

WUXI LITTLE SWAN COMPANY LIMITED

INTERIM REPORT 2018



August 2018

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Wuxi Little Swan Company Limited (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

The Company has no interim dividend plan.

Mr. Fang Hongbo, Chairman of the Board of the Company, Mr. Sun Yunan, the Company’s Chief Financial Officer (CFO), and Mr. Xu Yunwei, the Company’s Financial Manager hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

Any plans for the future and other forward-looking statements mentioned in this Report and its summary shall NOT be considered as absolute promises of the Company to investors. Therefore, investors are reminded to exercise caution when making investment decisions.

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

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Definitions

Term	Definition
“Little Swan”, the “Company” or “we”	Wuxi Little Swan Company Limited and its consolidated subsidiaries, except where the context otherwise requires
Midea Group	Midea Group Co., Ltd.
Titoni	Titoni Investments Development 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 Little Swan General Appliance	Wuxi Little Swan General Appliance Co., Ltd.
Wuxi FILIN Electronics	Wuxi FILIN Electronics Co., Ltd.
CSRC	The China Securities Regulatory Commission
The “Reporting Period” or “Current Period”	The period from 1 January 2018 to 30 June 2018

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	Little Swan, Littleswan-B	Stock code	000418, 200418
Stock exchange for stock listing	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 (if any)	Wuxi Little Swan Company Limited		
Legal representative	Fang Hongbo		

II Contact Information

	Board Secretary	Securities Representative
Name	Ms. Zhou Sixiu	Mr. 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
Tel.	0510-81082320	0510-81082377
Fax	0510-83720879	0510-83720879
Email address	ir@littleswan.com.cn	ir@littleswan.com.cn

III Other Information

1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

☐ Applicable ☒ Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2017 Annual Report.

2. Media for Information Disclosure and Place where this Report is Kept

Indicate by tick mark whether any change occurred to the information disclosure media and the place for keeping

the Company's periodic reports in the Reporting Period.

☐ Applicable ☒ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for keeping such reports did not change in the Reporting Period. The said information can be found in the 2017 Annual Report.

IV Key Financial Information

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

☐ Yes ☒ No

	H1 2018	H1 2017	Change (%)
Operating revenue (RMB)	12,056,938,286.05	10,568,060,854.21	14.09%
Net profit attributable to the listed company's shareholders (RMB)	902,047,046.42	731,540,502.47	23.31%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	891,791,062.37	714,797,214.75	24.76%
Net cash generated from/used in operating activities (RMB)	173,229,022.41	-142,410,692.24	221.64%
Basic earnings per share (RMB/share)	1.43	1.16	23.28%
Diluted earnings per share (RMB/share)	1.43	1.16	23.28%
Weighted average return on net assets (%)	12.21%	11.69%	0.52%
	30 June 2018	31 December 2017	Change (%)
Total assets (RMB)	19,549,526,067.99	21,338,421,243.67	-8.38%
Net assets attributable to the listed company's shareholders (RMB)	7,348,544,506.87	7,047,090,800.97	4.28%

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

1. Net Profit and Net Asset Differences under CAS and IFRS

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

2. Net Profit and Net Asset Differences under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

XI Exceptional Gains and Losses

Unit: RMB

Item	Reporting Period	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	634,455.90	
Gain or loss on fair-value changes in 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 that arise in the Company's ordinary course of business)	-2,020,076.50	
Other	16,252,069.24	
Less: Income tax effects	2,956,041.69	
Non-controlling interests effects (net of tax)	1,654,422.90	
Total	10,255,984.05	--

Explanation of why the Company classifies a gain/loss item as exceptional according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items, or reclassifies any exceptional item listed in the said explanatory announcement as recurrent:

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Core Business Scope of the Company in 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 site area of more than 800,000 m² as well as a combined annual production capacity of over 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/ODM 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 core businesses and its core strategies of "Advanced Products, Efficiency-Driven Growth and Global Operations". According to consumers' needs, it furthers business transformation, betters its product mix, and keeps improving product quality. Meanwhile, with efforts in operational improvement throughout the entire value chain, management efficiency has increased significantly.

All these efforts contribute to the increasing profitability and make the Company one of the most competitive washing machine manufacturers. According to AVC and customs statistics, the Company boasts a leading domestic market share, with the highest export volume and value 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 the contents under the subheading "Macro-Environment" of "Part IV Operating Performance Discussion and Analysis".

II Material Changes in Major Assets

1. Material Changes in Major Assets

☐ Applicable ☒ Not applicable

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

Our core competitiveness is demonstrated in the following aspects:

1. Remarkable industry insights and great R&D and innovation strength: We are the sole company in China that has focused on the washing machine industry since the end of 1970s. Profound knowledge and experience has been accumulated through the several decades in technology, R&D and innovation, market research, business operation, etc., which has given us unique judging and foreseeing abilities towards industry and technology advancements. 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. 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.

