95	Self-owned funds	07/20/2016	10/08/2018	Bank financial products		3.90%-5.00%	1.23	0.33			Yes	Yes	
Total			106.35	--	--	--	--	--	--	4.22	3.03			--	--	--

Situations where principal can't be taken back or other possibilities that result in impairment

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in this Reporting Period.

4. Other Significant Contracts

Applicable Not applicable

No such cases in this Reporting Period.

XVIII Social Responsibilities

1. Social Responsibilities Taken

The Company positively executed the social responsibility, paid attention on maintaining the legal equities of each benefit-related party, insisted to harmonious coexist with each party. The Company positively participated in the social and public welfare undertakings, paid attention on the environmental protection and positively responded to

the national appeal of energy saving and emission-reduction that made great efforts to contribute to the sustainable development of the society as well as environment, with the specific work situation as follows:

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

(2) Offering Generous Returns to Shareholders. The Company constructed a more perfect corporate governance structure and formulated a corresponding management system for ensure the shareholders to fully enjoy each legal interests stipulated by the laws and regulations. In line with the stipulation of the Articles of Association, the Company realized the allocable profit positive, and there were no significant investment plan or significant cash expenditure events (excluding raise funds investment events). Any within three consecutive years, the Company allocated the profits in cash accumulatively no less than 30% of the average distributive profits realized in recent three years. The Company attached great importance to the retribution and had been executing the cash dividends for recent years.

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

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

(5) Promoting Energy Saving and Environmental Protection. In strict compliance with the country's laws and regulations for environment protection, the Company carried out and promoted the energy conservation and emission reduction and executed the social responsibility under the low-carbon time through innovation in management, technology and products. During the progress of produce, the Company realized 100% of the

recycle and the reuse of the industrial water consumption; the Company explored the Accurate Automatic Launch Detergent Technology, which gained the authentication of the international authority-UK Intertek, and at the same time received the green leave label of Carbon Footprint that meant the Company be the first enterprise that received that label in the domestic washing machine industry.

(6) Being Active in Charity. At the activity named “Jiangsu Province Disabled-aiding Welfare Project” held by Jiangsu Province Disabled Person Welfare Foundation, the Company made donations for several years in a row, and it also donated at the “Give Your Love and Warmth” charity event organized by Wuxi Charity Federation, taking on social responsibilities with actions.

2. Targeted Measures Taken to Help People Lift themselves out of Poverty

Applicable Not applicable

3. Particulars about Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

Yes No

No such cases in the Reporting Period.

XIX Other Significant Events

Applicable Not applicable

No such cases in this Reporting Period.

XX Significant Events of Subsidiaries

Applicable Not applicable

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
I. Restricted shares	2,916,720	0.46%				-828,975	-828,975	2,087,745	0.33%
1. Shares held by other domestic investors	2,916,720	0.46%				-828,975	-828,975	2,087,745	0.33%
Among which: Shares held by domestic corporations	2,916,720	0.46%				-864,000	-864,000	2,052,720	0.32%
Shares held by domestic individuals						35,025	35,025	35,025	0.01%
II. Non-restricted shares	629,571,044	99.54%				828,975	828,975	630,400,019	99.67%
1. RMB common shares	438,535,172	69.34%				828,975	828,975	439,364,147	69.47%
2. Domestically listed foreign shares	191,035,872	30.20%						191,035,872	30.20%
III. Total shares	632,487,764	100.00%				0	0	632,487,764	100.00%

Reasons for the share changes

1. Reasons for changes in holdings of domestic individuals: Mr. Lu Jianfeng, the Director and GM of the Company, purchased 46,700 shares of the Company on March 10, 2017 and March 13, 2017 based on the confidence in the Company's long-term steady growth. In line with the stipulation No. 141 of Corporation Law, the transferred shares every year should be no more than 25% of total holding shares of the Company, so 35,025 shares of its total shares converted into restricted shares.

2. Reasons for changes in holdings of domestic corporations: see the Indicative Announcement on Share Unlocking disclosed by the Company (No.: 2017-24) dated November 10, 2017 for details.

Approval of share changes

Applicable Not applicable

Transfer of share ownership

Applicable Not applicable

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

Applicable Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

Applicable Not applicable

2. Changes in Restricted Shares

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in this Reporting Period	Increase in this Reporting Period	Closing restricted shares	Reason for unlocking	Date of unlocking
Jiangsu Jiangyin Rural Commercial Bank Co., Ltd	770,170	770,170	0	0	In March 2017, according to the Confirmation of Securities Transfer Registration (No. 1703150001) of CSDC Shenzhen, 864,000 shares of corporate shares registered in the name of JiangyinSanjin Computer Co., Ltd. were all transferred to Jiangyin Rural Commercial Bank, and the nature of the shares after transfer is: institutional restricted shares pre issuance.	11/10/2017
Jiangsu Little Swan Group Limited	93,830	93,830	0	0	The restricted shares are the shares for considerations repaid by Jiangyin Rural Commercial Bank Co., Ltd., and the nature of the repaid shares is: institutional restricted shares pre issuance.	11/10/2017
Lu Jianfeng	0	0	35,025	35,025	Locked share by senior executives	Adjusting the restricted shares and negotiable shares every year according to Corporation Law
Total	864,000	864,000	35,025	35,025	--	--

II Issuance and Listing of Securities

1. Securities (Excluding Preference Shares) Issued in this Reporting Period

Applicable Not applicable

2. Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures

Applicable Not applicable

3. Existing Staff-held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and their Shareholdings

Unit: share

Common shareholders at period-end	16,031	Common shareholders at month-end prior to disclosure of this Report	15,518	Preferred shareholders with resumed voting rights at period-end (if any)	0	Preferred shareholders with resumed voting rights at month-end prior to disclosure of this Report (if any)	0	
5% or greater shareholders or top ten shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage at period-end (%)	Shares	Change during Reporting Period	Restricted shares	Non-restricted shares	Pledged or frozen shares	
							Status	Shares
MIDEA GROUP CO., LTD.	Domestic non-state-owned corporation	37.78%	238,948,117	0		238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.	Foreign corporation	14.89%	94,204,942	0		94,204,942		
GAOLING FUND,L.P.	Foreign corporation	3.74%	23,664,125	1,969,669		23,664,125		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	Domestic non-state-owned corporation	3.34%	21,097,464	298,570		21,097,464		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign corporation	2.81%	17,787,068	-59,726		17,787,068		

FINANCE BUREAU OF WUXI	State-owned corporation	2.70%	17,054,071	0	17,054,071		
HONGKONG SECURITIES CLEARING CO., LTD	Domestic non-state-owned corporation	2.24%	14,191,698	10,134,362	14,191,698		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	Domestic non-state-owned corporation	2.07%	13,061,462	-1,392,425	13,061,462		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned corporation	1.61%	10,156,300	0	10,156,300		
AGRICULTURAL BANK OF CHINA—E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	Domestic non-state-owned corporation	1.13%	7,138,335	5,458,352	7,138,335		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any)			N/A				
Related or acting-in-concert parties among the shareholders above			Midea Group and TITONI Investments Development Ltd. are parties acting in concert.				
Shareholdings of the top ten non-restricted shareholders							
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares					
		Type	Number				
MIDEA GROUP CO., LTD.	238,948,117	RMB ordinary share					
TITONI INVESTMENTS DEVELOPMENT LTD.	94,204,942	Domestically listed foreign share					
GAOLING FUND,L.P.	23,664,125	Domestically listed foreign share					
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	21,097,464	RMB ordinary share					
GREENWOODS CHINA ALPHA MASTER FUND	17,787,068	Domestically listed foreign share					
FINANCE BUREAU OF WUXI	17,054,071	RMB ordinary share					
HONGKONG SECURITIES CLEARING CO., LTD	14,191,698	RMB ordinary share					
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	13,061,462	RMB ordinary share					
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	10,156,300	RMB ordinary share					
AGRICULTURAL BANK OF CHINA—E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	7,138,335	RMB ordinary share					
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders			Midea Group and TITONI Investments Development Ltd. are parties acting in concert.				
Top ten common shareholders conducting securities margin trading (if any)			N/A				

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this Reporting Period.

Yea No

No such cases in this Reporting Period.

2. Information about the Controlling Shareholder

Name of controlling shareholder	Legal representative/ Head of unit	Date of establishment	Credibility code	Main business scope
Midea Group Co., Ltd.	Fang Hongbo	04/07/2000	91440606722473344C	Consumer appliances and heating ventilation air conditioner, robots and automatic systems, and etc.
Shareholdings of the controlling shareholder in other listed companies at home or abroad in this Reporting Period	The Company's controlling shareholder is Midea Group Co., Ltd. with the securities code of 000333, whose shares held in other listed companies by holding or shareholding is published on www.cninfo.com.cn.			

Change of the controlling shareholder during this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

3. Information about the Actual Controller

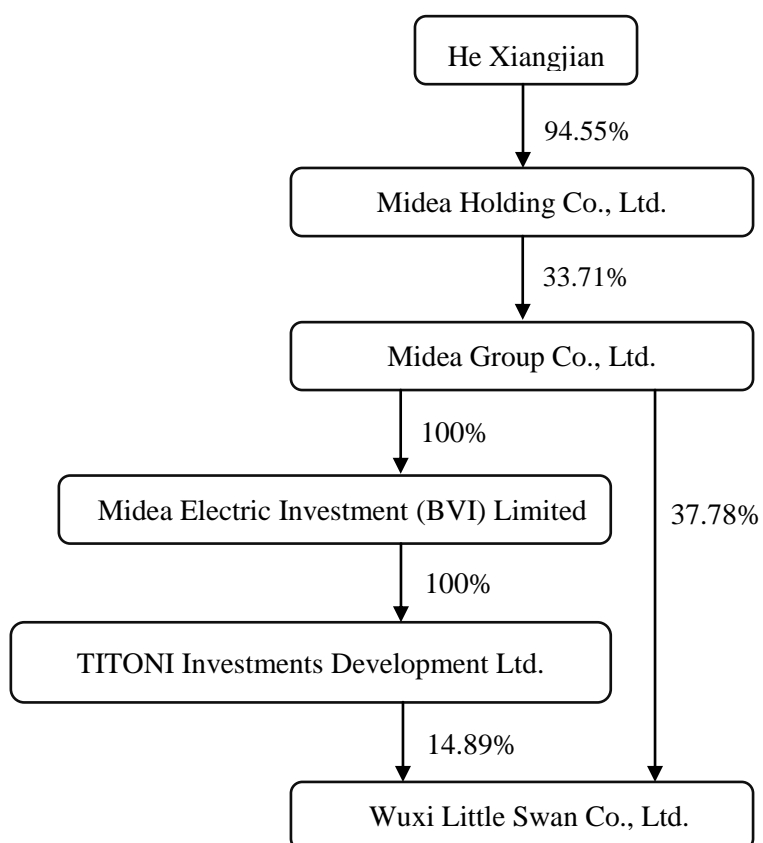
Name of actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Chinese	No
Main occupation and duty	Current board chairman of Midea Holding and former board chairman of Midea Group	
Used-to-be-holding listed companies home and abroad in the last ten years	Midea Group (000333.SZ), Welling Holding (00382.HK) and Little Swan (A: 000418.SZ;B:200418), KUKA AG (KU2.DE)	

Change of the actual controller during this Reporting Period

Applicable Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. 10% or Greater Corporate Shareholders

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Business scope
TITONI	Xiao Mingguang	02/07/2007	USD50,000	Holding equity interests in Little Swan

5. Limited Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and other Commitment Makers

Applicable Not applicable

Part VII Preference Shares

Applicable Not applicable

No preference shares in this Reporting Period.

Part VIII Directors, Supervisors, Executive Officers and Staff

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening shareholding (share)	Increase in this Reporting Period (share)	Decrease in this Reporting Period (share)	Other increase/decrease (share)	Closing shareholding (share)
Fang Hongbo	Chairman of the Board	Incumbent	Male	50	05/09/2008	08/25/2018	0	0	0	0	0
Lu Jianfeng	General Manager	Incumbent	Male	44	12/14/2016	08/25/2018	0	46,700	0	0	46,700
	Director	Incumbent	Male	44	04/11/2017	08/25/2018					
Xiao Mingguang	Director	Incumbent	Male	47	01/12/2010	08/25/2018	0	0	0	0	0
Jiang Peng	Director	Incumbent	Male	44	04/11/2017	08/25/2018	0	0	0	0	0
Zhou Sixiu	Board Secretary	Incumbent	Female	44	01/10/2007	08/25/2018	0	0	0	0	0
	Director	Incumbent	Female	44	08/21/2012	08/25/2018					
Sun Yunan	CFO	Incumbent	Male	39	11/24/2014	08/25/2018	0	0	0	0	0
	Director	Incumbent	Male	39	08/26/2015	08/25/2018					
Jiang Qingyun	Independent director	Incumbent	Male	53	08/22/2014	08/25/2018	0	0	0	0	0
Tao Xiangnan	Independent director	Incumbent	Male	51	04/20/2015	08/25/2018	0	0	0	0	0
Zhu Heping	Independent director	Incumbent	Male	53	08/26/2015	08/25/2018	0	0	0	0	0
Liang Pengfei	Supervisory Board Chairman	Incumbent	Male	40	08/22/2014	03/08/2018	0	0	0	0	0
Wang Shouhu	Supervisor	Incumbent	Male	36	08/22/2014	08/25/2018	0	0	0	0	0
Xu Pengcheng	Staff representative supervisor	Incumbent	Male	48	08/05/2014	08/25/2018	0	0	0	0	0
Zhang Zhaofeng	Director	Former	Male	42	11/02/2012	03/06/2017	0	0	0	0	0
Total	--	--	--	--	--	--	0	46,700	0	0	46,700

II Changes in Directors, Supervisors and Executive Officers

Name	Office title	Type of change	Date	Reason
Zhang Zhaofeng	Director	Outgoing	03/06/2017	Job change
Liang Pengfei	Supervisory Board Chairman	Outgoing	03/08/2018	Job change

III Brief Biographies

Professional backgrounds, main working experience and current responsibilities in the Company of the incumbent directors, supervisors and executive officers

(1) Mr. Fang Hongbo, born in 1967, holder of a master's degree, now serves in the Company as the Chairman of the Board, the Chairman of the Board & President of Midea Group Co., Ltd. He once was the Board Chairman and President of GD Midea Holding Co., Ltd., etc.

(2) Mr. Lu Jianfeng, born in 1973, holder of a master's degree, now serves as the Director and General Manager of the Company. He once was the Domestic Home A/C President, China Marketing President and Vice President of GD Midea Holding Co., Ltd., as well as the Environmental Appliances General Manager of Midea Group, etc.

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

(4) Ms. Zhou Sixiu, born in 1973, holder of a master's degree, CPA, now serves as a director and the Board Secretary of the Company. She once was the Securities Representative of Wuxi Qingfeng Co., Ltd., etc.

(5) Sun Yunan, born in 1978, holder of a master's degree, now serves as a director and the CFO of the Company. He ever served as Finance Minister of Automatic Factory of the Company, Refrigerator Career Dept. Factory and Manager of Accounting and Process Management of Midea Group, etc.

(6) Jiang Peng, born in 1973, holder of a master's degree, now serves as Director in the Company, Board Secretary of Media Group Co., Ltd. He ever acted as the Securities Representative and Board Secretary of GD Midea Holding Co., Ltd.

(7) Jiang Qingyun, was born in 1964, doctor degree. He now serves as Independent Director of the Company, Marketing Director of School of Management Fudan University, and Independent Director of Misho Ecology & Landscape Co., Ltd. and Galaxy Biomedical Investment Co., Ltd.

(8) Tao Xiangnan was born in 1966, doctor degree. He now serves as Independent Director of the Company, Associate Professor of Nanjing University Business School, Professor of MUST.

(9) Zhu Heping was born in 1964, doctor degree. He now serves as Independent Director of the Company, Accounting Professor of school of business Jiangnan university, Member of CICPA and Independent Director of Jiangsu Yataiqing Alloy Technology Co., Ltd., Jiangsu Pengyao Environment Protection Co., Ltd. and Jiangsu Yoke Technology Co., Ltd.

(10) Liang Pengfei, was born in 1977, bachelor, He is currently the Chairman of Little Swan's Supervisory Board and the Operation and Human Resources Manager of Midea Group's Cleaning Appliance Division. He used to be Little Swan's Operation and Human Resources Manager, the Marketing Manager of Midea Group's Compressor Division, etc.

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

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

Posts concurrently held in shareholding entities

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity
Fang Hongbo	Midea Group	Chairman of the Board	08/25/2012	09/17/2018	Yes
	Midea Group	President	10/15/2013	09/17/2018	Yes
Xiao Mingguang	Midea Group	CFO	12/02/2015	09/17/2018	Yes
	TITONI	Director	12/23/2013		No

Posts held concurrently in other entities

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the entity
Jiang Qingyun	School of Management Fudan University	Professor and Marketing Director	08/01/1999		Yes
Tao Xiangnan	Nanjing University Business School	Associate Professor	01/01/2005		Yes
	MUST	Professor	01/10/2018		Yes
Zhu Heping	School of Business Jiangnan university	Professor	09/01/2007		Yes

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

□ Applicable √ Not applicable

IV Remuneration of Directors, Supervisors and Executive Officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

(1) Decision-making procedure for the remuneration of directors, supervisors and executive officers: The remuneration for executive officers is proposed by the Remuneration and Appraisal Committee under the Board and finalized upon the Board's approval; and that for directors and supervisors is subject to their positions.

(2) Determining basis for the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management receiving remuneration from the Company consist of the basic annual salary and performance annual salary. The basic annual salary is decided according to the duties, risks, pressure and other factors born by the directors, supervisors and senior management, and it stays unchanged; while the performance annual salary is linked with the profit completion rate and the appraisal results of target responsibility system of the Company. The remuneration system of the directors, supervisors and senior management of the Company serves for its operating strategy, which is adjusted according to the changes of operation situation of the Company so as to adapt to the needs of the further development of the Company. The adjustment basis for the remuneration of directors, supervisors and senior management of the Company is as follows: (1) the increase level of remuneration in the same industry; (2) the earnings of the Company; (3) the adjustment of organization structure; (4) adjustment on positions. The allowances for independent directors are RMB100, 000 (tax included) per year upon consideration and approval of the shareholders' meeting, and the expenses occurred to execute their responsibilities are borne by the Company.

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

Remuneration of directors, supervisors and executive officers in this Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Chairman of the Board	Male	50	Incumbent		Yes
Lu Jianfeng	Director & General Manager	Male	44	Incumbent	325.54	
Xiao Mingguang	Director	Male	47	Incumbent		Yes

Jiang Peng	Director	Male	44	Incumbent		Yes
Zhou Sixiu	Director & Board Secretary	Female	44	Incumbent	126.76	
Sun Yunan	Director & CFO	Male	39	Incumbent	288.54	
Jiang Qingyun	Independent Director	Male	53	Incumbent	10.00	
Tao Xiangnan	Independent director	Male	51	Incumbent	10.00	
Zhu Heping	Independent director	Male	53	Incumbent	10.00	
Liang Pengfei	Supervisory Board Chairman	Male	40	Incumbent	132.97	Yes
Wang Shouhu	Supervisor	Male	36	Incumbent	54.80	
Xu Pengcheng	Staff representative supervisor	Male	48	Incumbent	412.36	
Zhang Zhaofeng	Director	Male	42	Former		Yes
Total	--	--	--	--	1,370.97	--

Equity incentives for directors, supervisors and executive officers in this Reporting Period

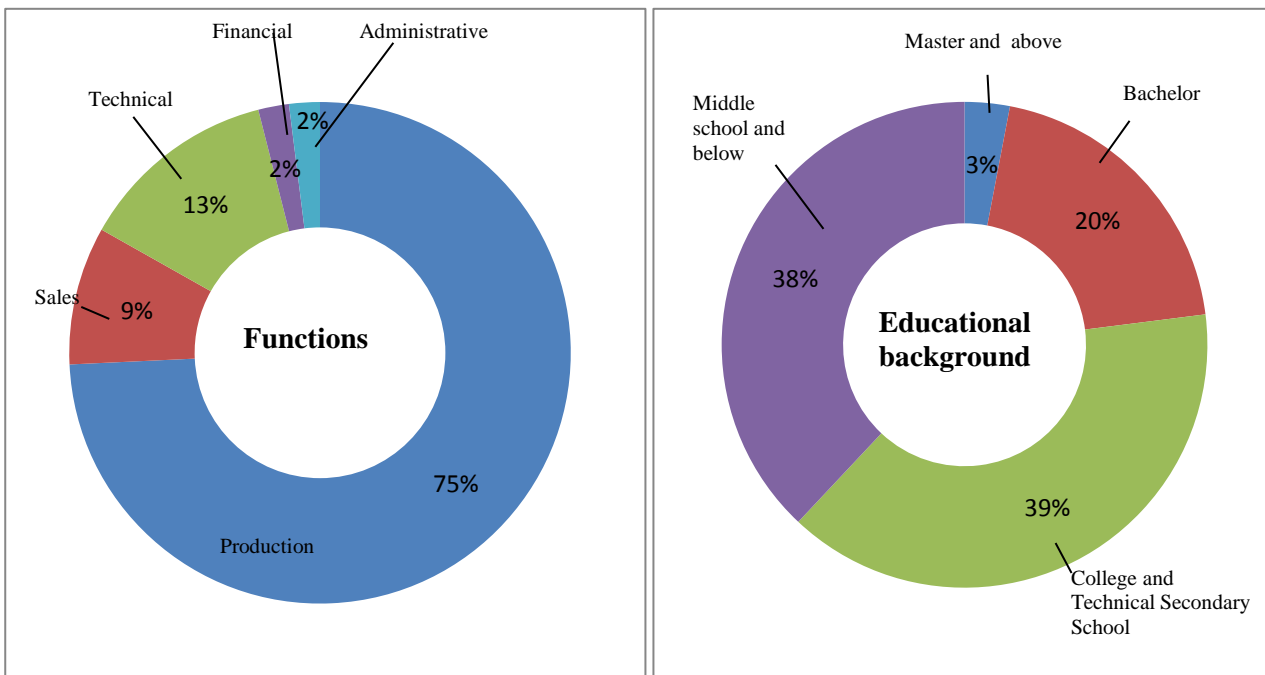
Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	5,689
Number of in-service employees of main subsidiaries	4,201
Total number of in-service employees	9,890
Total number of employees with remuneration in this Reporting Period	11,444
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	424
Functions	
Function	Number of employees
Production	7,380
Sales	891
Technical	1,252
Financial	169
Administrative	198
Total	9,890
Educational backgrounds	
Educational background	Number of employees
Master and above	294

Bachelor	2,023
College and Technical secondary school	3,861
Middle school and below	3,712
Total	9,890



2. Employee Remuneration Policy

The remuneration of employees is paid on time according to the Company’s Methods for Remuneration Management. The Company decides its employees’ fixed salaries according to their positions and their floating wages in line with its operating results. Meanwhile, the Company leans to strategic talent so as to ensure competitive wages for core personnel. And the remuneration policy will be irregularly adjusted according to regional differences, the talent supply, employees’ turnover, changes in the industry environment and the Company’s paying ability.

3. Employee Training Plans

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

4. Labor Outsourcing

Applicable Not applicable

Part IX Corporate Governance

I Basic Situation of Corporate Governance

The Company continuously perfected its corporate governance; promote the improvement of its operation and formulate the corresponding internal control system, prevented and controlled risks and safeguarded the legitimate rights and interests of the Company and the shareholders in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law issued by CSRC. The actual situation of the Company's corporate governance is in accordance with the requirements of Administrative Rule for Listed Companies issued by CSRC. For better governance, the Company has formulated the Rules of Procedure for the Board of Directors, the Supervisory Board, shareholders' meetings and the specialized committees under the Board of Directors, as well as the Disclosure of Information Management System, Raise Money Management System, Related Transaction Management System, Information Source Insider Registration Management System, Internal Report System for the Major Issues, System of Accountability for Management, the Preliminary Plan Regarding Risk Handling in Financial Services (Accepting Deposits and Lending) Provided by Midea Group Finance Co., Ltd, etc. During the Reporting Period, according to applicable laws and regulations and the need arising from its actual operations, the Company held the 9th Meeting of the 8th Board of Directors on March 7, 2017, at which the Articles of Association and the Rules of Procedure for Shareholders Meeting have been revised, further improving its corporate governance mechanism.

In line with the relevant provisions of Company Law, the Articles of Association etc., the Company established a comparative perfect organization control structure system The Board of Director conducted the resolutions of general meeting of shareholders, response for the significant decision-making events and general meeting of stockholders; the Company appointed GM by law, presided over the daily production operation and management, organized the implementation of resolution of the Board, was responsible for the Board of Directors; the supervisor of the Company was the supervisory organization for the Company which supervised the behaviors of the directors, GM and the finance of the Company. The four committees, Strategy Committee, the Remuneration and Appraisal Committee, Audit Committee, the Nomination Committee were under the Board of Directors. the Company's General Meeting of shareholders, Board of Directors, Board of directors and operation managerial personnel with clear responsibilities and rights, performing their duties, effective checks and balances, scientific

decision-making and coordinate operations, which laid a solid foundation for sustained, stable and healthy development of the Company.

During this Reporting Period, the Company was granted the “Top 100 Main Board Listed Companies in Value” Award and the “Excellent Board Secretary of Main Board Listed Companies” Award in the 11th China Listed Company Value Awards hosted by Securities Times and the New Fortune magazine, and granted the “Excellent CFO” Title in the “Money Steward • Excellent CFO of Listed Companies in Yangtze River Delta” hosted by Jiangsu Association for Public Companies, Anhui Association for Public Companies and Shanghai Association for Public Companies. Looking forward, the Company will continue to improve its ability of sustainable development and governance capability.

Any significant incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

Yes No

II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separating from the Controlling Shareholder

The Company is completely separated from its controlling shareholder in aspects such as business, personnel, assets, institutions and finance and possesses independent and complete business and self-dependent operating ability.

1. In respect of business, the Company owned independent and integrated system of R&D, purchasing, production and sales. Main business of the Company is washing machine that there isn't any horizontal competition between the Company and the controlling shareholder. The Company was completely separated from the controlling shareholder in business.

2. In respect of personnel, in terms of labor, personnel and salary management, the Company and the controlling shareholder were independent each other, there existed no mixed operation and management between the Company and the controlling shareholder. Such senior management staff as General Manager, CFO and Board Secretary did not take any posts in shareholding companies.

3. In respect of assets, the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder.

4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Board and internal organization could operate independently.

5. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

III Horizontal Competition

Applicable Not applicable

IV Annual and Special Meetings of Shareholders Convened during this Reporting Period

1. Meetings of Shareholders Convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2016 Annual Meeting of Shareholders	Annual	60.35%	04/10/2017	04/11/2017	Announcement No. 2017-11 disclosed on www.cninfo.com.cn

2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed Voting Rights

Applicable Not applicable

V Performance of Independent Directors in this Reporting Period

1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

Attendance of independent directors in board meetings								
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Attendance at on-site and video meeting (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times	Attendance at the number of shareholders' meetings
Jiang Qingyun	5	1	1	3	0	0	No	0
Tao Xiangnan	5	1	1	3	0	0	No	0
Zhu Heping	5	1	1	3	0	0	No	1

2. Objections Raised by Independent Directors on Issues of the Company

Indicate by tick mark whether any independent directors raised any objections on issues of the Company.

Yes No

No such cases in this Reporting Period.

3. Other Details about the Performance of Duties by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

Yes No

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

VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

During the Reporting Period, the performance of the specialized committees under the Board for 2017 in accordance with the Company Law, Guidelines for Governance of Listed Companies, Articles of Association and Rules of Procedures for the specialized committees under the Board was as follows:

1. The Audit Committee under the Board convened four meetings, at which reviewed and approved the Annual Financial Statement Report 2016, Annual Report and Its Abstract 2016, Summary Report of the Audit Committee on the 2016 Annual Audit Work, Proposal on Engaging the Audit Firm for 2016, First Quarter Report 2017, Semi-annual Report 2017 and Third Quarter Report 2017.
2. The strategy Committee under the Board convened one meeting, at which reviewed and approved the proposal on Mid-term Development Plan of the Company (2017-2019);
3. The Remuneration and Appraisal Committee under the Board convened one meeting, at which reviewed and approved the Proposal on Paying the 2016 Annual Remuneration to the Senior Management;
4. The Nomination Committee under the Board convened one meeting, at which reviewed and approved the Proposal on Increasing Directors of the Company.

VII Performance of Duties by the Supervisory Board

Did the Supervisory Board find any risks to the Company during its supervision in this Reporting Period?

Yes No

The Supervisory Board raised no objections in this Reporting Period.

VIII Appraisal and Incentive for Executive Officers

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

IX Internal Control

1. Serious Internal Control Defects Found in this Reporting Period

Yes No

2. Internal Control Self-evaluation Report

Disclosure date of the internal control self-evaluation report	03/13/2018	
Index to the disclosed internal control self-evaluation report	For details about the Internal Control Self-Evaluation Report 2017, see www.cninfo.com.cn , the website designated by the Shenzhen Stock Exchange for information disclosure.	
Total assets of the evaluated entities as a percentage in the consolidated total assets	100.00%	
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues	100.00%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2017 disclosed on www.cninfo.com.cn dated March 13, 2018.	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2017 disclosed on www.cninfo.com.cn dated March 13, 2018.

Quantitative standard	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2017 disclosed on www.cninfo.com.cn dated March 13, 2018.	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2017 disclosed on www.cninfo.com.cn dated March 13, 2018.
Number of serious financial-report-related defects		0
Number of serious non-financial-report-related defects		0
Number of important financial-report-related defects		0
Number of important non-financial-report-related defects		0

X Auditor’s Report on Internal Control

Opinion paragraph in the auditor’s report on internal control	
The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on December 31, 2017 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations.	
Auditor’s report on internal control disclosed or not	Disclosed
Disclosure date	03/13/2018
Index to the disclosed auditor’s report on internal control	For details about the Auditor’s Report on Internal Control 2017, see www.cninfo.com.cn , the website designated by the Shenzhen Stock Exchange for information disclosure.
Type of the auditor’s opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor’s report on the Company’s internal control.

Yes No

Indicate by tick mark whether the auditor’s report on the Company’s internal control issued by the CPAs firm is consistent with the self-evaluation report of the Board.

Yes No

Part X Corporate Bonds

Indicate by tick market whether the Company has any corporate bonds publicly offered and listed on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full.

Yes No

Part XI Financial Report

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2018) No. 10036
(Page 1 of 5)

To the Shareholders of Wuxi Little Swan Company Limited,

Opinion

What we have audited

We have audited the accompanying financial statements of Wuxi Little Swan Company Limited (hereinafter “the Company”), which comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended;
- and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (cont'd)

The key audit matter identified in our audit is revenue recognition for sales of goods.

Key Audit Matter – Revenue recognition for sales of goods	How our audit addressed the Key Audit Matter
<p>Revenue recognition for sales of goods</p> <p>Refer to Important accounting policies and estimations (23) and Notes to the consolidated financial statements (36) to the financial statements.</p> <p>The Company and its subsidiaries recognise revenue when it is probable that future economic benefits will flow to the entity; when the amount of revenue can be reliably measured; and when specific criterias have been met for each of the activities. In 2017, the consolidated revenue of Little Swan amounted to RMB 21,384,699 thousands of which 99.7% are revenue from sales of goods.</p> <p>We focus on the revenue recognition for sales of goods.</p> <p>Our focus on the revenue recognition for sales of goods is mainly due to a large number of goods of Little Swan are sold to large amount of customers in different sals channels domesticly and abroad.</p>	<p>We performed the following procedures for sales of goods:</p> <p>We discussed with management of business departments and financial department of Little Swan for the process of sales of goods in different sales channels. We understood and evaluated the relevant internal controls and performed testing on the operating effectiveness of key controls.</p> <p>We examined samples of sales agreements with customers of different sales channels of Little Swan. Based on our discussion with management, our understanding and audit experience of the sales transactions, we assessed the accounting policy for revenue recognition for sales of goods.</p> <p>We performed the following procedures for sales of goods through different sales channels:</p> <ul style="list-style-type: none"> •Performed risk assessment procedures including analysis on the fluctuations of monthly sales amounts and gross margin; •Examined supporting documents related to the sales of goods on sample basis, including sales agreements, sales orders, sales invoices, transportation documents and receipt notes from customers; •Checked supporting documents including receipt notes or settlement notes from customers for sales of goods recognised before or after the balance sheet date, so as to evaluate whether the sales of goods was recorded in the correct period. <p>Based on the audit procedures performed, we found that the revenue recognition for sales of goods was consistent with the accounting policy of Little Swan.</p>

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2017 annual report of the Company other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor’s Responsibilities for the Audit of the Financial Statements (Cont’d)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai , the People’s Republic of China

Signing CPA Huang Meimei
(Engagement Partner)

9 March 2018

Signing CPA Cai Xiujuan

Financial statements**CONSOLIDATED BALANCE SHEET****AS AT 31 DECEMBER 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	31 December 2017 Consolidated	31 December 2016 Consolidated
Current Assets:			
Cash at bank and in hand	VII(1)	1,588,264,516.05	4,272,077,211.11
Financial assets at fair value through profit or loss	VII(2)	5,270,238.03	-
Notes receivable	VII(3)	1,283,192,684.28	1,297,609,202.29
Accounts receivable	VII(4)	1,736,724,496.10	1,465,654,497.90
Advances to suppliers	VII(5)	84,346,792.38	131,513,792.18
Interests receivable	VII(6)	60,943,907.98	26,755,807.07
Other receivables	VII(7)	47,224,454.09	23,693,886.54
Inventories	VII(8)	1,980,766,196.14	1,724,837,944.69
Other current assets	VII(9)	12,778,240,745.22	8,385,724,282.16
Total current assets		19,564,974,030.27	17,327,866,623.94
Non-current assets:			
Available-for-sale financial assets	VII(10)	200,000.00	200,000.00
Investment properties	VII(11)	61,695,825.00	64,854,903.25
Fixed assets	VII(12)	1,029,668,355.84	970,859,291.03
Construction in progress	VII(13)	37,972,252.60	-
Intangible assets	VII(14)	187,045,347.27	192,283,486.15
Long-term prepaid expenses	VII(15)	22,382,020.52	4,387,728.14
Deferred tax assets	VII(16)	407,151,474.64	299,879,029.23
Other non-current assets	VII(17)	27,331,937.53	25,655,775.90
Total non-current assets		1,773,447,213.40	1,558,120,213.70
Total assets		21,338,421,243.67	18,885,986,837.64

Financial statements

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2017 Consolidated	31 December 2016 Consolidated
Current liabilities:			
Short-term borrowings	VII(19)	81,393,672.34	183,813,064.12
Notes payable	VII(20)	2,805,804,600.41	2,620,549,815.47
Accounts payable	VII(21)	3,827,025,700.10	3,335,089,672.06
Advances from customers	VII(22)	3,065,815,801.93	3,014,347,762.24
Employee benefits payable	VII(23)	349,483,844.76	288,592,163.29
Taxes payable	VII(24)	638,017,523.31	412,238,029.96
Dividends payable	VII(25)	6,996,784.06	7,150,684.06
Other payables	VII(26)	221,120,863.48	199,926,402.04
Other current liabilities	VII(27)	2,107,700,604.61	1,844,413,154.26
Total current liabilities		13,103,359,395.00	11,906,120,747.50
Non-current liabilities:			
Long-term employee benefits payable	VII(28)	12,021,620.17	16,101,348.60
Provisions	VII(29)	2,253,082.25	1,727,340.89
Deferred income	VII(30)	2,489,133.21	2,942,333.25
Total non-current liabilities		16,763,835.63	20,771,022.74
Total liabilities		13,120,123,230.63	11,926,891,770.24
Owners' equity:			
Share capital	VII(31)	632,487,764.00	632,487,764.00
Capital surplus	VII(32)	1,252,947,546.80	1,191,490,133.01
Other comprehensive income	VII(33)	40,496,366.85	70,757,524.61
Surplus reserve	VII(34)	332,594,722.29	332,594,722.29
Retained earnings	VII(35)	4,788,564,401.03	3,756,517,718.81
Equity attributable to the owners of the Company		7,047,090,800.97	5,983,847,862.72
Minority interests		1,171,207,212.07	975,247,204.68
Total owners' equity		8,218,298,013.04	6,959,095,067.40
Total liabilities and owners' equity		21,338,421,243.67	18,885,986,837.64

Financial statements**BALANCE SHEET OF THE COMPANY****AS AT 31 DECEMBER 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	31 December 2017 Company	31 December 2016 Company
Current Assets:			
Cash at bank and in hand		1,030,061,384.78	2,397,428,457.92
Financial assets at fair value through profit or loss		3,724,810.47	-
Notes receivable		938,342,347.95	1,088,559,252.21
Accounts receivable	XVIII(1)	2,805,194,600.27	2,310,254,576.98
Advances to suppliers		67,278,861.92	89,477,823.29
Interests receivable		32,913,208.23	18,798,031.69
Other receivables	XVIII(2)	28,973,048.36	16,176,106.89
Inventories		1,206,334,183.68	1,068,494,123.28
Other current assets		7,259,605,039.27	4,965,682,855.69
Total current assets		13,372,427,484.93	11,954,871,227.95
Non-current assets:			
Available-for-sale financial assets		150,000.00	150,000.00
Long-term equity investments	XVIII(3)	958,235,041.57	1,375,785,041.57
Investment properties		7,882,440.32	7,546,955.16
Fixed assets		532,803,209.18	490,047,802.72
Construction in progress		37,321,733.68	-
Intangible assets		89,900,867.32	92,591,167.64
Long-term prepaid expenses		5,905,684.35	1,817,228.83
Deferred tax assets		225,186,332.58	197,091,251.29
Other non-current assets		17,138,349.61	18,313,858.80
Total non-current assets		1,874,523,658.61	2,183,343,306.01
Total assets		15,246,951,143.54	14,138,214,533.96

Financial statements**BALANCE SHEET OF THE COMPANY (continued)****AS AT 31 DECEMBER 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2017 Company	31 December 2016 Company
Current liabilities:			
Short-term borrowings		16,806,882.34	123,943,093.80
Notes payable		1,678,546,630.26	1,508,017,904.49
Accounts payable		4,395,361,312.16	3,913,090,507.89
Advances from customers		1,862,974,982.38	1,854,711,663.46
Employee benefits payable		268,065,495.23	216,530,836.37
Taxes payable		353,920,883.93	249,034,768.38
Dividends payable		6,996,784.06	7,150,684.06
Other payables		146,982,721.63	143,124,857.82
Other current liabilities		1,336,384,942.60	1,173,641,937.69
Total current liabilities		10,066,040,634.59	9,189,246,253.96
Total liabilities		10,066,040,634.59	9,189,246,253.96
Owners' equity:			
Share capital		632,487,764.00	632,487,764.00
Capital surplus		1,405,575,239.68	1,350,656,531.65
Other comprehensive income		27,970,054.39	37,515,343.84
Surplus reserve		319,944,578.39	319,944,578.39
Retained earnings		2,794,932,872.49	2,608,364,062.12
Total owners' equity		5,180,910,508.95	4,948,968,280.00
Total liabilities and owners' equity		15,246,951,143.54	14,138,214,533.96

Financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 December 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2017 Consolidated	2016 Consolidated
Revenues	VII(36), VII(37)	21,384,699,076.65	16,334,914,501.69
Less: Cost of sales	VII(36), VII(37)	-15,982,893,658.84	-12,111,213,286.28
Taxes and surcharges	VII(38)	-131,791,477.12	-99,204,438.58
Selling and distribution expenses	VII(39)	-2,872,849,586.14	-2,325,645,712.65
General and administrative expenses	VII(40)	-728,323,077.71	-505,321,107.14
Finance income – net	VII(41)	71,808,982.80	154,825,748.21
Asset impairment losses	VII(42)	-70,595,875.65	-94,569,651.27
Add: Profit and loss from fair value changes	VII(43)	5,270,238.03	-
Add: Investment income	VII(44)	320,623,463.23	200,239,260.71
Loss on disposals of assets	VII(45)	-975,423.00	-1,833,734.45
Othe income	VII(46)	53,894,074.25	-
Operating profit		2,048,866,736.50	1,552,191,580.24
Add: Non-operating income	VII(47)	17,448,715.84	37,967,314.97
Less: Non-operating expenses	VII(48)	-1,620,508.98	-5,731,866.22
Total profit		2,064,694,943.36	1,584,427,028.99
Less: Income tax expenses	VII(49)	-356,274,657.61	-241,651,767.11
Net profit		1,708,420,285.75	1,342,775,261.88
Classified by continuity of operations			
Net profit from continuing operations		1,708,420,285.75	1,342,775,261.88
Classified by ownership the equity			
Attributable to owners of the Company		1,506,412,505.22	1,175,054,922.85
Minority interests		202,007,780.53	167,720,339.03

Financial statements**CONSOLIDATED INCOME STATEMENT (continued)****FOR THE YEAR ENDED 31 December 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2017 Consolidated	2016 Consolidated
Other comprehensive income, net of tax		-39,345,928.61	41,216,788.60
Attributable to equity owners of the Company		-30,261,157.76	35,944,239.97
Other comprehensive income that will be subsequently reclassified to profit or loss		-30,261,157.76	35,944,239.97
Including: Changes in fair value of available-for-sale financial assets		-30,246,066.76	35,924,495.90
Foreign-currency financial statement translation difference		-15,091.00	19,744.07
Attributable to minority interests		-9,084,770.85	5,272,548.63
Total comprehensive incomes		1,669,074,357.14	1,383,992,050.48
Attributable to owners of the Company		1,476,151,347.46	1,210,999,162.82
Attributable to minority interests		192,923,009.68	172,992,887.66
Earnings per share	VII(50)		
Basic earnings per share		2.38	1.86
Diluted earnings per share		2.38	1.86

Notes thereon are parts of this financial report.