2. 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. 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.

3. 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 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 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.

4. 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 system and a product manager system. 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 material change occurred to the Company's core competitiveness in the Reporting Period.

Part IV Operating Performance Discussion and Analysis

I Overview

(I) Macro-Environment

The first half of 2018 saw a gradual recovery of the world economy, with overall steadiness in the domestic economy. Slower growth was recorded in the domestic laundry industry due to strong challenges such as a tighter real estate policy, greater fluctuations of the Chinese yuan, high raw material prices, as well as increasing trade frictions including anti-dumping.

During the Reporting Period, as laundry product ownership continued to rise in China, demand for renewal has become the main driving force for growth. Consumption upgrade remained notable, with consumers focusing more on product quality, experience and brand. This resulted in fast growth in sales of roller, large-capacity, inverter, smart and separated-washing washers and clothes driers. In terms of distribution channels of laundry products, online sales maintained strong but notably slower growth, with faster integration of online and offline channels. Overseas, the complex and volatile political and economic conditions caused a year-on-year decline in China's laundry product exports. But there are still many opportunities to explore in the overseas market, that's why Chinese home appliance makers have beefed up their internationalization. According to AVC, a data provider, domestic physical retail unit sales of laundry products declined 11.18% during the first half of 2018 compared to the same period of last year, with a 2.00% drop in value, while online retail unit sales recorded a 16.83% year-on-year rise, with a 32.25% increase in value. Meanwhile, customs data showed that China's laundry product exports in H1 2018 went down 6.75% in number but grew 1.47% in value on a year-on-year basis.

(II) Analysis of Core Businesses

In face of the complicated political and economic conditions at home and abroad in the first half of 2018, the Company continuously focused on its core business of washing machines and clothes driers. Closely following its core strategies of "Advanced Products, Efficiency-Driven Growth and Global Operations", the Company strove from endogenous growth driven by product and efficiency improvement. Meanwhile, in light of the industry-wide consumption upgrade and in order for continuous growth, the Company took the initiative to promote business transformation. It increased medium-and-high-end offerings in its product mix so as to stay sustainably competitive. For H1 2018, the Company recorded operating revenue of RMB12.057 billion, up 14.09%

year-on-year; net profit attributable to the Company as the parent of RMB0.902 billion, representing a 23.31% growth from H1 2017; and a 26.60% gross profit margin, 0.99 percentage point higher than H1 2017.

(III) Work Done in H1 2018



1. Focusing on users, the Company continuously optimized its product mix and enhanced the competitiveness of its products.

With users as the focus, the Company has further increased the R&D investment and strengthened the R&D innovation to continuously enhance product competitiveness. In the meantime, the Company has also carried out the layout for innovative researches by means of advanced researches so as to promote the transformation of research results; adopted CDOC innovative development method, focused on developing high-end, intelligent and differentiated products as well as other new products that

would solve consumers' problems and improve their life experience, continuously optimized the product structure; actively promoted the research and development management transformation, deepened the reform of product manager system, made great effort to introduce experts and talents, strengthened the external cooperation, improved the R&D and innovation atmosphere, and constantly stimulated the organization's vitality. During the Reporting Period, the Company won the German IF Award and Red Dot Award by virtue of its Beverly Washing Machine, and was awarded the Cold Water Washing Technology Certification, BLDC Motor with 25-Year Service Life Certification and CIM Motor 25-Year Service Life Certification issued by VDE. Besides, the Company also won the second prize and third prize of the Science and Technology Progress Award issued by China National Light Industry Federation. the Company's product competitiveness continues to increase, and has gradually established a better image in the heart of consumers.

2. In order for future growth, the Company deepened its transformation in marketing, which resulted in continual growth in both domestic and overseas sales.

In terms of domestic sales, the Company has comprehensively deepened the marketing transformation for both the online sales and the offline sales, continuously optimized the product structure, increased the proportion of medium and high-end products, driven the overall sales price increase, and gradually improved the profitability; meanwhile, proceeding from the user's pain points and the consumption upgrade trend, the Company has created

the high-end, intelligent, differentiated product portfolio, focused on the terminal retail, made greater effort to build the brand, strengthened the new media operation and content marketing, and established a user-oriented communication mechanism by combining sports marketing and social hotspots etc. to achieve deep participation of brand users. During the Reporting Period, the Company's domestic sales revenue was RMB8.75 billion, representing a year-on-year increase of 16.64%.

In terms of foreign sales, the Company actively promoted the marketing transformation, continuously optimized the product structure, the customer structure, and the global business layout, further deepened the strategic cooperation with major customers, assisted customers to explore the deep market demand, maintained the stable growth of large customers, promoted the development of private brands, continued to propel the growth of the Midea brand while taking advantage of Toshiba Brand to carry out its own brand sales, further enriched its brands and product lines, steadily promoted the efficiency and the financial management, and positively responded to the impact caused by any change in the external environment. During the Reporting Period, the Company's overseas sales revenue reached RMB2.464 billion with a year-on-year rise of 12.34%.