Financial statements**INCOME STATEMENT OF THE COMPANY****FOR THE YEAR ENDED 31 December 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Notes	2017 Company	2016 Company
Revenues	XVIII(4)	16,227,944,922.59	12,451,627,200.77
Less: Cost of sales	XVIII(4)	-12,576,166,337.97	-9,679,123,368.71
Business taxes and surcharges		-87,954,972.46	-64,404,746.49
Distribution expenses		-1,936,954,187.36	-1,521,389,300.24
Administrative expenses		-560,388,308.38	-402,652,997.95
Financial costs		47,870,144.26	99,230,544.04
Impairment loss		-464,901,476.21	-64,797,585.33
Add: Profit and loss from fair value changes		3,724,810.47	-
Add: Investment income	XVIII(5)	169,205,446.47	76,128,199.93
Loss on disposal of assets		433,848.54	-107,186.36
Other income		17,697,350.94	-
Operating profit		840,511,240.89	894,510,759.66
Add: Non-operating income		8,471,093.21	10,007,822.18
Less: Non-operating expenses		-1,289,079.79	-1,847,323.14
Total profit		847,693,254.31	902,671,258.70
Less: Income tax expenses		-186,758,620.94	-138,929,321.83

Financial statements**INCOME STATEMENT OF THE COMPANY (continued)****FOR THE YEAR ENDED 31 December 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Notes	2017 Company	2016 Company
Net profit		660,934,633.37	763,741,936.87
Classified by operation continuity			
Net profit from continuing operations		660,934,633.37	763,741,936.87
Other comprehensive income, net of tax		-9,545,289.45	23,906,517.44
Other comprehensive income that will be subsequently reclassified to profit or loss		-9,545,289.45	23,906,517.44
Changes in fair value of available-for-sale financial assets		-9,545,289.45	23,906,517.44
Total comprehensive income		651,389,343.92	787,648,454.31

Financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 December 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2017 Consolidated	2016 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		17,558,217,913.33	16,223,050,621.37
Refund of taxes and surcharges		65,523,277.52	87,968,408.39
Cash received relating to other operating activities	VII(51)(a)	114,191,110.40	66,833,930.42
Sub-total of cash inflows		17,737,932,301.25	16,377,852,960.18
Cash paid for goods and services		-13,209,347,707.13	-10,455,208,887.42
Cash paid to and on behalf of employees		-1,267,020,460.78	-977,297,801.66
Payments of taxes and surcharges		-721,750,460.90	-651,736,882.51
Cash paid relating to other operating activities	VII(51)(b)	-524,059,854.14	-397,536,601.21
Sub-total of cash outflows		-15,722,178,482.95	-12,481,780,172.80
Net cash flows from operating activities	VII(52)(a)	2,015,753,818.30	3,896,072,787.38
Cash flows from investing activities			
Cash received from return of investments		11,100,000,000.00	8,998,000,000.00
Cash received from returns on investments		320,623,463.24	200,239,260.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,269,840.73	5,447,359.13
Cash received relating to other investing activities	VII(51)(c)	91,904,332.38	71,183,080.05
Sub-total of cash inflows		11,517,797,636.35	9,274,869,699.89
Cash paid to acquire fixed assets, intangible assets and other long-term assets		-209,521,425.79	-63,305,378.00
Cash paid to acquire investments		-15,448,983,636.67	-11,471,000,000.00
Sub-total of cash outflows		-15,658,505,062.46	-11,534,305,378.00
Net cash flows from investing activities		-4,140,707,426.11	-2,259,435,678.11

Financial statements**CONSOLIDATED CASH FLOW STATEMENT (continued)****FOR THE YEAR ENDED 31 December 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2017 Consolidated	2016 Consolidated
Cash flows from financing activities			
Cash received from borrowings		680,166,782.34	183,813,064.12
Sub-total of cash inflows		680,166,782.34	183,813,064.12
Cash repayments of borrowings		-782,586,174.12	-
Cash payments for distribution of dividends, profits or interest expenses		-485,163,943.33	-395,092,974.82
Cash payments relating to other financing activities		-	-69,462,000.00
Sub-total of cash outflows		-1,267,750,117.45	-464,554,974.82
Net cash flows from financing activities		-587,583,335.11	-280,741,910.70
Effect of foreign exchange rate changes on cash and cash equivalents		-41,663,902.58	23,109,389.95
Net increase in cash and cash equivalents		-2,754,200,845.50	1,379,004,588.52
Add: Cash and cash equivalents at beginning of year		4,171,689,917.21	2,792,685,328.69
Cash and cash equivalents at end of year	VII(52)(b)	1,417,489,071.71	4,171,689,917.21

Financial statements

**CASH FLOW STATEMENT OF THE COMPANY
FOR THE YEAR ENDED 31 December 2017**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2017 Company	2016 Company
Cash flows from operating activities		
Cash received from sale of commodities or rendering of service	13,498,207,711.94	10,147,589,853.70
Cash received relating to other operating activities	67,433,518.99	39,602,069.13
Sub-total of cash inflows	13,565,641,230.93	10,187,191,922.83
Cash paid for goods and services	-10,552,165,814.20	-6,418,903,625.65
Cash paid to and on behalf of employees	-886,884,259.02	-675,417,191.26
Payments of taxes and surcharges	-422,322,982.87	-453,239,964.32
Cash paid relating to other operating activities	-403,566,550.55	-269,070,271.83
Sub-total of cash outflows	-12,264,939,606.64	-7,816,631,053.06
Net cash flows from operating activities	1,300,701,624.29	2,370,560,869.77
Cash flows from investing activities		
Cash received from disposal of investments	6,440,000,000.00	5,086,000,000.00
Cash received from returns on investments	169,205,446.47	76,128,199.93
Net cash received from disposal of fixed assets and intangible assets	3,627,843.72	1,606,025.78
Cash received relating to other investing activities	66,127,555.36	62,624,714.64
Sub-total of cash inflows	6,678,960,845.55	5,226,358,940.35
Cash paid to acquire fixed assets, intangible assets and other long-term	-106,969,634.65	-32,673,329.11
Cash paid to acquire investments	-8,678,160,815.54	-6,751,000,000.00
Cash paid to relating to other investing activities	-	-69,462,000.00
Sub-total of cash outflows	-8,785,130,450.19	-6,853,135,329.11
Net cash flows from investing activities	-2,106,169,604.64	-1,626,776,388.76
Cash Flows from Financing Activities:		
Cash received from borrowings	428,629,992.34	123,943,093.80
Sub-total of cash inflows	428,629,992.34	123,943,093.80
Cash repayments of borrowings	-535,766,203.80	-
Cash payments for distribution of dividends, profits or interest expenses	-480,899,391.48	-389,009,428.38

Financial statements

CASH FLOW STATEMENT OF THE COMPANY (continued)

FOR THE YEAR ENDED 31 December 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2017 Company	2016 Company
Sub-total of cash outflows	-1,016,665,595.28	-389,009,428.38
Net cash flows from financing activities	-588,035,602.94	-265,066,334.58
Effect of foreign exchange rate changes on cash and cash equivalents	-14,445,909.84	8,547,293.68
Net increase in cash and cash equivalents	-1,407,949,493.13	487,265,440.11
Add: Cash and cash equivalents at beginning of year	2,353,708,554.75	1,866,443,114.64
Cash and cash equivalents at end of year	945,759,061.62	2,353,708,554.75

Financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Attributable to the owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
Note	VII(31)	VII(32)	VII(33)	VII(34)	VII(35)		
Balance at 1 January 2017	632,487,764.00	1,191,490,133.01	70,757,524.61	332,594,722.29	3,756,517,718.81	975,247,204.68	6,959,095,067.40
Movements for the year ended 31 December 2017	-	61,457,413.79	-30,261,157.76	-	1,032,046,682.22	195,960,007.39	1,259,202,945.64
Total comprehensive income	-	-	-30,261,157.76	-	1,506,412,505.22	192,923,009.68	1,669,074,357.14
-Net profit	-	-	-	-	1,506,412,505.22	202,007,780.53	1,708,420,285.75
-Other comprehensive income	-	-	-30,261,157.76	-	-	-9,084,770.85	-39,345,928.61
Capital contribution and withdrawal by owners	-	61,457,413.79	-	-	-	3,036,997.71	64,494,411.50
-Amount recorded in owners' equity arising from share-based payment arrangements	-	61,953,091.84	-	-	-	2,541,319.66	64,494,411.50
-Others	-	-495,678.05	-	-	-	495,678.05	-
Profit distribution	-	-	-	-	-474,365,823.00	-	-474,365,823.00
-Profit distribution to equity owners	-	-	-	-	-474,365,823.00	-	-474,365,823.00
Balance at 31 December 2017	632,487,764.00	1,252,947,546.80	40,496,366.85	332,594,722.29	4,788,564,401.03	1,171,207,212.07	8,218,298,013.04

Financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Attributable to the owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
Note	VII(31)	VII(32)	VII(33)	VII(34)	VII(35)		
Balance at 1 January 2016	632,487,764.00	1,164,014,947.85	34,813,284.64	332,594,722.29	2,960,955,454.36	862,860,913.96	5,987,727,087.10
Movements for the year ended 31 December 2016	-	27,475,185.16	35,944,239.97	-	795,562,264.45	112,386,290.72	971,367,980.30
Total comprehensive income	-	-	35,944,239.97	-	1,175,054,922.85	172,992,887.66	1,383,992,050.48
-Net profit	-	-	-	-	1,175,054,922.85	167,720,339.03	1,342,775,261.88
-Other comprehensive income	-	-	35,944,239.97	-	-	5,272,548.63	41,216,788.60
Capital contribution and withdrawal by owners	-	27,475,185.16	-	-	-	-60,606,596.94	-33,131,411.78
-Amount recorded in owners' equity arising from share-based payment arrangements	-	34,772,462.28	-	-	-	1,558,125.94	36,330,588.22
-Others	-	-7,297,277.12	-	-	-	-62,164,722.88	-69,462,000.00
Profit distribution	-	-	-	-	-379,492,658.40	-	-379,492,658.40
-Profit distribution to equity owners	-	-	-	-	-379,492,658.40	-	-379,492,658.40
Balance at 31 December 2016	632,487,764.00	1,191,490,133.01	70,757,524.61	332,594,722.29	3,756,517,718.81	975,247,204.68	6,959,095,067.40

Financial statements

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 December 2017

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
Balance at 1 January 2017	632,487,764.00	1,350,656,531.65	37,515,343.84	319,944,578.39	2,608,364,062.12	4,948,968,280.00
Movements for the year ended 31 December 2017	-	54,918,708.03	-9,545,289.45	-	186,568,810.37	231,942,228.95
Total comprehensive income	-	-	-9,545,289.45	-	660,934,633.37	651,389,343.92
--Net profit	-	-	-	-	660,934,633.37	660,934,633.37
- Other comprehensive income	-	-	-9,545,289.45	-	-	-9,545,289.45
Capital contribution and withdrawal by owners	-	54,918,708.03	-	-	-	54,918,708.03
- Amount recorded in owners' equity arising from share-based payment arrangements	-	54,918,708.03	-	-	-	54,918,708.03
Profit appropriation	-	-	-	-	-474,365,823.00	-474,365,823.00
--Surplus reserve	-	-	-	-	-	-
--Profit distribution to equity owners	-	-	-	-	-474,365,823.00	-474,365,823.00
Balance at 31 December 2017	632,487,764.00	1,405,575,239.68	27,970,054.39	319,944,578.39	2,794,932,872.49	5,180,910,508.95

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STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)

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Items	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
Balance at 1 January 2016	632,487,764.00	1,319,496,538.02	13,608,826.40	319,944,578.39	2,224,114,783.65	4,509,652,490.46
Movements for the year ended 31 December 2016	-	31,159,993.63	23,906,517.44	-	384,249,278.47	439,315,789.54
Total comprehensive income	-	-	23,906,517.44	-	763,741,936.87	787,648,454.31
--Net profit	-	-	-	-	763,741,936.87	763,741,936.87
- Other comprehensive income	-	-	23,906,517.44	-	-	23,906,517.44
Capital contribution and withdrawal by owners	-	31,159,993.63	-	-	-	31,159,993.63
- Amount recorded in owners' equity arising from share-based payment arrangements	-	31,159,993.63	-	-	-	31,159,993.63
Profit appropriation	-	-	-	-	-379,492,658.40	-379,492,658.40
--Profit distribution to equity owners	-	-	-	-	-379,492,658.40	-379,492,658.40
Balance at 31 December 2016	632,487,764.00	1,350,656,531.65	37,515,343.84	319,944,578.39	2,608,364,062.12	4,948,968,280.00

III. Company profile

Wuxi Little Swan Co., Ltd. (hereinafter “the Company”) was formerly a SOE founded and reorganized as a private placement limited liability company by the approval of Jiangsu Provincial Commission for Economic Restructuring (SuTiGaiSheng (1993) No.253 Document) on 29th Nov,1993. As approved by Jiangsu Provincial Government ((1996) No.52 Document), Securities Regulatory Commission under State Council (ZhengWeiFa (1996) No.14 Document) and Shenzhen Securities and Exchange Commission (ShenZhengBanhan (1996) No.4 Document), the Company publicly issued 70 million RMB foreign shares (B-shares) in China, after which the Company’s share capital came to RMB 310 million.

In March 1997, as approved by China Securities Regulatory Commission (ZhengJianFaZi (1997) No.54 Document and ZhengJianFaZi (1997) No.55 Document), the Company publicly issued 60 million RMB common shares (including 90 million staff shares). The public offerings raised 720.83 million RMB yuan and the A-shares were formally listed at Shenzhen Stock Exchange in Mar, 1997. The abbreviation for A-shares is “Little Swan A”. A-share code is 000418. On 20 July 2006, the Company’s proposal on reformation of segregated stocks was approved by relevant shareholders’ meeting. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of 4 August 2006, the Company issued bonus shares on 7 August 2006 at the ratio of 2.5 shares to every 10 A-shares to liquidated A-share holders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of share holdings.

Pursuant to the resolution at the Annual General Meeting on 9 May 2008, programme of transference from capital surplus to share capital at the ratio of 10 shares to 5 shares was approved. Additional 182,551,920 shares were allotted at par from the capital surplus of the Company. As a result, the total shares of the Company increased to 547,655,760 from 365,103,840.

In accordance to the resolution of the 4th session of the 6th board meeting and the 1st temporary shareholders meeting in 2010, as well as Document ZhengJianXuKe (2010) No. 1577 “The approval of significant assets reorganization of Wuxi Little Swan Co., Ltd. and stock offering with assets purchase to Guangdong Midea Electric Appliances Co., Ltd.” issued by China Securities Regulatory Commission, a placement in A share was completed in which additional 84,832,000 shares were issued to Guangdong Midea Electric Appliances Co., Ltd. (Midea Electric Appliances), while 69.47% equity interest of Hefei Midea Washing Machine Limited (formerly as Hefei Royal star Washing Machine Manufacture Limited) was acquired. Through the non-public offering of A share, the Company’s capital share increased by RMB 84,832,000.

On 18 September 2013, Midea Group Co., Ltd. (the Group) combined the Company’s former controlling shareholder Midea Electric Appliances through shares exchanges according to Document ZhengJianXuKe (2013) No. 1014 “The approval of the merger of Guangdong Midea Electric Appliances Co., Ltd. to Midea Group Co., Ltd.” issued by China Securities Regulatory Commission. After the consolidation by merger, the equity interest held by Midea Electric Appliances previously was held by the Group and registration procedures for shares transfer were completed by 31 December, 2013. Thus, the Group became the first major shareholder of the Company.

As of 31 December 2017, the total share capital of the Company mounted to 632,487,764, 0.33% of which are

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2,087,745 A shares with restriction of trading, 69.47% of which are 439,364,147 A shares without restriction of trading, and 30.20% of which are 191,035,872 B shares without restriction of trading.

The address of the Company's registered office and the headquarters office address is No.18 Changjiang South Road, National High-tech Industrial Development Zone, Wuxi, Jiangsu Province.

The Company is engaged in the industry of household electric appliances, the approved scope of business of which includes manufacture, sales and after-sales service of household electric appliances, industrial ceramic products, environmental-friendly dry cleaning equipment, washing apparatus for typical machines, processing equipment and fittings. The Company provides laundry service, machining; exports and imports, or be agent for a variety of products and technologies (excluding unauthorized or forbidden products and technologies for operation according to state regulations for enterprises). It also provides appliance technical services, certified outsourcing services (operated with a valid qualification certificate) and invests in financial instruments with surplus funds.

The financial statements were authorized for issue by the board of directors of the Company on 9 March 2018.

Principle subsidiaries included in the scope of consolidation are listed in Note IX.

IV. Basis for the preparation of financial statements

(1) Basis of preparation

The Group prepared the financial statements with the Basic Standard of the Accounting Standards for Business Enterprises, accounting policies and other regulations (hereafter referred to as “the Accounting Standard for Business Enterprises” or “CAS”) issued by the Ministry of Finance on and after 15 February 2006, and No. 15 Listing Rules on Disclosure Information for Public Business Entities – preparation of financial statements issued by China Securities Regulatory Commission.

(2) Going concern

The financial report is prepared on the Group’s ability to continue as a going concern.

V. Important accounting policies and estimations

The Group determine the accounting policies and accounting estimates based on the operation of business, which mainly reflected in the revenue recognition policies (note V (23)).

The critical judgements of the Group in determining the critical accounting policies are stated in note V (28).

(1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2017 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

(2) Accounting year

The company’s accounting year starts on 1st January and ends on 31st December.

(3) Operating Cycle

Operating cycle is the time between the acquisition of an asset for production and the final cash or cash equivalent realization from the acquisition. The Company’s operating cycle amounted to 12 months.

(4) Recording currency

The Company’s recording currency is Renminbi (RMB). The recording currency of the Company’s subsidiaries is determined based on the primary economic environment in which they operate, and the recording currency of Little Swan International (Singapore) Limited is US dollar. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount, or, at the book value of obtained assets and liabilities (including goodwill arising from combination of the ultimate controlling party and its absorbed entity) on consolidated financial statements wherein the absorbed party has been acquired by the ultimate controlling party from a third party in previous period. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Basis for preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the

Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits, losses and comprehensive income for the period not attributable to the Company are recognised as minority interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income respectively. Unrealised gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the company. Unrealised gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the subsidiary. Unrealised gain or loss from transaction between subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the selling side of the subsidiaries.

If different recognition perspectives for the same transaction arise within different accounting identities setup, there is adjustment for the transaction from the Group's perspective.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(8) Foreign currency

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

On the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of

those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Foreign currency financial statements translations

Book value of assets and liabilities with overseas operating entities are translated into RMB at the spot exchange rate on the balance sheet date. Items in Consolidated Statement of Changes in Equity are translated into RMB using the spot exchange rate at the date of the transactions, except for the retained earnings. Incomes and expenses items, which are overseas operating, are translated into RMB using the spot exchange rate at the date of the transactions. The translation differences of foreign currency transactions are presented in other comprehensive income. Cash flow items, which are overseas operating, are translated into RMB using the spot exchange rate at the date of the cash in or cash out. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loan and receivables and available-for-sale financial assets. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are derivatives – forward foreign exchange contract.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated to be available for sale upon initial recognition and financial assets not classified in any other categories. Available-for-sale financial assets are included in other current assets if they are intended to be disposed by management within 12 months from balance sheet date.

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the financial assets at fair value through profits or losses are included in profit or loss in the period in which they are incurred, and transaction costs that are attributable to the acquisition of other financial assets are included in their initially recognized amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Loan and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in fair value of financial assets at fair value through profit or loss are recognized in profit and loss of the current period as profit or loss from changes in fair value. Interests or cash dividends yield during asset holding period and gains and losses arising from asset disposal are recognized in the current period profit and loss.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognized directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognized, the cumulative gains or losses previously recognized directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognized as investment income, which is recognized in profits or losses for the period.

(iii) Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Group assesses the carrying amount of financial assets at each balance sheet date. If there is objective evidence that the financial asset is impaired, an impairment loss is provided for.

The objective evidence are matters that occur after the financial assets been recognised, affect its estimated future cash flow and could be measured accurately by the Group.

The objective evidence, of which provided for available-for-sale equity instruments being impaired, includes an investment in an equity instrument with serious or prolonged decline. The Group assesses available-for-sale equity

instruments at each balance sheet date. If the fair value of equity instruments is lower than its initial investment cost of more than 50% (including 50%), or lower than its initial investment costs and the duration of such circumstances lasts for more than 1 year (including 1 year), it indicates that the equity instruments are impaired. If the fair value of equity instruments is less than its initial investment cost of more than 20% (including 20%) to 50% (not including 50%), the Group will consider other relevant factors such as ratios of price fluctuation to judge that whether equity instruments are impaired. The group measured the initial investment cost of available-for-sale equity instruments using the weighted average method.

When an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profits or losses.

When an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognized directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized directly in equity.

If an impairment loss incurred on a financial asset carried at amortized cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and cannot be revert in the subsequent periods.

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the

risks and rewards relating to the ownership of a financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received and the accumulative amount of the changes of fair value originally recorded in the owner's equity is recognised in the profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise of other financial liabilities, including short-term borrowings, notes payable, accounts payable, dividends payable, other payables and other current liabilities, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities are classified as current liabilities if they mature within one year (one year included); others are classified as non-current liabilities; non-current liabilities due for repayment within one year since the balance sheet date are classified as current portion of non-current liabilities.

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. The difference between the carrying amount of a financial liability (or a part of financial liability) extinguished and the consideration paid is recognised in profit or loss.

(c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. In the process of valuation, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available while selecting inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. The use of relevant observable inputs is maximized while that of unobservable inputs is minimized. Unobservable inputs shall be used to the extent that the relevant observable inputs are unavailable.

(10) Receivables

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Receivables comprise notes receivable, accounts receivable, interests receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Criteria for recognition of individually significant receivables	The amount of account receivable individually accounts for over 10% (including 10%) of total amount of accounts receivable on balance sheet date or is individually more than RMB 10,000,000 (including RMB 10,000,000); the amount of other receivable individually accounts for over 10% (including 10%) of total amount of other receivable on balance sheet date or is individually more than RMB 5,000,000 (including RMB 5,000,000).
Accrual for receivables with amounts that are individually significant are subject to separate assessment for impairment	<p>Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of estimated future cash flows.</p> <p>The provision for impairment of the receivables that are individually significant is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.</p>

(b) Receivables that are subject to provision for bad debts on the grouping basis

	Provision for bad debts
Grouping upon aging basis	Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. Provision for bad debts is determined based on the historical loss experience for groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

A provision for impairment of the receivables is made based on the aging of receivables at the following percentage:

Applicable Not applicable

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Aging	Provision as a percentage of receivables	Provision as a percentage of other receivables
Within 1 year	5.00%	5.00%
Between 1 and 2 years	10.00%	10.00%
Between 2 and 3 years	30.00%	30.00%
Between 3 and 4 years	50.00%	50.00%
Between 4 and 5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

Notes receivables of the Group comprises bank's acceptance bill from banks with low credit risk level, thus no bad debt provision is necessary to be accrued.

(c) Accounts receivable with an insignificant single amount but for which the bad debt provision is made independently

Recognition criteria	Receivables that are not individually significant are subject to separate impairment assessment if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.
Recognition method	The provision for impairment of the receivables is established at the difference between the carrying amount of the receivables and the present value of estimated future cash flows.

(11) Inventory

(a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are presented at the lower of cost and net realizable value.

(b) Determination of cost

Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

(c) The determination of net realizable value and the method of provisions for impairment of inventories

Provisions for declines in the value of inventories are determined at the carrying value of the inventories net of their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and relevant taxes.

(d) The Company and its subsidiaries adopt the perpetual inventory system.

(e) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials, which are expensed when issued.

(12) Long-term equity investments

Long-term equity investments include the company's long-term equity investments in its subsidiaries.

Subsidiaries are all entities over which the Company is able to control.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities.

(b) Subsequent measurement and recognition of related profits and losses

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profits distribution declared by the investees are recognised as investment income in profits or losses.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the share of the Company and its subsidiaries of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profits or losses and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Company and its subsidiaries recognize the investment income according to its share of net profit or loss of the investee. The Company and its

subsidiaries discontinue recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Company and its subsidiaries have obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company and its subsidiaries continue recognizing the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Company and its subsidiaries record its proportionate share directly into capital surplus, provided that the proportion of the Company and its subsidiaries of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the share of the Company and its subsidiaries of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Company, its subsidiaries and its investees are eliminated in proportion to the equity of the Company and its subsidiaries interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Company, its subsidiaries and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(c) Basis for determine existence of control, joint control or significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V(18)).

(13) Investment properties

Investment properties, including land use rights that have already been leased out and buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits

will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Company and its subsidiaries adopt the cost model for subsequent measurement of investment properties, which are depreciated or amortized using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives.. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

Items	Estimate Useful Lives	Estimated residual value	Annual Depreciation (amortization) Rates
Buildings	20-35 years	5.00%	2.71%-4.75%
Land Use Rights	50 years	-	2.00%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at each year-end. An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note V(18)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles and office equipment, etc. Fixed assets are recognized when it is probable that the related economic benefits will flow to the Company and its subsidiaries and the costs can be reliably measured. Fixed assets purchased or constructed by the Company and its subsidiaries are initially measured at cost at the acquisition date. Subsequent expenditures incurred for fixed assets are included

in the cost of the fixed assets when it is probable that the associated economic benefits will flow to the Company and its subsidiaries and the related costs can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(b) Depreciation method

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual values over its estimated useful lives. For fixed asset subject to impairment, depreciation is calculated via writing off the asset's carrying amount net of impairment over its useful life in subsequent periods.

		Estimated	Estimated residual value	Annual depreciation rate
Buildings	Straight-line method	20-35 years	5.00%	2.71%-4.75%
Machinery and equipment	Straight-line method	10-15 years	5.00%	6.33%-9.50%
Motor vehicles	Straight-line method	5 years	5.00%	19%
Office equipment	Straight-line method	3-5 years	5.00%	19%-31.67%

(c) The carrying amount of fixed assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V(18)).

(d) Disposal

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss.

(15) Construction in progress

Construction in progress is measured at its actual costs, which includes construction costs, installation costs, borrowing costs capitalized and other costs necessary to bring construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

(16) Intangible assets

Intangible assets include land use rights, non-patented technology and computer soft wares, which initially recognized at cost.

(a) Land use rights

A land use right granted by government with a infinite useful life would not be amortised whilst it incurs no acquisition cost. Other land use rights are amortised on the straight-line basis over 50 years. If the acquisition costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Non-patented technology

Non-patented technology are amortised on the straight-line basis over the shorter of their useful life/benefit period stipulated in the agreement or contract and the legal age.

(c) Computer softwares

Computer softwares purchased by the Group are initially measured at cost, which are amortised on the straight-line over their approved useful period of 3-5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure for investigation, evaluation and selection of production process researches is recognised in profit or loss in the period in which it is incurred. Expenditure on the designation, assessment of the final utilization of the production process before mass production, is capitalised only if all of the following conditions are satisfied:

- development of the production process has been fully demonstrated by the technical team;
- management has approved the budget of production development;
- existed market research analysis suggests that the products produced by the new production technology are able to be promoted;
- adequate technical, financial and other resources to complete the development and subsequent mass production and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V (18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(18) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives, investment properties measured using the cost model, long-term prepaid expense, other non-current assets and long-term equity investments in subsidiaries are tested for impairment if there is any indication that an asset may be impaired at the balance date. Intangible assets which are not yet ready to use should be tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest identifiable group of assets that is able to generate independent cash inflows.

Intangible assets with infinite useful lives are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(19) Employee benefits

(a) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, and union running costs and employee education costs. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(b) Pension obligations

The Company and its subsidiaries operate various post-employment schemes, including both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Company and its subsidiaries pay fixed contributions into a separate entity then the Company and its subsidiaries have no legal or constructive obligations to pay further contributions. The current and past service cost of the defined benefit plan, recognised in the income statement in employee benefit expense. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. In the reporting period, The Company and its subsidiaries's pension obligations mainly include the basic endowment insurance and unemployment insurance; both belong to the defined contribution plan.

Pension insurance

Employees of the Group participate in the social pension insurance organized by the local labour and social security departments. The Group pay pension insurance premium to the pension insurance agency with the local provision of social pension insurance base pay and proportional monthly. When the employee is retired, the local labour and social security departments have the responsibility to pay the basic pension insurance to retired employees. Calculated under the local provision mentioned above, the basic pension insurance to be paid are then recognized in the accounting period in which the service has been rendered by the employees and into profits and losses or costs of relevant assets.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Company and its subsidiaries before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and its subsidiaries recognise termination benefits into current period profits and losses at the earlier of the following dates, when the Group can no longer withdraw the offer of those benefits and when the entity recognises costs related to restructuring.

(d) Retirement benefits

The Company and its subsidiaries provide termination benefits to employees who accept voluntary redundancy in exchange for these benefits. Termination benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The termination benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognised with a corresponding change to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognised in the current profits and losses.

Retirement benefits falling due within a year are reclassified as current liabilities.

(20) Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which it is approved by the annual shareholders' meeting.

(21) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best

estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(22) Share-based payment

(a) Type of share-based payment

Share-based payment is a transaction in which the entity acquires services from employees as consideration for equity instruments of the entity or by incurring liabilities for amounts based on the equity instruments. Equity instruments include equity instruments of the Company, its parent company or other accounting entities of the Group. Share-based payments are divided into equity-settled and cash-settled payments. The Group's share-based payments are equity-settled payments. Equity-settled share-based payment The Group's stock optionstock option plan is the equity-settled share-based payment in exchange of employees' services and is measured at the fair value of the equity instruments at grant date. The equity instruments are exercisable after services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal the number of actual vested equity instruments. On the exercise date, the recognised amount calculated based on the number of exercised equity instruments is transferred into share capital.

(b) Determination of the fair value of equity instruments

The Group determines the fair value of stock optionstock options using option pricing model, which is Black - Scholes option pricing model.

(c) Basis for determining best estimate of exercisable equity instruments

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. On the exercise date, the final number of estimated exercisable equity instruments is consistent with the number of exercised equity instruments.

(d) Accounting treatment related to the exercise of stock optionstock options

When the options are exercised on the exercise date, capital and capital surplus are recognized an dat the same time, carried forward to share premium recognized in the vesting period.

(23) Revenue

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company and its subsidiaries's activities. Revenue is shown net of discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

(a) Sales of goods

The Group is engaged in manufacturing and sales of washing machine. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the customers, the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

During the reporting period, the Group sales goods mainly through distributors, large-scale chain supermarkets and e-business platform. Revenue is recognized when products accepted by dealers, chain supermarkets and third-party e-business platform. As for self-operation e-business website, revenue is recognized when products accepted by ultimate customers. The risks of damage or price fluctuation of products as well as the rights to sell are transferred to distributors, large-scale chain supermarkets and third-party e-business platform when the products are accepted. Revenue from the sale of goods via the Group's e-business platform is recognized when products are delivered and accepted by the ultimate customer. Revenue from export sale is recognized when terms under the contract as follows are met: the products' shipment from customs is cleared, the products are then passed over to the ship rail, bill of lading is acquired by the buyer.

The Group is engaged in sales of materials. Revenue from sales of materials is recognized when the materials and confirmed documents are delivered, significant risks and rewards of ownership of the materials are transferred to the customers, the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the materials sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

(b) Transfer of assets use rights

Interest income is determined by using the effective interest method, based on the length of time for which the cash of the Company and its subsidiaries is used by others.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(24) Government Grants

Government grants are the monetary asset that the Group receives from the government for free, including tax refund, financial subsidies, etc.

(a) Accounting policies and judgement basis upon government grants pertinent to assets

A government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of nonmonetary assets, the grant is measured at its fair value. A government grant is measured at notional amount wherein its fair value cannot be reliably measured.

The government grants pertinent to assets are referred to as government grants that are obtained and utilized by the Group for the procurement, construction, or establishment of long-term assets in other manners. The government grants pertinent to income refer to all the government grants except those pertinent to assets.

(b) Accounting policies and judgement basis upon government grants pertinent to incomes

Government grants pertinent to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants pertinent to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period.

The Company and its subsidiaries applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, unless the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are relate to the same tax payer within the Group and the same taxation authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities

(26) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

(27) Segment information

The Company and its subsidiaries identify operating segments based on the internal organisation structure,

management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

An operating segment is a component of the Company and its subsidiaries that satisfies all of the following conditions:

- (a) the component is able to earn revenues and incur expenses from its ordinary activities.
- (b) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.
- (c) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

(28) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Sales rebates

The Company and its subsidiaries apply the rebating policies with deals, large-scale chain supermarkets and e-business platform. The amount of the rebates is estimated periodically taking into account related sales contracts, examination of particular transactions, historical experiences, market environment, inventory stock and the agreed indicator of particular customers. As it determined by the judgement and estimation of management, there is a possibility that changes in the estimation will have significant effect on the provision of sales rebates of the period when the changes occurred.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will

impact the income tax and deferred tax provisions in the period in which such determination is made.

(29) Significant changes in accounting policies

In 2017, the Ministry of Finance released the ‘Accounting Standard for Business Enterprises No. 42—Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations’, revised ‘Accounting Standard for Business Enterprises No. 16—Government Grants’ and the ‘Circular on Amendment to Formats of Financial Statements of General Industry’ and its interpretation (Cai Kuai [2017] 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
		1 January 2017
The Company and its subsidiaries recorded the VAT return obtained and other government grants related to ordinary activities in 2017 in other income. The comparatives as at 31 December 2016 were not restated	Not Applicable	Not Applicable
		Year ended 31 December 2016
The Company and its subsidiaries recorded the gains or losses on disposals of fixed assets occurred in 2017, in loss on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly	Loss on disposal of assets	1,833,734.45
	Non-operating income	1,008,085.77
	Non-operating expense	2,841,820.22

VI. Taxation

(1) The types and rates of taxes applicable to the Group are set out below:

Types	Taxable base	Tax rate
Value-added tax	Taxable value added amount (tax payable represents output VAT calculated using the taxable sales amount multiplied by the effective tax rate less deductible input VAT)	17%, 11% or 5%
City maintenance and construction tax	The payment amount of VAT and business tax	7% or 5%
Enterprise income tax	Taxable income	15%, 17% or 25%

(2) Tax preferences

According to Enterprise income tax law of the People's Republic of China, Article 28, The Company and its two subsidiaries, Wuxi Little Swan GE Limited and Wuxi Filin Electronics Limited, shall be subject to the corporate income tax at the reduced rate of 15% (FY2016: same).

In July 2015, The Company gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000606. Term of validity for this Certificate is three years, from 2015 to 2018.

In July 2015, The Company's subsidiary Wuxi Little Swan GE Limited gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000557. Term of validity for this Certificate is three years, from 2015 to 2018.

In July 2015, The Company's subsidiary Wuxi Filin Electronics Limited gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000917. Term of validity for this Certificate is three years, from 2015 to 2018.

The Company's subsidiary Little Swan International (Singapore) Limited shall be subject to the corporate income tax at the rate of 17%.

Upon article 1 of *the Notice of the Ministry of Finance and the State Administration on Value Added Tax Policies Applicable to Software Products* (Cai Shui [2011] No.100), after levying a value-added-tax on the sale of self-developed software products and services of the Company's subsidiary Wuxi Filin Electronics Co., Ltd. at the statutory tax rate of 17%, the tax rebate policy will be imposed on the part of the tax that exceeds 3% of the actual value-added-tax. Wuxi Filin Electronics Co., Ltd. recorded the VAT return obtained in 2017 in other income.

VII. Notes to the consolidated financial statements

(1) Cash and cash at bank

	31 December 2017	31 December 2016
Cash at bank	1,417,489,071.71	4,171,689,917.21
Other cash balances	170,775,444.34	100,387,293.90
Total	1,588,264,516.05	4,272,077,211.11
Including: cash deposited overseas	503,115.69	594,128.38

As at 31 December 2017, the other cash balances comprise: bank acceptance notes of RMB 166,791,807.67 and forward foreign exchange agreement of RMB 3,983,636.67 (31 December 2016: Bank acceptance bills of RMB

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93,781,938.00 and deposits for letter of credit of RMB 6,605,355.90).

(2) Financial assets at fair value through profit or loss

	31 December 2017	31 December 2016
Movements in fair value of forward foreign exchange contract	5,270,238.03	-

(3) Notes receivable

(a) Notes receivable classified by nature

	31 December 2017	31 December 2016
Bank acceptance notes	1,283,192,684.28	1,297,609,202.29
Less: Provision for bad debts	-	-
	1,283,192,684.28	1,297,609,202.29

As at 31 December 2017 and 31 December 2016, there is no trade acceptance receivable. The Company and its subsidiaries do not recognize impairment risk of the bank acceptance notes, whereupon no bad debt provision is accrued.

As at 31 December 2017 and 31 December 2016, there is no pledged notes receivable.

(b) As at 31 December 2017, notes receivable that have been endorsed or discounted but not yet expired are as follows:

Items	Derecognised	Not derecognised
Bank acceptance notes	1,971,348,872.35	81,393,672.34

(4) Accounts receivable

(a) Accounts receivable classified by nature:

Category	31 December 2017				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	1,828,131,048.42	100.00%	91,406,552.32	5.00%	1,736,724,496.10
Category	31 December 2016				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	1,542,798,634.63	100.00%	77,144,136.73	5.00%	1,465,654,497.90

Accounts receivable individually significant for which bad debt provision was assessed individually.

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Applicable Not applicable

Accounts receivable adopting aging analysis method for bad debt provision:

Applicable Not applicable

Aging	31 December 2017			
	Accounts receivable	Bad debt provision	% of provision	Book Value
Within 1 year	1,828,131,048.42	91,406,552.32	5.00%	1,736,724,496.10
Total	1,828,131,048.42	91,406,552.32	5.00%	1,736,724,496.10
Aging	31 December 2016			
	Accounts receivable	Bad debt provision	% of provision	Book Value
Within 1 year	1,542,714,534.82	77,135,726.75	5.00%	1,465,578,808.07
1 to 2 years	84,099.81	8,409.98	10.00%	75,689.83
Total	1,542,798,634.63	77,144,136.73	5.00%	1,465,654,497.90

As at 31 December 2017 and 2016, there were no material accounts receivable which were past due.

(b) Accounts receivable withdraw, reversed or collected during the reporting period

During the year ended 31 December 2017, the net movement of provision for accounts receivable was RMB 14,262,415.59 (2016: RMB 29,975,616.73). There were no provision or reverse of provision for individual significant accounts receivable.

(c) Accounts receivable written-off during the reporting period

There were no accounts receivable written-off during the reporting period.

(d) Top 5 of accounts receivable by customers

	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	1,368,595,567.07	68,429,778.35	74.86%

(e) Accounts receivable derecognised due to the transfer of financial assets

	Derecognised	Loss on derecognised
Accounts receivables transferred	1,396,967,895.11	27,699,357.90

For the year ended 31 December 2017, accounts receivable derecognised due to the transfer of financial assets amounted to RMB 1,396,967,895.11 (2016: nil), of which loss on derecognised amounted to RMB 27,699,357.90

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(2016: nil).

The accounts receivable transferred to the financial institutions without recourse amounted to RMB 1,396,967,895.11. (2016: nil.)

(5) Advances to Suppliers

(a) Aging analysis of advances to suppliers:

Aging	31 December 2017		31 December 2016	
	Balance	% of total balance	Balance	% of total balance
Within 1 year	79,671,655.89	94.46%	131,513,792.18	100.00%
1 to 2 years	4,675,136.49	5.54%	-	-
Total	84,346,792.38	100.00%	131,513,792.18	100.00%

Explanation for advances to suppliers aging over 1 year with significant amount for which the standards stipulated by the contract has not yet been reached:

As at 31 December 2017, the balance of advance to suppliers with aging over one year amounts to RMB 4,675,136.49 (31 December 2016: nil, mainly comprising the prepayments for goods for which the standards stipulated by the contract has not yet been reached)

(b) Top 5 prepayment by suppliers

	Amounts	% of total balance
Total amount of the top 5 by suppliers	36,655,258.40	43.46%

(6) Interests receivable

(a) Category

	31 December 2017	31 December 2016
Structured deposit interest	60,096,246.58	23,065,342.47
Bank deposit interest	847,661.40	3,690,464.60
Total	60,943,907.98	26,755,807.07

(7) Other receivables

(a) Other receivables by category:

Category	31 December 2017				Book value
	Book balance		Bad debt provision		
	Amount	%	Amount	% of provision	

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Debtors grouped by credit risk	50,575,167.17	100.00%	3,350,713.08	6.63%	47,224,454.09
Category	31 December 2016				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	25,307,331.32	100.00%	1,613,444.78	6.38%	23,693,886.54

Other receivables individually significant for which bad debt provision was assessed individually:

Applicable Not applicable

Other receivable adopting aging analysis method for bad debt provision:

Applicable Not applicable

Aging	31 December 2017			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book value
Within 1 year	47,645,755.48	2,381,754.37	5.00%	45,264,001.11
1 to 2 years	1,435,667.86	143,566.79	10.00%	1,292,101.07
2 to 3 years	721,400.00	216,420.00	30.00%	504,980.00
3 to 5 years	326,743.83	163,371.92	50.00%	163,371.91
Over 5 years	445,600.00	445,600.00	100.00%	-
Total	50,575,167.17	3,350,713.08	6.63%	47,224,454.09
Aging	31 December 2016			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book value
Within 1 year	23,476,591.19	1,173,829.56	5.00%	22,302,761.63
1 to 2 years	1,043,047.12	104,304.71	10.00%	938,742.41
2 to 3 years	292,680.00	87,804.00	30.00%	204,876.00
3 to 5 years	495,013.01	247,506.51	50.00%	247,506.50
Total	25,307,331.32	1,613,444.78	6.38%	23,693,886.54

As at 31 December 2017 and 31 December 2016, there were no material other receivables which were past due.

Other receivables adopting aging balance percentage method for bad debt provision:

Applicable Not applicable

Other receivables adopting aging other method for bad debt provision:

Applicable Not applicable

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(b) Other receivables withdraw, reversed or collected during the reporting period

During the year ended 31 December 2017, the net movement of provision for other receivables was RMB 1,737,268.30 (2016: RMB 865,412.57). There were no provision or reverse of provision for individual significant other receivables.

(c) Other receivables written-off during the reporting period

There were no other receivable written-off during the reporting period.

(d) Other receivables classified by nature

Nature of other receivables	31 December 2017	31 December 2016
Deposit in third-party payment service accounts	44,740,888.28	10,835,423.12
Loan to employees	2,875,802.98	2,098,324.20
Deposits	2,515,443.83	2,018,096.36
Others	443,032.08	10,355,487.64
Less: Bad debt provision	-3,350,713.08	-1,613,444.78
Total	47,224,454.09	23,693,886.54

(e) Top 5 of other receivables by customers

Name of the entities	Nature of other receivables	31 December 2017	Aging	Proportion of the total year end balance of the accounts receivable	Closing balance of bad debt provision
Alipay (China) Network Technology Co., Ltd	Balance in escrow account	31,087,365.58	Within 1 year	61.47%	1,554,368.28
Shenzhen Midea Payment Technology Co., Ltd	Balance in escrow account	10,520,299.96	Within 1 year	20.80%	526,015.00
Chinabank Payments (Beijing) Technology Co., Ltd	Balance in escrow account	2,417,863.65	Within 1 year	4.78%	120,893.18
Wuxi China Resources Gas Co., Ltd.	Deposits	820,800.00	1 to 2 years	1.62%	82,080.00
Nanjing Suning Yifubao Network Technology Co., Ltd	Balance in escrow account	715,359.09	Within 1 year	1.41%	35,767.95
Total	--	45,561,688.28		90.08%	2,319,124.41

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(8) Inventory**(a) Category of inventory**

	31 December 2017			31 December 2016		
	Book balance	Provision for write-down	Book value	Book balance	Provision for write-down	Book value
Raw materials	35,127,847.81	570,442.41	34,557,405.40	21,928,651.09	1,593,768.57	20,334,882.52
Goods in process	14,237,995.55	-	14,237,995.55	11,864,254.41	-	11,864,254.41
Inventory goods	1,995,530,607.75	63,559,812.56	1,931,970,795.19	1,768,281,418.69	75,642,610.93	1,692,638,807.76
Total	2,044,896,451.11	64,130,254.97	1,980,766,196.14	1,802,074,324.19	77,236,379.50	1,724,837,944.69

(b) Provision for write-down of inventory

	31 December 2016	Increased amount		Decreased amount		31 December 2017
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,593,768.57	-	-	1,023,326.16	-	570,442.41
Inventory goods	75,642,610.93	48,820,008.65	-	60,902,807.02	-	63,559,812.56
Total	77,236,379.50	48,820,008.65	-	61,926,133.18	-	64,130,254.97

Provisions for inventories are provided to write down the book value to net realizable value when the net realizable value is lower.

(9) Other current assets

	31 December 2017	31 December 2016
Financial products	3,792,871,097.59	5,994,142,671.24
Structured deposits	8,650,000,000.00	2,150,000,000.00
Input tax to be authenticated or deducted	283,158,673.31	197,355,573.10
others	52,210,974.32	44,226,037.82
Total	12,778,240,745.22	8,385,724,282.16

As at 31 December 2017, all financial products are matured within one year, which are products of floating income and unprotected principles. As at 31 December 2017, the carrying value of financial products measured by fair value amounted to RMB 3,792,871,097.59, with principal amounted to RMB 3,735,000,000.00, and accumulated fair value changes recognised in other comprehensive income amounted to RMB 57,871,097.59 (As at 31 December 2016, the carrying value of financial products measured by fair value amounted to RMB 5,994,142,671.24, with principal amounted to RMB 5,890,000,000.00, and accumulated fair value changes

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recognised in other comprehensive income amounted to RMB 104,142,671.24). All financial products mentioned above are structural objects which are out of scope of consolidation. At 31 December 2017, the maximum risk exposure of financial products held by the Company and its subsidiaries is limited to the carrying value of financial products. The Company and its subsidiaries have no obligation or intention to provide financial support to the financial product funds mentioned above.

(10) Available-for-sale financial assets

	31 December 2017			31 December 2016		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Available-for-sale equity instruments						
measured at cost	300,300.00	-100,300.00	200,000.00	300,300.00	-100,300.00	200,000.00
Total	300,300.00	-100,300.00	200,000.00	300,300.00	-100,300.00	200,000.00

(11) Investment Properties**(a) Investment properties measured at cost method**

	Buildings	Land use rights	Total
Original book value			
31 December 2016	88,189,256.96	22,949,959.07	111,139,216.03
Reduction	-	-	-
Disposal	-	-	-
31 December 2017	88,189,256.96	22,949,959.07	111,139,216.03
Accumulative depreciation and accumulative amortization			
31 December 2016	27,737,836.01	5,970,411.48	33,708,247.49
Addition			
Amortization	2,114,259.85	1,044,818.40	3,159,078.25
Reduction	-	-	-
Disposal	-	-	-
31 December 2017	29,852,095.86	7,015,229.88	36,867,325.74
Depreciation reserves			

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31 December 2016	12,576,065.29	-	12,576,065.29
31 December 2017	12,576,065.29	-	12,576,065.29
Net book value			
31 December 2017	45,761,095.81	15,934,729.19	61,695,825.00
31 December 2016	47,875,355.66	16,979,547.59	64,854,903.25

Depreciation and amortization charge for 2017 amounted to RMB 3,159,078.25 (2016: RMB 3,861,441.41).

(12) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and fixtures	Total
Original book value					
31 December 2016	733,926,399.80	910,910,022.64	27,625,534.23	118,527,502.83	1,790,989,459.50
Add: Purchase	5,148,616.02	141,510,272.69	2,490,018.58	28,997,156.92	178,146,064.21
Transferred from construction in progress	-	22,248,226.70	-	-	22,248,226.70
Less: Disposal or Scrap	-3,168,766.13	-21,582,179.18	-1,578,638.65	-7,596,841.16	-33,926,425.12
31 December 2017	735,906,249.69	1,053,086,342.85	28,536,914.16	139,927,818.59	1,957,457,325.29
Accumulative depreciation					
31 December 2016	197,526,047.87	491,410,620.88	23,497,411.01	91,329,723.22	803,763,802.98
Withdrawal	31,225,812.51	82,176,469.22	1,094,408.76	15,067,088.77	129,563,779.26
Disposal or Scrap	-1,360,049.07	-16,831,087.70	-1,480,093.62	-7,074,992.68	-26,746,223.07
31 December 2017	227,391,811.31	556,756,002.40	23,111,726.15	99,321,819.31	906,581,359.17
	-	-	-	-	-
Depreciation reserves					
31 December 2016	3,918,452.47	12,312,885.38	35,494.21	99,533.43	16,366,365.49
Increased amount of the period	-	5,776,183.11	-	-	5,776,183.11
Decreased amount of the period	-	-920,425.17	-4,871.81	-9,641.34	-934,938.32
31 December 2017	3,918,452.47	17,168,643.32	30,622.40	89,892.09	21,207,610.28

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Net book value					
31 December 2016	504,595,985.91	479,161,697.13	5,394,565.61	40,516,107.19	1,029,668,355.84
31 December 2017	532,481,899.46	407,186,516.38	4,092,629.01	27,098,246.18	970,859,291.03

Depreciation charges for 2017 amounted to RMB 129,563,779.26 (2016: RMB 118,568,086.96). The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 107,567,993.75, RMB 686,769.30 and RMB 21,309,016.21 respectively. (2016: The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 98,698,557.97, RMB 516,024.94 and RMB 19,353,504.05 respectively).

(13) Construction in progress

(a) List of construction in progress

	31 December 2017			31 December 2016		
	Book balance	Provision for impairment loss	Book value	Book balance	Provision for impairment loss	Book value
Automatic-stamping drum cabinet rivet line	37,167,679.63	-	37,167,679.63	-	-	-
Others	804,572.97	-	804,572.97	-	-	-
Total	37,972,252.60	-	37,972,252.60	-	-	-

(b) Changes in major construction-in-progress

Project	Budget	31 December 2016	Addition	Transferred into fixed assets	Reduction	31 December 2017	% of total budget	Completed progress	Funding sources
Automatic-stamping drum cabinet rivet line	59,019,956.72	-	59,019,956.72	-21,852,277.09	-	37,167,679.63	95.00%	95.00%	Equity funds
Others	9,189,949.61	-	1,200,522.58	-395,949.61	-	804,572.97	13.06%	13.06%	Equity funds
Total	68,209,906.33	-	60,220,479.30	-22,248,226.70	-	37,972,252.60			

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(14) Intangible assets

	Land use right	Non-patented technology	Others	Total
Original book value				
31 December 2016	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95
Reduction	-	-1,992,000.00	-	-1,992,000.00
31 December 2017	242,666,890.39	-	1,395,014.56	244,061,904.95
Accumulated amortization				
31 December 2016	50,383,404.24	1,992,000.00	1,395,014.56	53,770,418.80
Addition	5,238,138.88	-	-	5,238,138.88
Reduction	-	-1,992,000.00	-	-1,992,000.00
31 December 2017	55,621,543.12	-	1,395,014.56	57,016,557.68
Depreciation reserves				
31 December 2016	-	-	-	-
31 December 2017	-	-	-	-
Book value				
31 December 2017	187,045,347.27	-	-	187,045,347.27
31 December 2016	192,283,486.15	-	-	192,283,486.15

In 2017, the amortization of intangible assets amounted to RMB 5,238,138.88. (2016: RMB 5,238,138.88)

(15) Long-term prepaid expenses

Item	31 December 2016	Addition	Amortization	Other reductions	31 December 2017
Leasehold improvement cost	4,174,200.34	21,654,729.63	4,510,323.32	-	21,318,606.65
Others	213,527.80	1,466,603.73	616,717.66	-	1,063,413.87
Total	4,387,728.14	23,121,333.36	5,127,040.98	-	22,382,020.52

(16) Deferred income tax assets and deferred income tax liabilities**(a) Deferred income tax assets without taking into consideration of the offsetting of balances**

Item	31 December 2017		31 December 2016	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets

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Provision for impairment of assets	171,883,829.48	25,782,574.43	160,340,693.36	24,051,104.00
Unrealized profit of inter-group transaction	107,345,624.86	16,101,843.73	67,442,606.20	10,116,390.93
Termination benefits	13,089,160.95	1,963,374.14	17,699,114.41	2,654,867.16
Accrued expenses	2,107,686,604.61	370,746,106.98	1,844,401,155.54	276,660,173.33
Accrued liabilities	2,253,082.26	337,962.34	1,727,340.89	259,101.13
Deferred income	2,489,133.21	373,369.98	2,942,333.25	441,349.99
Others	8,782,955.88	1,317,443.38	8,782,955.88	1,317,443.38
Total	2,413,530,391.26	416,622,674.98	2,103,336,199.53	315,500,429.92

Deferred income tax assets details

Item	31 December 2017	31 December 2016
Expected to reverse within 1 year (including 1 year)	412,971,858.44	311,339,611.98
Expected to reverse after 1 year	3,650,816.54	4,160,817.94
Total	416,622,674.98	315,500,429.92

(b) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	31 December 2017		31 December 2016	
	Taxable Temporary difference	Deferred tax liabilities	Taxable Temporary difference	Deferred tax liabilities
Financial assets at fair value through profit or loss	5,270,238.03	790,535.70	-	-
Fair change of available-for-sale financial assets	57,871,097.59	8,680,664.64	104,142,671.24	15,621,400.69
Total	63,141,335.62	9,471,200.34	104,142,671.24	15,621,400.69

Deferred tax liabilities details

Item	31 December 2017	31 December 2016
Expected to reverse within 1 year (including 1 year)	9,471,200.34	15,621,400.69
Expected to reverse after 1 year	-	-
Total	9,471,200.34	15,621,400.69

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(c) Net amounts of deferred income tax assets and liabilities taking into consideration the offsetting of balances are set out as follows:

Item	31 December 2017 Netting amount	Deferred income tax assets or liabilities, net	Netting amount	Deferred income tax assets or liabilities, net
Deferred income tax assets	9,471,200.34	407,151,474.64	15,621,400.69	299,879,029.23
Deferred income tax liabilities	9,471,200.34	-	15,621,400.69	-

(d) List of unrecognized deferred income tax assets

Item	31 December 2017	31 December 2016
Deductible temporary difference	27,153,908.99	27,153,343.58
Deductible tax losses	81,636,690.06	81,177,769.43
Total	108,790,599.05	108,331,113.01

(e) Deductible losses of unrecognized deferred income tax assets will due the following years

Years	31 December 2017	31 December 2016
2017	-	57,917.22
2018	16,300,604.68	16,303,166.71
2019	49,620,940.42	49,620,940.42
2020	9,576,983.63	9,576,983.63
2021	5,618,761.45	5,618,761.45
2022	519,399.88	-
Total	81,636,690.06	81,177,769.43

(17) Other non-current assets

Item	31 December 2017	31 December 2016
Prepayment for equipment	27,331,937.53	25,655,775.90

(18) Provision for impairment of assets

Item	31 December 2016	Increase	Decrease		31 December 2017
			Revenue	Write off	
Bad debt provision	78,757,581.51	15,999,683.89	-	-	94,757,265.40
-Accounts receivable	77,144,136.73	14,262,415.59	-	-	91,406,552.32
-Other receivables	1,613,444.78	1,737,268.30	-	-	3,350,713.08
Write-down of inventories	77,236,379.50	48,820,008.65	-	61,926,133.18	64,130,254.97

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Impairment provision for available-for-sale financial assets	100,300.00	-	-	-	100,300.00
Impairment provision for investment properties	12,576,065.29	-	-	-	12,576,065.29
Impairment provision for fixed assets	16,366,365.49	5,776,183.11	-	- 934,938.32	21,207,610.28
Total	185,036,691.79	70,595,875.65	-	62,861,071.50	192,771,495.94

(19) Short-term borrowings

Category	31 December 2017	31 December 2016
Discounted notes receivable financing	81,393,672.34	-
Factoring of accounts receivables	-	183,813,064.12
Total	81,393,672.34	183,813,064.12

(20) Notes payable

Category	31 December 2017	31 December 2016
Bank acceptance note	2,805,804,600.41	2,620,549,815.47

The total amount of the due but not pay notes payable at the period-end was of 0.

(21) Accounts payable**(a) List of accounts payable**

Item	31 December 2017	31 December 2016
Material	3,803,318,504.56	3,301,435,137.79
Others	23,707,195.54	33,654,534.27
Total	3,827,025,700.10	3,335,089,672.06

(b) Accounts payable aging over one year

Unit: RMB

Item	31 December 2017	Reason for aging over one year
Material	51,361,837.71	Contract expiration has not yet come

(22) Advance from customers**(a) List of advance from customers**

Item	31 December 2017	31 December 2016
Advance from customers	3,065,815,801.93	3,014,347,762.24

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(b) Significant advance from customers aging over one year

Item	31 December 2017	Unpaid/ Un-carry-over reason
Advance from customers	31,630,693.65	The project is under processing

(23) Payroll liabilities**(a) List of Payroll liabilities**

Item	31 December 2016	Increase	Decrease	31 December 2017
Short-term employee benefit payable	262,689,682.47	1,206,403,140.62	1,148,178,550.18	320,914,272.91
Defined contribution plans payable	21,767,369.86	109,002,889.34	104,994,650.10	25,775,609.10
Termination benefits payable	4,135,110.96	12,506,112.29	13,847,260.50	2,793,962.75
Total	288,592,163.29	1,327,912,142.25	1,267,020,460.78	349,483,844.76

(b) List of Short-term salary

Item	31 December 2016	Increase	Decrease	31 December 2017
1. Salary, bonus, allowance and subsidies	239,077,184.04	993,811,703.22	950,417,751.92	282,471,135.34
2. Employee welfare	4,873,935.81	94,413,466.31	90,955,629.42	8,331,772.70
3. Social insurance	6,169,696.09	56,870,968.50	50,742,898.16	12,297,766.43
-Medical insurance	5,179,907.00	46,070,769.14	41,290,032.34	9,960,643.80
-Employment injury insurance	728,121.47	7,554,351.50	6,742,226.74	1,540,246.23
-Maternity insurance	261,667.62	3,245,847.86	2,710,639.08	796,876.40
4. Housing fund	7,166,552.24	41,176,396.58	39,445,450.77	8,897,498.05
5. Labor union funds and employee education fee	5,402,314.29	20,130,606.01	16,616,819.91	8,916,100.39
Total	262,689,682.47	1,206,403,140.62	1,148,178,550.18	320,914,272.91

As at 31 December 2017, there were no overdue payroll and welfare payables. This balance of payroll and welfare payables will be settled in 2018.

(c) Defined contribution plans

Item	31 December 2016	Increase	Decrease	31 December 2017
Pension	21,014,944.34	104,930,110.35	101,109,266.95	24,835,787.74
Unemployment insurance	752,425.52	4,072,778.99	3,885,383.15	939,821.35
Total	21,767,369.86	109,002,889.34	104,994,650.10	25,775,609.10

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(d) Termination benefits payable

Item	31 December 2017	31 December 2016
Termination benefits payable	2,793,962.75	4,055,110.96
Other termination benefits payable	-	80,000.00
Total	2,793,962.75	4,135,110.96

(24) Taxes payable

Item	31 December 2017	31 December 2016
Corporate income tax	538,655,891.42	317,599,561.26
VAT	43,514,198.41	43,959,339.80
House appliance recycling funds	24,202,458.00	22,600,123.00
Urban maintenance and construction tax	10,431,895.61	9,810,227.91
Education Surcharge	7,895,593.79	7,604,254.32
Others	13,317,486.08	10,664,523.67
Total	638,017,523.31	412,238,029.96

(25) Dividends payable

Item	31 December 2017	31 December 2016
Dividends to ordinary shareholders	6,996,784.06	7,150,684.06
Total	6,996,784.06	7,150,684.06

(26) Other payables**(a) Other payables listed by nature**

Item	31 December 2017	31 December 2016
Payment for equipment	119,000,776.50	65,358,163.79
Payment for moulds	66,898,435.10	84,354,267.87
Energy efficiency rebate	6,140,000.00	6,140,000.00
Advances collected	5,278,489.39	5,410,822.47
Prepaid expenses	3,831,550.67	7,782,998.86
Guarantee and deposits	3,027,766.49	20,631,583.91
Others	16,943,845.33	10,248,565.14
Total	221,120,863.48	199,926,402.04

(b) Significant other payable aging over one year

Item	31 December 2017	Unpaid/ Un-carry-over reason
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Payment for moulds	36,956,536.70	Contracts expiration has not yet come
Payment for equipment	18,568,098.88	Contracts expiration has not yet come
Total	55,524,635.58	--

(27) Other current-liabilities

Item	31 December 2017	31 December 2016
Accrued sale rebate	1,190,189,575.45	1,095,875,998.29
Accrued maintenance and installation costs	312,536,901.29	248,172,966.72
Accrued sales promotion fees	276,458,030.09	223,209,831.40
Accrued transportation fee	169,965,392.33	139,146,303.25
Accrued household electrical appliances recycling fund	15,637,977.00	15,830,282.99
Accrued trademark royalty charges	-	14,192,875.86
Others	142,912,728.45	107,984,895.75
Total	2,107,700,604.61	1,844,413,154.26

(28) Long-term employee benefits payable

Item	31 December 2017	31 December 2016
Termination benefits	14,815,582.92	20,156,459.56
Less: Current portion within 1 year	-2,793,962.75	-4,055,110.96
Total	12,021,620.17	16,101,348.60

Current portion within 1 year of termination benefits payable is included in payroll payable.

(29) Provisions

Item	31 December 2017	31 December 2016	Causes
Quality guarantee deposits	2,253,082.25	1,727,340.89	
Total	2,253,082.25	1,727,340.89	--

(30) Deferred income

Item	31 December 2016	Addition	Reduction	31 December 2017	Causes
Government grants	2,942,333.25	-	-453,200.04	2,489,133.21	Government grants
Total	2,942,333.25	-	-453,200.04	2,489,133.21	--

Projects involved in government grants:

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Government Grants Project	31 December 2016	Amount recognised as other incomes	31 December 2017	Related to assets/ income
Hefei Midea automation development of washing machine project	2,683,333.25	-350,000.04	2,333,333.21	Related to assets
Jiangsu modern service development special fund	132,800.00	-52,800.00	80,000.00	Related to assets
Subsidy for power substation renovation	126,200.00	- 50,400.00	75,800.00	Related to assets
Total	2,942,333.25	-453,200.04	2,489,133.21	

(31) Share capital

	31 December 2016	Increase/decrease (+/-)					31 December 2017
		New shares issued	Bonus shares	Shares transferred from capital reverse	Others	Subtotal	
The sum of shares	632,487,764.00	-	-	-	-	-	632,487,764.00

(32) Capital surplus

Item	31 December 2016	Increase	Decrease	31 December 2017
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	136,307,414.44	61,953,091.84	-495,678.05	197,764,828.23
-Share options (a)	101,372,240.53	61,953,091.84	-	163,325,332.37
-Others	34,935,173.91	-	-495,678.05	34,439,495.86
Total	1,191,490,133.01	61,953,091.84	-495,678.05	1,252,947,546.80
Item	31 December 2015	Increase	Decrease	31 December 2016
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	108,832,229.28	34,772,462.28	-7,297,277.12	136,307,414.44
-Share options (a)	66,599,778.25	34,772,462.28	-	101,372,240.53
-Others (b)	42,232,451.03	-	-7,297,277.12	34,935,173.91
Total	1,164,014,947.85	34,772,462.28	-7,297,277.12	1,191,490,133.01

Note:

(a) In 2017, RMB 61,953,091.84 (2016: RMB 34,772,462.28) increase in capital surplus arises from the execution

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of share options incentive plan.

(33) Other comprehensive income

Item	31 December 2016	Increase/decrease in the year					31 December 2017
		Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to profit or loss this year	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after tax	
Items that may be subsequently reclassified into profits or losses	70,757,524.61	57,856,006.59	-104,142,671.24	6,940,736.04	-30,261,157.76	-9,084,770.85	40,496,366.85
-change in fair value of available-for-sale financial assets	72,957,918.08	57,871,097.59	-104,142,671.24	6,940,736.04	-30,246,066.76	-9,084,770.85	42,711,851.32
-currency translation differences	-2,200,393.47	-15,091.00	-	-	-15,091.00	-	-2,215,484.47
Total	70,757,524.61	57,856,006.59	-104,142,671.24	6,940,736.04	-30,261,157.76	-9,084,770.85	40,496,366.85

Item	31 December 2015	Increase/decrease in the year					31 December 2016
		Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to profit or loss this year	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after tax	
Items that may be subsequently reclassified into profits or losses	34,813,284.64	104,162,415.31	-55,675,560.00	-7,270,066.71	35,944,239.97	5,272,548.63	70,757,524.61

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-change in fair value of available-for-sale financial assets	37,033,422.18	104,142,671.24	-55,675,560.00	-7,270,066.71	35,924,495.90	5,272,548.63	72,957,918.08
-currency translation differences	-2,220,137.54	19,744.07	-	-	19,744.07	-	-2,200,393.47
Total	34,813,284.64	104,162,415.31	-55,675,560.00	-7,270,066.71	35,944,239.97	5,272,548.63	70,757,524.61

(34) Surplus reserves

Unit: RMB

Item	31 December 2016	Increase	Decrease	31 December 2017
Statutory surplus reserves	332,594,722.29	-	-	332,594,722.29

In accordance with the Company Law of the PRC, the Company's Articles of Association, 10% of net profit should be made to the statutory surplus reserve, after offsetting accumulated losses from prior years, unless the accumulated statutory surplus reserve reaches 50% of the share capital. Statutory surplus reserve can be used to make up losses or to increase share capital. At the end of 2017, there is no appropriation to the statutory surplus reserve as the Company's accumulated statutory surplus reserve has already reached 50% of the share capital.

(35) Retained Earnings

Item	Year ended 31 December 2017	Year ended 31 December 2016
31 December 2016	3,756,517,718.81	2,960,955,454.36
Add: net profit attributable to the shareholders of the Company	1,506,412,505.22	1,175,054,922.85
Less: statutory surplus reserve	-	-
Dividends to ordinary shareholders	-474,365,823.00	-379,492,658.40
31 December 2017	4,788,564,401.03	3,756,517,718.81

Pursuant to the resolution of general meeting of shareholders on 10 April 2017, cash dividends of RMB 474,365,823.00 (RMB 0.75 per share) was paid based on the issued shares of 632,487,764.

Pursuant to the resolution of board of directors on 09 March 2018, proposal of paying cash dividends of RMB 632,487,764.00 (RMB 1.00 per share) based on the issued shares of 632,487,764 has been put forward and yet to be approved by the general meeting of shareholders. (Note XVII(a))

During the year ended 31 December 2017, statutory surplus reserve of RMB 29,747,735.36 was made from

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retained earnings of the year ended 31 December 2016 of the Company's subsidiary Hefei Midea Washing Machine Co., Ltd (2016: RMB 22,090,679.85).

(36) Sales and cost of sales

Item	Year ended 31 December 2017		Year ended 31 December 2016	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	19,469,125,226.23	14,208,417,615.09	14,761,654,334.87	10,775,398,510.01
Other operations	1,915,573,850.42	1,774,476,043.75	1,573,260,166.82	1,335,814,776.27
Total	21,384,699,076.65	15,982,893,658.84	16,334,914,501.69	12,111,213,286.28

(37) Other operating income and expenses

Item	Year ended 31 December 2017		Year ended 31 December 2016	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of materials	1,851,646,327.57	1,750,661,648.85	1,523,956,580.61	1,321,614,639.82
Others	63,927,522.85	23,814,394.90	49,303,586.21	14,200,136.45
Total	1,915,573,850.42	1,774,476,043.75	1,573,260,166.82	1,335,814,776.27

(38) Taxes and surcharges

Item	Year ended 31 December 2017	Year ended 31 December 2016
Civil infrastructure maintenance and construction fee	60,374,588.37	47,043,929.59
Education fee	46,074,508.07	36,099,067.67
Other	25,342,380.68	16,061,441.32
Total	131,791,477.12	99,204,438.58

(39) Selling and distribution expenses

Item	Year ended 31 December 2017	Year ended 31 December 2016
Selling and distribution expenses	2,872,849,586.14	2,325,645,712.65

In 2017, selling and distribution expenses mainly include promotion expenses, transportation and storage expenses, employee wages and benefits, maintenance and installation expenses and after-sales service expenses, which accounts for over 90% of the total selling expenses (2016: over 90%).

(40) Administrative expenses

Item	Year ended 31 December 2017	Year ended 31 December 2016
Administrative expenses	728,323,077.71	505,321,107.14

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In 2017 , administrative expenses mainly include employee wages and benefits, research and development expenses as well as depreciation and amortization costs, these three components account for over 80% of administrative expenses (2016: over 80%).

(41) Finance income - net

Item	Year ended 31 December 2017	Year ended 31 December 2016
Interest expenses	-43,471,999.43	-13,763,829.67
Interest income	195,433,894.48	123,093,414.43
Exchange gains	-70,731,617.24	57,584,688.79
Other financial expenses	-9,421,295.01	-12,088,525.34
Total	71,808,982.80	154,825,748.21

(42) Asset impairment losses

Item	Year ended 31 December 2017	Year ended 31 December 2016
Provision for bad debts	15,999,683.89	30,841,029.30
Provision for inventory	48,820,008.65	61,370,935.22
Provision for fixed assets	5,776,183.11	2,357,686.75
Total	70,595,875.65	94,569,651.27

(43) Gain and loss from changes in fair value

Item	Year ended 31 December 2017	Year ended 31 December 2016
Forward foreign exchange contract	5,270,238.03	-

(44) Investment Income

Item	Year ended 31 December 2017	Year ended 31 December 2016
Income from available-for-sale financial assets	302,938,888.22	200,239,260.71
Income from disposal of financial assets at fair value through profit or loss	17,684,575.01	-
Total	320,623,463.23	200,239,260.71

There is no significant restriction on the remittance of investment income to the Company and its subsidiaries

(45) Loss on disposal of assets

Item	Year ended 31 December 2017	Year ended 31 December 2016	Non-recurring gain or loss
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Loss on disposal of fixed assets	975,423.00	1,833,734.45	975,423.00
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(46) Other incomes

Item	Year ended 31 December 2017	Year ended 31 December 2016	Asset-related/ Income-related
VAT return	25,583,924.93	-	Income related
Other government grants	28,310,149.32	-	Asset and income related
Total	53,894,074.25	-	

(47) Non-operating income

Item	Year ended 31 December 2017	Year ended 31 December 2016	Non-recurring gain or loss
Government grants	2,840,876.99	33,024,499.34	2,840,876.99
Others	14,607,838.85	4,942,815.63	14,607,838.85
Total	17,448,715.84	37,967,314.97	17,448,715.84

Government grants list:

Item	Granter	Causes	Nature	Whether profit or losses are affected by the grant in current year	Whether special subsidies	Year ended 31 December 2017	Year ended 31 December 2016	Related to assets / Related to income
VAT Return	Wuxi New District Taxation Bureau	Subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	-	19,151,930.08	Related to income

Item	Granter	Causes	Nature	Whether profit or losses are affected by	Whether special subsidies	Year ended 31 December 2017	Year ended 31 December 2016	Related to assets / Related to income
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				the grant in current year				
Subsidies for export credit insurance premiums	Wuxi Municipal Bureau of Commerce and Wuxi Municipal Bureau of Finance	Subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	-	1,100,319.00	Related to income
Others	Wuxi economic and information technology commission, etc.	Reward		No	No	2,840,876.99	12,772,250.26	Related to income and assets
Total						2,840,876.99	33,024,499.34	

(48) Non-operating expenses

Item	Year ended 31 December 2017	Year ended 31 December 2016	Non-recurring gain or loss
Others	1,620,508.98	5,731,866.22	1,620,508.98

(49) Income tax expenses**(a) Income tax expenses**

Item	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	456,606,366.97	296,919,642.14
Deferred income tax	-100,331,709.36	-55,267,875.03
Total	356,274,657.61	241,651,767.11

(b) Reconciliation of tax payable

Item	Year ended 31 December 2017	Year ended 31 December 2016
Profit before tax	2,064,694,943.36	1,584,427,028.99
Income tax calculated at applicable tax rates	365,838,075.61	237,664,054.35
Adjusted income tax of prior year	1,708,054.23	5,725,799.33
Influence of fluctuation in tax rate	-1,454,532.93	-
Non- deductible costs, expenses and losses	10,783,709.89	5,797,596.23
Deductible losses of unrecognized deferred income tax assets in the prior year	-640.51	-7,817.34
Influence of deductible temporary difference or deductible losses of deferred income tax assets unrecognized in current year	129,991.32	1,138,578.49

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Super deduction for development cost	-20,730,000.00	-8,666,443.95
Income tax expense	356,274,657.61	241,651,767.11

(50) Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue:

Item	Year ended 31 December 2017	Year ended 31 December 2016
Consolidated net profit attributable to shareholders of the Company	1,506,412,505.22	1,175,054,922.85
Weighted average number of ordinary shares in issue	632,487,764.00	632,487,764.00
Basic earnings per share	2.38	1.86

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue. There were no dilutive potential ordinary shares in 2017 (2016: nil). Therefore, diluted earnings per share equal to basic earnings per share.

(51) Notes to consolidated cash flow statement**(a) Cash received relating to other operating activities**

Item	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	66,042,642.09	48,087,130.05
Government grants	30,697,826.27	13,419,369.22
Others	17,450,642.04	5,327,431.15
Total	114,191,110.40	66,833,930.42

(b) Cash paid relating to other operating activities

Item	Year ended 31 December 2017	Year ended 31 December 2016
Expenses	405,943,801.31	300,515,143.87
Others	118,116,052.83	97,021,457.34
Total	524,059,854.14	397,536,601.21

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(c) Cash received relating to other investing activities

Item	Year ended 31 December 2017	Year ended 31 December 2016
Interest income of structured deposits	91,904,332.38	71,183,080.05

(52) Supplementary information of cash flow statements**(a) Supplementary information of cash flow statements**

	Year ended 31 December 2017	Year ended 31 December 2016
1. Reconciliation of net profit to cash flows from operating activities:	--	--
Net profit	1,708,420,285.75	1,342,775,261.88
Add: Provision for asset impairment	70,595,875.65	94,569,651.27
Depreciation of fixed assets and amortization of investment properties	132,722,857.51	122,429,528.37
Amortization of intangible assets	5,238,138.88	5,238,138.88
Amortization of long-term prepaid expenses	5,127,040.98	2,384,206.20
Losses on disposal of fixed assets, intangible assets and other long-term assets	975,423.00	1,833,734.45
Losses on the changes in fair value	-5,270,238.03	-
Financial income, net	-76,642,204.57	-80,745,581.81
Investment income	-320,623,463.23	-200,239,260.71
Increase in deferred income tax assets	-100,331,709.37	-55,267,875.03
Amortization of deferred incomes	-453,200.04	-453,200.04
Increase of inventory	-304,748,260.10	-1,040,795,912.39
Decrease in operating receivables	-339,961,965.35	127,720,638.07
Increase in operating payables	1,176,210,825.71	3,540,292,870.02
Share-based payments	64,494,411.50	36,330,588.22
Net cash flows from operating activities	2,015,753,818.30	3,896,072,787.38
2. Significant investing and financing activities that do not involve cash receipts and payments		--
3. Not increase in cash and cash equivalents :		--
Cash at the end of the year	1,417,489,071.71	4,171,689,917.21
Less: Cash at the beginning of the year	4,171,689,917.21	2,792,685,328.69
Net increase in cash and cash equivalents	-2,754,200,845.50	1,379,004,588.52

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(b) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash	1,417,489,071.71	4,171,689,917.21
Including Cash in hand	-	-
Cash at bank	1,417,489,071.71	4,171,689,917.21
Ending balance of cash	1,417,489,071.71	4,171,689,917.21

(52) Foreign currency monetary items**(a) Foreign currency monetary items**

Item	31 December 2017		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank & in hand			206,491,202.92
- USD	29,318,706.01	6.5342	191,574,288.81
- EUR	1,911,861.02	7.8023	14,916,913.24
- JPY	15.03	0.0579	0.87
Receivables			607,945,287.84
- USD	81,353,223.98	6.5342	531,578,236.13
- EUR	9,787,761.52	7.8023	76,367,051.71
Payables			42,702,850.07
- USD	5,611,839.06	6.5342	36,668,878.79
- EUR	750,777.96	7.8023	5,857,794.88
- KRW	5,000,000.00	0.0061	30,500.00
- JPY	2,516,000.00	0.0579	145,676.40
Other payables			37,060,925.00
- EUR	4,750,000.00	7.8023	37,060,925.00

Monetary items listed above are referred to as currencies other than RMB (which is different from the foreign currency items designated in Notes XI(1)(a)).

(b) Explanation of overseas operating entities, including important overseas operating entities, should disclose the principal places of business, the bookkeeping base currency and the reason of selection, and the causes if the bookkeeping base currency changes.

Applicable Not applicable

VIII. Changes in consolidation scope

In 2017, there is no change in the Group's Consolidation scope.

IX. Equity interests in other entities

(1) Equity interests in subsidiaries

(a) Components of the Company and its subsidiaries

Name	Place of business	Place of registration	Principle activities	% of ownership interest		Acquired by
				Directly	Indirectly	
Wuxi Little Swan General Electric Appliances Co., Ltd.	Wuxi	Wuxi	Manufacture	100.00%		Establishment or Investment
Wuxi Filin Electronics Co., Ltd.	Wuxi	Wuxi	Manufacture	73.00%		Establishment or Investment
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Wuxi	Wuxi	Marketing	99.54%	0.09%	Establishment or Investment
Wuxi Little Swan Import & Export Co., Ltd.	Wuxi	Wuxi	Import and export	88.46%		Establishment or Investment
Little Swan International (Singapore) Co., Ltd.	Singapore	Singapore	Investing	100.00%		Establishment or Investment
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	Jingzhou	Jingzhou	Manufacture	100.00%		Business merger under common control
Hefei Midea Washing Machine Co., Ltd.	Hefei	Hefei	Manufacture	69.47%		Business merger under common control

(b) Subsidiaries with significant minority interests

Name	% of shares held by minority shareholders	P&L attributable to minority shareholders	Dividends declared to minority shareholders	Minority interest at 31 December 2017
Wuxi Filin Electronics Co., Ltd.	27.00%	71,275,326.17	-	271,926,023.69
Hefei Midea Washing Machine Co., Ltd.	30.53%	130,732,454.36	-	899,281,188.38

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(c) The main financial information of significant not wholly owned subsidiary

Name	31 December 2017						31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuxi Filin Electronics Co., Ltd.	1,596,854,617.31	64,932,264.88	1,661,786,882.19	654,497,661.11	155,800.00	654,653,461.11	1,203,071,028.74	51,610,150.79	1,254,681,179.53	512,934,442.62	259,000.00	513,193,442.62
Hefei Midea Washing Machine Limited.	7,918,309,471.76	742,917,514.76	8,661,226,986.52	5,702,514,412.64	13,146,938.82	5,715,661,351.46	6,955,889,821.64	648,846,122.85	7,604,735,944.49	5,049,130,635.42	16,969,489.50	5,066,100,124.92

Name	Year ended 31 December 2017				Year ended 31 December 2016			
	Sales	Net profit	Total comprehensive income	Net cash flow from operating activities	Sales	Net profit	Total comprehensive income	Net cash flow from operating activities
Wuxi Filin Electronics Co., Ltd.	1,144,987,638.37	263,982,689.50	263,982,689.50	-12,535,534.97	904,940,364.35	223,257,225.99	223,257,225.99	30,800,930.14
Hefei Midea Washing Machine Limited.	9,379,833,276.67	428,209,807.98	400,076,520.10	750,894,134.08	7,259,961,899.44	317,988,769.96	334,100,184.20	1,429,556,107.23

(2) Interests in Joint Ventures

There is no interests in joint ventures occurred in the year ended of 2017.

X. Segment reporting

Sales, expenses, assets and liabilities of the Company and its subsidiaries are primarily attributable to manufacturing and sales of washing machines and related products. No segment information of the Group is presented considering the internal organization and management structure, the system of internal financial reporting to key management personnel, and similar business nature among various subsidiaries in the Group.

The domestic and overseas sales transaction and non-current assets excluding financial assets and deferred tax asset are as follows:

(a) Sales transactions to third parties

	31 December 2017	31 December 2016
China	17,114,743,424.78	13,022,118,060.74
Other countries	4,269,955,651.87	3,312,796,440.95
Total	21,384,699,076.65	16,334,914,501.69

(b) Non-current assets

	31 December 2017	31 December 2016
China	1,366,095,738.76	1,258,041,184.47
Other countries	-	-
Total	1,366,095,738.76	1,258,041,184.47

XI. Risk related to financial instruments

The Company and its subsidiaries' activities are exposed to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company and its subsidiaries' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company and its subsidiaries' financial performance.

(1) Market risk

(a) Foreign exchange risk

The Company and its subsidiaries' major operations are carried out in Mainland China and majority of its transactions are denominated in RMB. The Group's recognized assets and liabilities nominated in foreign

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currencies and future foreign currency transactions (mostly USD) are exposed to foreign exchange risk. Financial department in the Group's headquarter is in charge of monitoring foreign currency transactions and the scale of foreign currency assets and liabilities of the Company and its subsidiaries, thus minimize the exposure to foreign exchange risk. Therefore, the Company and its subsidiaries may enter into foreign exchange agreement or currency swap contract to hedge foreign exchange risk. In the year ended 2017, foreign exchange agreement was signed by the Company and its subsidiaries to hedge foreign exchange risk (2016: nil).

The following table presents the structure analysis of the Company and its subsidiaries' financial assets and financial liabilities by currencies as at 31 December 2017 and 31 December 2016:

Item	31 December 2017		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	191,071,173.12	14,916,914.11	205,988,087.23
Receivables	531,578,236.13	76,367,051.71	607,945,287.84
Total	722,649,409.25	91,283,965.82	813,933,375.07
Financial liabilities denominated in foreign currency -			
Payables	36,668,878.79	6,033,971.28	42,702,850.07
Other payables	-	37,060,925.00	37,060,925.00
Total	36,668,878.79	43,094,896.28	79,763,775.07
Item	31 December 2016		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	857,223,958.85	40,989,789.89	898,213,748.74
Receivables	538,217,122.83	29,781,044.92	567,998,167.75
Total	1,395,441,081.68	70,770,834.81	1,466,211,916.49
Financial liabilities denominated in foreign currency -			
Payables	51,256,695.66	809,036.96	52,065,732.62

As at 31 December 2017, if the RMB had strengthened/weakened by 6% against the USD while all other variables had been held constant, the Company and its subsidiaries' net profit for the year would have been approximately RMB 34,980,000 (as at 31 December 2016: approximately RMB 79,980,000) lower/higher for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

As at 31 December 2017 and 31 December 2016, there is no any short-term or long-term interest bearing borrowings issued at floating rates in the Company and its subsidiaries. The company and its subsidiaries expect that there is no significant interest rate risk.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable, other current assets-structured deposits and financial products, etc.

The Company and its subsidiaries expect that there is no significant credit risk associated with cash at bank and structured deposits since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Company and its subsidiaries authorized commercial bank, trust company, asset management company and other financial agencies to conduct short-term investment finance, such as bank financial products, trust plan of trust company and assets management plan of assets management company, whose investment orientations are mainly on financial instruments with high market credit rating among banks in China as well as fine liquidity and trust product assets management plan with estimated earnings, including but not limited to commercial bank's financial products, which have low risk, stable return and an investment period within one year. The Company and its subsidiaries' idle funds which are authorized to finance won't be invested in stock and its derivative products, securities investment funds, entrusted financial products aimed at security investment and other investment related to securities.

In addition, the Company and its subsidiaries have policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Company and its subsidiaries assess the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Company and its subsidiaries will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company and its subsidiaries is limited to a controllable extent. There are no significant expired receivables at 31 December 2017 (2016: Nil).

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(3) Liquidity risk

Cash flow forecasting is performed by the Company and its subsidiaries and aggregated by the Group's finance department in its headquarters. The Group's finance department in headquarter monitors rolling forecasts on the Company and its subsidiaries' short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs.

The financial liabilities of the Company and its subsidiaries at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

Item	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	81,393,672.34				81,393,672.34
Notes payable	2,805,804,600.41	-	-	-	2,805,804,600.41
Accounts payable	3,827,025,700.10	-	-	-	3,827,025,700.10
Dividends payable	6,996,784.06	-	-	-	6,996,784.06
Other current liabilities	2,107,700,604.61	-	-	-	2,107,700,604.61
Other payables	221,120,863.48	-	-	-	221,120,863.48
Provisions	2,253,082.25	-	-	-	2,253,082.25
Total	9,052,295,307.25	-	-	-	9,052,295,307.25
Item	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	185,237,615.37				185,237,615.37
Notes payable	2,620,549,815.47	-	-	-	2,620,549,815.47
Accounts payable	3,335,089,672.06	-	-	-	3,335,089,672.06
Dividends payable	7,150,684.06	-	-	-	7,150,684.06
Other current liabilities	1,844,413,154.26	-	-	-	1,844,413,154.26
Other payables	199,926,402.04	-	-	-	199,926,402.04
Provisions	1,727,340.89				1,727,340.89
Total	8,194,094,684.15	-	-	-	8,194,094,684.15

XII. Fair value disclosure**(1) Closing balance of assets and liabilities measured at fair value**

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include cash flow discount model and market comparable company model. The input of valuation techniques mainly include risk free rate, expected exchange rate, estimated annual yield, etc.

Item	31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis				
Financial assets at fair value through profit or loss – forward foreign exchange contract	-	5,270,238.03	-	5,270,238.03
Available-for-sale financial assets-financial products	-	-	3,792,871,097.59	3,792,871,097.59
Item	31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis	--	--	--	--
Available-for-sale financial assets-financial products	-	-	5,994,142,671.24	5,994,142,671.24

(2) Valuation technique and qualitative and quantitative information of significant parameter used by instruments measured at fair value by Level 2 and Level 3 on a continuous basis

As at 31 December 2017, the Company and its subsidiaries' financial assets measured at fair value by Level 2 are forward exchange agreements. The fair value is determined by observable forward exchange rate in current market.

As at 31 December 2017 and at 31 December 2016, the Company and its subsidiaries' financial assets measured at fair value by Level 3 are financial products of floating income and unprotected principles, which fair value is determined via valuation techniques by the Group.

(3) Reasons of conversion among levels and policies of determining conversion date of instruments measured at fair value on a continuous basis

The Company and its subsidiaries consider the date of events leading the conversion between different levels as the conversion recognizing date. In 2017, there was no conversion between Level 1 and Level 2.

(4) The movement of financial assets measured at fair value by Level 3

Item	Financial product investments
1 January 2017	5,994,142,671.24
Purchase	4,745,000,000.00
Sale	-6,900,000,000.00
Total gains in current year	-46,271,573.65
----attributable to profit or loss	-104,142,671.24
----attributable to other comprehensive income	57,871,097.59
31 December 2017	3,792,871,097.59
Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2017	-
----Gain or loss on changes in fair value	-

Item	Financial product investments
1 January 2016	3,052,675,560.00
Purchase	8,171,000,000.00
Sale	-5,278,000,000.00
Total gains in current year	48,467,111.24
----attributable to profit or loss	-55,675,560.00
----attributable to other comprehensive income	104,142,671.24
31 December 2016	5,994,142,671.24
Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2016	-
----Gain or loss on changes in fair value	-

The relevant information of financial assets measured at fair value by Level 3 are below:

Item	Fair value at 31 December 2017	Valuation technique	Non-observable	Range	Relationship with fair value	Observable/
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			Input			unobservable
Available-for-sale financial assets						
---Financial products	3,792,871,097.59	Discount cash flow	Estimated annual yield	4.20%-5.25%	Moves in the same direction	unobservable
Item	Fair value at 31 December 2016	Valuation technique	Non-observable Input	Range	Relationship with fair value	Observable/ unobservable
Available-for-sale financial assets						
---Financial products	5,994,142,671.24	Discount cash flow	Estimated annual yield	3.90%~5.50%	Moves in the same direction	unobservable

(5) Financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortized cost mainly include: notes receivable, accounts receivable, other current assets-structured deposits, other receivables, notes payable, accounts payable, other payables and other current liabilities.

Available-for-sale financial assets measured in cost model are investments on shares of unlisted companies, which have no quoted price in the active market and the range of reasonable estimation of their fair value is relatively wide and probabilities used to determine the estimation cannot be ascertained reasonably. Therefore, the fair values cannot be measured reliably.

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value at 31 December 2017 and 31 December 2016.

XIII. Capital management

The Company and its subsidiaries' objectives of managing capital policies are to safeguard the Company and its subsidiaries' ability to continue operating, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratios.

Item	31 December 2017	31 December 2016
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Gearing ratios	61.49%	63.15%
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XIV. Related parties and related party transactions**(1) Major shareholders of the Company**

Name	Place of registration	Nature of business	Registered Capital	% of share holding	% of voting rights
Midea Group Co., Ltd.	Foshan, Guangdong	Manufacture and sales of household appliances and fittings, robot and robotization system, financial service, etc.	6,561,053,319.00	52.67%	52.67%

(2) Registered capital and changes in registered capital of the parent company

Name	31 December 2016	Increase	Decrease	31 December 2017
Midea Group Co., Ltd	6,458,766,808.00	102,286,511.00	-	6,561,053,319.00

(3) The percentage of shareholding and voting rights in the Company held by the parent

Name	31 December 2017		31 December 2016	
	% of share holding	% of voting rights	% of share holding	% of voting right
Midea Group Co., Ltd.	52.67%	52.67%	52.67%	52.67%

(4) Subsidiaries of the Company

For the detailed information of subsidiaries, please refer to Note IX.

(5) Joint Ventures of the Company

Up to 31 December 2017, there is no joint ventures of the Company and its subsidiaries.

(6) Other related parties

Name	Relationship with the Company and its subsidiaries
Ningbo Midea United Supply Limited	Controlled by controlling shareholders of the Company
Ningbo Meimei Garden Appliance service Limited	Controlled by controlling shareholders of the Company
Midea E-business Limited	Controlled by controlling shareholders of the Company
Zhejiang Meizhi Compressor Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Hicks Electronics Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Precision Mold Technology Co., Ltd. (Originally known as Foshan Shunde Century Technology Limited)	Controlled by controlling shareholders of the Company
Midea Wisdom Household Technology Co., Ltd.	Controlled by controlling shareholders of the Company

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Hefei Hualing Co., Ltd.	Controlled by controlling shareholders of the Company
Wuhu Midea Household Appliances Manufacture Limited	Controlled by controlling shareholders of the Company
Midea Appliance (Singapore)Trading Limited	Controlled by controlling shareholders of the Company
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Controlled by controlling shareholders of the Company
MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD	Controlled by controlling shareholders of the Company
PT. MIDEA PLANET INDONESIA	Controlled by controlling shareholders of the Company
ORIENT HOUSEHOLD APPLIANCCES LTD.	Controlled by controlling shareholders of the Company
Hefei Midea Materials Supply Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Chongqing Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Controlled by controlling shareholders of the Company
Hubei Midea Refrigerator Limited	Controlled by controlling shareholders of the Company
Hefei Midea Refrigerator Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Environmental Equipment Limited	Controlled by controlling shareholders of the Company
Midea Group Finance Co., Ltd.	Controlled by controlling shareholders of the Company
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company
Wuhu Welling Motor Sales Co., Ltd.	Controlled by controlling shareholders of the Company
Huai'an Weiling motor manufacture Limited	Controlled by controlling shareholders of the Company
Midea Welling Motor Technology (Shanghai) Co., Ltd	Controlled by controlling shareholders of the Company
Shenzhen Midea Payment Technology Co., Ltd	Controlled by controlling shareholders of the Company
Andhra Logistics Corperation (Originally known as Annto Logistics Corperation)	Controlled by controlling shareholders of the Company
TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION	Controlled by controlling shareholders of the Company
TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	Controlled by controlling shareholders of the Company
Ningbo Andhra Logistics Co., Ltd. (Oringinaly known as Ningbo Meian Logistics Co., Ltd)	Controlled by controlling shareholders of the Company
Jiangxi Midea Guiya Lighting Co., Ltd	Controlled by controlling shareholders of the Company
Midea Group Wuhan Refrigerator Equipment Manuafacturing Co., Ltd	Controlled by controlling shareholders of the Company
MIDEA MIDDLE EAST	Controlled by controlling shareholders of the Company
Wuhu Midea Kitchen and Bath Appliances Manufacturing Co., Ltd	Controlled by controlling shareholders of the Company

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Guangzhou Hualing Refrigeration Equipment Co., Ltd	Controlled by controlling shareholders of the Company
MIDEA AUSTRALIA PTY LTD	Controlled by controlling shareholders of the Company
CARRIER MIDEA INDIA PRIVATE LIMITED	Controlled by controlling shareholders of the Company
MIDEA ELECTRIC TRADING (THAILAND) CO., LTD.	Controlled by controlling shareholders of the Company

(7) Related party transactions

(a) Sale/Purchase of goods and services received/offered

Purchase of goods and services received

Related parties	Nature of transaction	Year ended 31 December 2017	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2016
Ningbo Midea United Supply Limited	Materials purchase	1,920,029,601.88	1,930,000,000.00	No	1,082,899,440.77
Huai'an Weiling motor manufacture Limited/Wuhu Welling Motor Sales Co., Ltd.	Electric engines purchase	1,098,835,770.95	1,360,000,000.00	No	909,387,012.40
Ningbo Andhra Logistics Co., Ltd./ Andhra Logistics Co., Ltd.	Storage & logistics	837,227,988.48	970,000,000.00	No	596,152,613.40
Ningbo Meimei Garden Appliance service Limited	After-sales service	293,939,774.67	320,000,000.00	No	170,460,492.92
TOSHIBA Household Appliances Manufacturing (Nanhai) Co., Ltd.	Finished goods & fittings purchase	70,704,350.52	70,000,000.00	Yes	-
Guangdong Midea Hicks Electronics Limited / Ningbo Midea United Supply Limited / Midea Wisdom Household Technology Co., Ltd.	Chip & Wifi Modules purchase	65,627,097.94	85,000,000.00	No	36,021,898.83
Midea E-business Limited	Promotion service	61,748,388.77	55,000,000.00	Yes	28,280,507.93
Midea Group Co., Ltd. and its subsidiaries	Mould , small household appliances & service purchase	15,799,723.28	24,000,000.00	No	634,700.84

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Zhejiang Meizhi Compressor Limited	Compressor & material purchase	15,491,263.90	19,000,000.00	No	5,879,190.09
Guangdong Midea Precision Mold Technology Co., Ltd.	Mould purchase	13,583,760.70	24,000,000.00		632,478.62
Jiangxi Midea Guiya Lighting Limited	Small household appliances purchase	2,065,572.39			-
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	Small household appliances purchase	88,452.00			-
Shenzhen Midea Payment Technology Co., Ltd	Payment service	32,823.19			-
Guangdong Midea Environmental Equipment Limited	Small household appliances purchase	13,951.00			-
Midea Group Wuhan Refridgeration Equipment Limited	Small household appliances purchase	8,364.00			-
Wuhu Midea Household Appliances Manufacture Limited	Small household appliances purchase	6,800.00			-
Hefei Huangling Corporation	Material purchase	-			2,222.22
Total		4,379,403,960.39		4,833,000,000.00	

The pricing policies of related party transactions are agreed price.

Sales of goods and services provided

Related parties	Nature of transaction	Year ended 31 December 2017	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2016
Midea Appliance (Singapore)Trading Limited	Sales of washing machines and materials	3,116,834,684.53	4,025,000,000.00	No	2,454,180,175.61
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Sales of washing machines	62,099,832.07	105,000,000.00	No	54,647,993.33
TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION	Sales of washing machines	47,329,449.40	80,000,000.00	No	-
Ningbo Meimei Garden Appliance	Sales of materials	36,411,806.80	28,000,000.00	Yes	11,050,814.22

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Service Limited					
PT. MIDEA PLANET INDONESIA	Sales of washing machines	26,916,420.25	70,000,000.00	No	23,243,634.98
ORIENT HOUSEHOLD APPLIANCES LTD.	Sales of washing machines	25,439,421.52	70,000,000.00	No	19,228,098.22
MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD.	Sales of materials	21,427,084.19	55,000,000.00	No	24,473,060.87
TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	Sales of materials	7,356,261.09	7,500,000.00	No	-
Ningbo Andhra Logistics Co., Ltd.	Sales of washing machines	4,008,676.76	-		934,535.79
MIDEA MIDDLE EAST	Sales of washing machines	2,296,499.01	-		-
Midea E-business Limited	Sales of washing machines	963,464.56	-		-
Guangdong Midea Refrigeration Equipment Limited	Sales of washing machines	932,075.47	-		104,923.08
Andhra Logistics Co. Ltd	Sales of washing machines and material	301,417.37	-		34,536.74
Midea Group Wuhan Refrigeration Equipment Co., Ltd	Sales of washing machines	223,179.49	-		-
Wuhu Midea Kitchen and Bath Appliances Manufacturing Limited	Sales of washing machines	123,307.69	-		-
Hefei Midea Materials Supply Co., Ltd.	Sales of materials	126,116.80	-		147,098.63
Guangzhou Hualing Refrigeration Equipment Limited	Sales of washing machines	37,094.02	-		-
Midea Group Co., Ltd	Sales of materials	19,999.98	-		-
Ningbo Midea United Supply Limited	Sales of materials	15,250.64	-		176,304.62
MIDEA AUSTRALIA PTY LTD	Sales of washing machines	3,805.46	-		-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	Sales of washing machines	-	-		108,102.56

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Total		3,352,865,847.10	4,440,500,000.00		2,588,329,278.65
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The pricing policies of related party transactions are agreed price.

(b) Lease

Lessee	Type of assets	Rental income of 2017	Approved amount of transaction	If it exceeds the approved amount	Rental income of 2016
Hefei Hualing Co., Ltd.	House property	13,446,746.44	14,250,943.40	No	10,466,576.72
Andhra Logistics Co., Ltd.	House property	-	-		19,888.81
Total		13,446,746.44	14,250,943.40		10,486,465.53

(c) Asset transfer and debt restructuring

Related parties	Related-party Transactions	Year ended 31 December 2017	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2016
Midea Group Co., Ltd.	Trademark royalty charges	16,863,306.72	Charged by 0.3% of net sales	No	13,389,505.52
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Trademark royalty charges	5,262,362.33			3,234,831.39
Hubei Midea Refrigerator Limited	Trademark royalty charges	1,042,287.60			767,582.21
Hefei Midea Refrigerator Co., Ltd.	Equipments purchase	301,886.79	-	-	14,848.68
Ningbo Meimei Garden Appliance Service Limited	Equipments sales	-	-	-	3,437.82
Total		23,469,843.44			17,410,205.62

Note: In 2017, transaction value exceeds the approved quota from related party transactions listed in (a), (b), (c) amounted to 25,217,320.13, therein lower than 5% (excluding 5%) of the Company's 2016 audited net assets (amounted to: 29,919,239.31). Therefore the above-mentioned transactions are not required to be proposed to the Board Meeting for deliberation and voting procedures.

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(d) Remuneration of key management

Item	Year ended 31 December 2017	Year ended 31 December 2016
Remuneration of key management	13,709,700.00	12,050,200.00

(e) Transaction with Midea Group Finance Co., Ltd.

As at 31 December 2017, the Company and its subsidiaries' Cash at bank deposited in Midea Group Finance Co., Ltd. amounted to RMB 281,627,638.87 (as at 31 December 2016: RMB 1,974,034,532.35). During the year ended 31 December 2017, interest income of cash at bank mentioned above was RMB 8,435,527.09 (2016: RMB 6,734,059.25).

As at 31 December 2017, the Company and its subsidiaries' bank acceptance notes accepted by Midea Group Finance Co., Ltd. Amounted to RMB 2,016,401,054.99 (as at 31 December 2016, RMB 1,493,984,805.34). During the year ended 31 December 2017, commission charges of the bank acceptance notes mentioned above amounted to RMB 1,567,491.73 (2016: RMB 2,118,620.23).

(8) Receivables from and payables to related parties**(a) Receivables from related parties**

Name of item	Related parties	31 December 2017		31 December 2016	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	Midea Appliance (Singapore) Trading Limited	589,756,109.51	29,487,805.48	475,357,280.44	23,767,864.02
Accounts receivable	MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD.	11,868,764.19	593,438.21	13,183,502.52	659,175.13
Accounts receivable	PT. MIDEA PLANET INDONESIA	9,792,445.24	489,622.26	8,404,017.46	420,200.87
Accounts receivable	TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION	8,103,283.44	405,164.17	-	-
Accounts receivable	MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	7,962,102.83	398,105.14	3,485,105.76	174,255.29
Accounts receivable	Ningbo Meimei Garden Appliance Service Limited	4,748,685.08	237,434.25	-	-
Accounts receivable	ORIENT HOUSEHOLD APPLIANCES LTD.	2,078,970.94	103,948.55	13,679,187.05	683,959.35
Accounts receivable	Midea E-business Limited	125,900.58	6,295.03	-	-

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	Andhra Technology Co., Ltd	52,895.00	2,644.75	-	-
	Ningbo Andhra Technology Limited	-	-	43,086.00	2,154.30
Total		634,489,156.81	31,724,457.84	514,152,179.23	25,707,608.96

Name of item	Related parties	31 December 2017		31 December 2016	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables	Shenzhen Midea Payment Technology Co., Ltd	10,520,299.96	526,015.00	10,835,423.12	541,771.16
Other receivables	Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	-	-	3,428,921.06	171,446.05
Other receivables	Hefei Hualing Co., Ltd.	-	-	854,915.88	42,745.79
Other receivables	Hubei Midea Refrigerator Limited	-	-	813,636.76	40,681.84
Total		10,520,299.96	526,015.00	15,932,896.82	796,644.84
Prepayment	Ningbo Midea United Supply Limited	7,407,695.59	-	10,121,553.93	-
Prepayment	Midea E-business Limited	3,354,919.77	-	1,549,712.32	-
Prepayment	Guangdong Midea Precision Mold Technology Co., Ltd.	309,840.00	-	48,100.00	-
Prepayment	Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	-	-	75,816.00	-
Total		11,072,455.36	-	11,795,182.25	-

(b) Payables to related parties

Name of item	Related parties	31 December 2017	31 December 2016
Accounts payable	Wuhu Welling Motor Sales Co., Ltd.	146,551,812.62	201,074,837.49
Accounts payable	TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	38,171,577.41	-
Accounts payable	Ningbo Midea United Supply Limited	7,300,152.98	110,265,994.59
Accounts payable	Guangdong Midea Precision Mold Technology Co., Ltd.	5,995,300.00	-
Accounts payable	Zhejiang Meizhi Compressor Limited	5,500,676.15	3,330,792.14
Accounts payable	Midea Wisdom Household Technology Co., Ltd.	1,216,403.00	52,603.40
Accounts payable	Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	88,452.00	-
Accounts payable	Ningbo Meimei Garden Appliance service Limited	51,350.00	499,870.00
Accounts payable	Guangdong Midea Environmental Equipment Manufacturing	13,951.00	-

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	Limited		
Accounts payable	Wuhu Midea Household Appliances Manufacture Limited	6,800.00	-
Accounts payable	Ningbo Andhra Technology Limited	68.38	-
Accounts payable	Guangdong Midea Hicks Electronics Limited	-	1,305,066.18
Accounts payable	Huai'an Weiling motor manufacture Limited	-	390,637.80
Accounts payable	Ningbo Andhra Logistics Co., Ltd.	-	342,449.48
Accounts payable	Andhra Logistics Co., Ltd.	-	151,302.88
Total		204,896,543.54	317,413,553.96
Other payables	Guangdong Midea Refrigeration Equipment Limited	351,404.33	283,510.28
Other payables	Guangdong Midea Precision Mold Technology Co., Ltd.	100,000.00	-
Other payables	Midea Welling Motor Technology (Shanghai) Co., Ltd	90,387.26	275,223.94
Other payables	Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	61,458.90	84,774.82
Other payables	Wuhu Midea Household Appliances Manufacture Limited	-	1,288,644.49
Other payables	Midea Group Co., Ltd.	-	43,400.00
Other payables	Ningbo Meimei Garden Appliance service Limited	-	9,949.00
Total		603,250.49	1,985,502.53
Other current liabilities	Midea Group Co., Ltd	-	14,192,875.85
Total		-	14,192,875.85
Advances customers	from TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	2,726,081.57	-
Advances customers	from Ningbo Meimei Garden Appliances Service Limited	607,507.13	-
Advances customers	from Andhra Technology Co., Ltd	290,804.69	-
Advances customers	from Hubei Midea Refrigerator Limited	104,580.00	-
Advances customers	from MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	22,283.28	-
Advances customers	from CARRIER MIDEA INDIA PRIVATE LIMITED	1,206.21	-
Advances customers	from MIDEA ELECTRIC TRADING (THAILAND) CO., LTD.	535.80	-
Total		3,752,998.68	-

XV. Share-based payment

(1) Summary

Upon the authorisation of 2016 Annual General Meeting of Midea Group, 22nd meeting of the 2nd term of Board of Midea Group have passed the equity options incentive plan (The 4th Incentive Plan), the restricted stocks incentive plan. 98,274,000 shares of equity options are being granted to 1,463 objects and 24,240,000 shares of restricted stocks are being granted to 140 objects on 12th May 2017. As at 31 December 2017, the 1st Equity Options Incentive Plan grants 7,695,000 shares of equity options to 33 objects, the 2nd Equity Options Incentive Plan grants 6,660,000 shares of equity options to 38 objects, the 3rd Equity Options Incentive Plan grants 8,430,000 shares of equity options to 61 objects, the 4th Equity Options Incentive Plan grants 7,980,000 shares of equity options to 125 objects, the 1st Restricted Stocks Incentive Plan grants 1,590,000 shares of restricted stocks to 9 objects.

(2) Impact of share-based payment transactions on financial position and financial performance.

The total stock option expenses recognised in 2017 were RMB 64,494,411.50 (2016: RMB 36,330,588.22). As at 31 December 2017, the balance relating to the option incentive plan and provided for in capital surplus was RMB 163,325,332.37 (31 December 2016: RMB 101,372,240.53).

XVI. Commitment and contingency

(1) Significant commitments

As at 31 December 2017, no significant commitments shall be disclosed.

(2) Contingency

As at 31 December 2017, no significant contingency shall be disclosed.

XVII. Events after balance sheet date

(1) Profit distribution after balance sheet date

	Amount
Proposed profits or dividends (a)	632,487,764.00

(a) According to the resolution of the Board on 9 March, 2018, the Board propose to distribute RMB 632,487,764.00 and it has not been recognized as a liability in the financial statement ended 31 December 2017. (Note VII(35))

XVIII. Notes to the material items in the Company financial statements**(1) Accounts receivable****(a) Accounts receivable classified by nature:**

Category	31 December 2017				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	1,434,934,642.83	49.87%	-	-	1,434,934,642.83
Debtors grouped by credit risk	1,442,378,902.57	50.13%	72,118,945.13	5.00%	1,370,259,957.44
Total	2,877,313,545.40	100.00%	72,118,945.13	2.51%	2,805,194,600.27
Category	31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	1,262,331,696.77	53.37%	-	-	1,262,331,696.77
Debtors grouped by credit risk	1,103,076,716.02	46.63%	55,153,835.81	5.00%	1,047,922,880.21
Total	2,365,408,412.79	100.00%	55,153,835.81	2.33%	2,310,254,576.98

As all debtors of accounts receivable with amounts that are individually significant are subsidiaries of the Company, the Company is convinced that impairment risks do not exist, thus no provision for bad debt was accrued.

Accounts receivable individually significant for which bad debt provision was assessed individually.

Applicable Not applicable

Accounts receivable adopting aging analysis method for bad debt provision:

Applicable Not applicable

Aging	31 December 2017			
	Account receivable	Bad debt provision	% of proportion	Book Value
Within 1 year	1,442,378,902.57	72,118,945.13	5.00%	1,370,259,957.44
Aging	31 December 2016			
	Account receivable	Bad debt provision	% of proportion	Book Value
Within 1 year	1,103,076,716.02	55,153,835.81	5.00%	1,047,922,880.21

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As at 31 December 2017 and 2016, there were no material accounts receivable which were past due.

Accounts receivable adopting aging balance percentage method for bad debt provision:

Applicable Not applicable

Accounts receivable adopting aging other method for bad debt provision:

Applicable Not applicable

(b) Accounts receivable withdraw, reversed or collected during the reporting period

During the year ended 31 December 2017, the net movement of provision for accounts receivable was RMB 16,965,109.32 (2016: RMB 33,071,311.18). There were no provision or reverse of provision for individual significant accounts receivable.

(c) Accounts receivable written-off during the reporting period

There were no accounts receivable written-off during the reporting period.

(d) Top 5 of accounts receivable by customers

name	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	2,557,418,479.81	56,411,596.99	88.88%

(e) Accounts receivable derecognised due to the transfer of financial assets

For the year ended 31 December 2017, accounts receivable derecognised due to the transfer of financial assets amounted to RMB 1,035,937,017.93 (2016: nil), of which loss on derecognised amounted to RMB 20,478,740.36 (2016: nil).

	Derecognised	Loss on derecognised
Accounts receivables transferred	1,035,937,017.93	20,478,740.36

The accounts receivable transferred to the financial institutions without recourse amounted to RMB 1,035,937,017.93. (2016: nil.)

(2) Other receivables

(a) Other receivables classified by nature:

Category	31 December 2017		
	Book balance	Bad debt provision	Book value

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	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	76,278,456.92	71.55%	75,455,666.50	98.92%	822,790.42
Debtors grouped by credit risk	30,323,298.25	28.45%	2,173,040.31	7.17%	28,150,257.94
Total	106,601,755.17	100.00%	77,628,706.81	72.82%	28,973,048.36
	31 December 2016				
Category	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	75,755,041.50	81.69%	75,408,191.50	99.54%	346,850.00
Debtors grouped by credit risk	16,981,991.47	18.31%	1,152,734.58	6.79%	15,829,256.89
Total	92,737,032.97	100.00%	76,560,926.08	82.56%	16,176,106.89

Other receivables with single significant amount and withdrawal bad debt provision separately at end of period:

√ Applicable □ Not applicable

Other accounts receivable (unit)	31 December 2017				
	Other accounts receivable	Bad debt provision	% of proportion	Book value	Reason of provision
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	74,294,013.55	74,294,013.55	100%	-	Uncollectible
Wuxi Little Swan Import & Export Co. , Ltd	1,161,652.95	1,161,652.95	100%	-	Uncollectible
Wuxi Little Swan General Electric Appliances Co., Ltd	416,186.85	-	-	416,186.85	--
Little Swan International (Singapore) Limited	326,710.00	-	-	326,710.00	--
Hefei Midea Washing Machine Co., Ltd.	79,893.57	-	-	79,893.57	--
Total	76,278,456.92	75,455,666.50		822,790.42	
	31 December 2016				
Other accounts receivable (unit)	Other accounts receivable	Bad debt provision	% of proportion	Book value	Reason of provision
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	74,296,538.55	74,296,538.55	100%	-	Uncollectible
Wuxi Little Swan Import & Export Co. , Ltd	1,111,652.95	1,111,652.95	100%	-	Uncollectible

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Little Swan International (Singapore) Limited	346,850.00	-	-	346,850.00	--
Total	75,755,041.50	75,408,191.50		346,850.00	

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Applicable Not applicable

Aging	31 December 2017			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book Value
Within 1 year	28,569,790.25	1,428,489.51	5.00%	27,141,300.74
1 to 2 years	747,308.00	74,730.80	10.00%	672,577.20
2 to 3 years	280,400.00	84,120.00	30.00%	196,280.00
3 to 5 years	280,200.00	140,100.00	50.00%	140,100.00
Above 5 years	445,600.00	445,600.00	100.00%	-
Total	30,323,298.25	2,173,040.31	7.17%	28,150,257.94
Aging	31 December 2016			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book Value
Within 1 year	15,644,811.47	782,240.58	5.00%	14,862,570.89
1 to 2 years	598,900.00	59,890.00	10.00%	539,010.00
2 to 3 years	292,680.00	87,804.00	30.00%	204,876.00
3 to 5 years	445,600.00	222,800.00	50.00%	222,800.00
Total	16,981,991.47	1,152,734.58	6.79%	15,829,256.89

Other receivables adopting aging balance percentage method for bad debt provision:

Applicable Not applicable

Other receivables adopting aging other method for bad debt provision:

Applicable Not applicable

(b) Other receivables withdraw, reversed or collected during the reporting period

During the year ended 31 December 2017, the net movement of provision for other receivable was RMB 1,067,780.73 (2016: RMB 675,907.35). There were no provision or reverse of provision for individual significant other receivable

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(c) Other receivables written-off during the reporting period

There were no other receivables written-off during the reporting period

(d) Other receivables classified by nature

Nature of other receivables	31 December 2017	31 December 2016
Deposit in escrow accounts	26,047,303.64	6,945,518.53
Current accounts with subsidiaries	76,278,456.92	75,755,041.49
Deposits	1,404,000.00	1,477,683.35
Loans to employees	2,439,630.53	1,719,177.08
Others	432,364.08	6,839,612.52
Less: Bad debt provision	-77,628,706.81	-76,560,926.08
Total	28,973,048.36	16,176,106.89

(e) The top five other receivables classified by debtor at period-end

Name of the entity	Nature of other receivables	31 December 2017	Aging	% of total other receivables	Bad debt provision 31 December 2017
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Inter-company receivables	74,294,013.55	Over 5 years	69.69%	74,294,013.55
Alipay (China) Network Technology Co., Ltd.	Advance & temporary payments deposit in escrow accounts	17,316,823.66	Within 1 year	16.24%	865,841.18
Shenzhen Midea Payment Technology Co., Ltd.	Advance & temporary payments deposit in escrow accounts	7,050,888.90	Within 1 year	6.61%	352,544.45
Chinabank Payments (Beijing) Technology Co., Ltd.	Advance & temporary payments deposit in escrow accounts	1,188,144.56	Within 1 year	1.11%	59,407.23
Wuxi Little Swan Import & Export Co., Ltd	Inter-company receivables	1,161,652.95	Over 5 years	1.09%	1,161,652.95
Total		101,011,523.62		94.76%	76,733,459.36

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(3) Long-term equity investments

Items	31 December 2017			31 December 2016		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiaries	1,433,285,041.57	475,050,000.00	958,235,041.57	1,433,285,041.57	57,500,000.00	1,375,785,041.57

(a) Investment in subsidiaries

Name of subsidiaries	Balance at 31 December 2016	Addition	Reduction	Balance at 31 December 2017	Impairment provision	Balance of impairment provision
Wuxi Little Swan Import & Export Co., Ltd	57,500,000.00	-	-	57,500,000.00	-	57,500,000.00
Jiangsu Little Swan Marketing and Sales Co., Ltd.	417,550,000.00	-	-	417,550,000.00	417,550,000.00	417,550,000.00
Wuxi Filin Electronics Co., Ltd.	25,660,308.10	-	-	25,660,308.10	-	-
Wuxi Little Swan General Electric Appliances Co., Ltd.	89,062,000.00	-	-	89,062,000.00	-	-
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited.	11,869,431.12	-	-	11,869,431.12	-	-
Little Swan International (Singapore) Limited.	681,050.00	-	-	681,050.00	-	-
Hefei Midea Washing Machine Limited.	830,962,252.35	-	-	830,962,252.35	-	-
Total	1,433,285,041.57	-	-	1,433,285,041.57	417,550,000.00	475,050,000.00

As at 31 December 2017, the Company provided credit guarantee for Hefei Midea Washing Machine Limited amounted to RMB 291,079,100.00 (as at 31 December 2016: 193,143,310.84).

(4) Sales and cost of sales

Item	Year ended 31 December 2017		Year ended 31 December 2016	
	Income	Cost of sales	Income	Cost of sales
Operating income	14,990,965,216.20	11,403,214,393.83	11,476,294,751.16	8,827,790,922.43
Other operating income	1,236,979,706.39	1,172,951,944.14	975,332,449.61	851,332,446.28
Total	16,227,944,922.59	12,576,166,337.97	12,451,627,200.77	9,679,123,368.71

Other operating income and expenses:

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Item	Year ended 31 December 2017		Year ended 31 December 2016	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sale of materials	1,188,798,326.56	1,144,979,820.00	958,017,488.25	850,941,124.43
Others	48,181,379.83	27,972,124.14	17,314,961.36	391,321.85
Total	1,236,979,706.39	1,172,951,944.14	975,332,449.61	851,332,446.28

(5) Investment income

Item	Year ended 31 December 2017	Year ended 31 December 2016
Income from available-for-sale financial assets	154,998,651.47	76,128,199.93
Income from disposal of financial assets measured at fair value through profits or losses	14,206,795.00	-
Total	169,205,446.47	76,128,199.93

There is no significant restriction on the remittance of investment income to the Company and its subsidiaries.

XIX. Supplementary information**(1) Non-recurring profit or loss**

Item	Year ended 31 December 2017	Year ended 31 December 2016
Net loss on disposal of non-current assets	-975,423.00	-1,833,734.45
Government grants recognized in profits or losses for the current period	31,151,026.31	13,872,569.26
Holding-period return on financial assets at fair value through profit or loss	22,954,813.04	-
Other non-operating income and losses other than items above	12,987,329.86	4,288,097.78
Less: Effect of income tax	-12,040,092.19	-2,455,096.12
Effect of minority interest	-4,618,258.39	-1,759,407.99
Total	49,459,395.63	12,112,428.48

Under requirements in *Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profits or losses [2008]* from CSRC, non-recurring profits or losses refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an

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enterprise.

(2) Return on equity and earnings per share

Profit of the year	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share (RMB yuan per share)	Diluted earnings per share (RMB yuan per share)
Net profit attributable to ordinary shareholders of the Company	23.12%	2.38	2.38
Net profit attributable to ordinary shareholders of the Company, excluding non-recurring profits or losses	22.36%	2.30	2.30

Part XII Documents Available for Reference

- I This Annual Report carrying the signature of the legal representative;
- II The financial statements signed and sealed by the legal representative, the CFO and the Financial Manager for this Report;
- III The original Auditor's Report signed and sealed by the CPAs, as well as sealed by the CPAs firm; and
- IV The originals of all the Company's documents and announcements which were disclosed on Securities Time and Ta Kung Pao (HK) during this Reporting Period.

Wuxi Little Swan Company Limited

Legal representative: Fang Hongbo

March 13, 2018