3. The Company strengthened operations throughout the entire value chain to improve operating efficiency.

Furthermore, the Company continuously strengthened the whole value chain's excellent operation, improved the operational efficiency, and continued to build various new cost competitive advantages. In addition, it also promoted the digital 2.0 project, gradually realized the digital and visual management of the whole value chain, enhanced the upgrading of intelligent manufacturing, increased the automation investment, continued to promote the lean improvement, optimized the large logistics layout, built the large-scale flexible intelligent manufacturing capabilities, strengthened the strategic cooperation with Toshiba, carried out the cooperative utilization of various resources from various resources including Production Capacity, Supply Chain, Channel and Brand etc., and positively explored the globalized manufacturing layout. During the reporting period, the operational efficiency of the Company's value chain continued to increase.

(IV) Work Plans for H2 2018

In the second half year of 2018, the Company will strictly adhere to corresponding strategic principles to deepen the operational transformation, and main works are described as follows:

1. The Company will focus on the "Advanced Products" strategy, highlight the operational transformation and the consumption upgrade trend, strengthen the R&D technology innovation, further promote the high-end, intelligent and differentiated product layout, ensure the timely release of new products, continuously optimize the product

structure and enhance the product competitiveness;

2. Emphasis will also be placed on the “Efficiency-Driven Growth” strategy, deepening T+3 customer order system, improving the digital 2.0, optimizing the supply chain layout, strengthening the cooperative utilization of various value chain resources, and continuously building the core competence of the whole value chain’s excellent operation;

3. At the same time, the Company will also attach great importance to the “Global Operations” strategy, continuously optimize the product structure in domestic sales, firmly implement the dual brand differentiation strategy, strengthen the product marketing and brand promotion, and enhance the channel management. In terms of the foreign sales, the Company will make unremitting effort to develop the market, continuously optimize the product structure, deepen the strategic cooperation with Toshiba, and vigorously promote the self-owned brand development.

II Analysis of Core Businesses

Unit: RMB

	H1 2018	H1 2017	Change (%)	Main reason for change
Operating revenue	12,056,938,286.05	10,568,060,854.21	14.09%	
Cost of sales	8,849,801,833.02	7,861,371,811.78	12.57%	
Selling expense	1,769,706,658.94	1,533,889,871.40	15.37%	
Administrative expense	451,163,055.68	328,163,105.40	37.48%	Increase in R&D expense
Finance costs	-231,352,118.98	-23,523,197.84	-883.51%	Sharp increase in interest income resulted from significant growth in structured deposits
Income tax expense	225,410,775.48	148,245,695.78	52.05%	Expansion in sales and higher tax rate for subsidiary
Net cash generated from/used in operating activities	173,229,022.41	-142,410,692.24	221.64%	Rise in cash proceeds from sale of commodities and rendering of services, as well as decline in cash used in other operating activities
Net cash generated from/used in investing activities	634,085,088.96	-447,972,713.03	241.55%	Disinvestment on bank’s wealth management products
Net cash generated from/used in financing activities	-726,052,833.41	-484,323,953.02	-49.91%	Year-on-year rise in cash dividend
Net increase in cash and cash equivalents	78,417,285.76	-1,074,707,358.29	107.30%	Rise in net cash generated from both operating and investing activities

Material changes to the profit structure or sources of the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

No such changes in the Reporting Period.

Breakdown of core businesses:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Home appliance manufacturing	11,213,772,811.33	8,049,680,720.75	28.22%	15.67%	14.14%	0.97%
By product category						
Washing machines	11,213,772,811.33	8,049,680,720.75	28.22%	15.67%	14.14%	0.97%
By operating segment						
Domestic	8,750,209,153.99	5,881,415,077.03	32.79%	16.64%	14.91%	1.02%
Overseas	2,463,563,657.34	2,168,265,643.72	11.99%	12.34%	12.11%	0.18%

III Analysis of Non-Core Businesses

☐ Applicable ☒ Not applicable

IV Analysis of Assets and Liabilities

1. Material Changes in Asset Composition

Unit: RMB

	30 June 2018		30 June 2017		Change in percentage (%)	Reason for material change
	Value	As % of total assets	Value	As % of total assets		
Monetary assets	1,704,230,864.24	8.72%	3,424,099,307.77	18.35%	-9.63%	More investments in bank's wealth management products and structured deposits
Accounts receivable	1,977,970,373.74	10.12%	1,622,290,121.44	8.70%	1.42%	
Inventories	586,403,967.09	3.00%	1,084,450,981.78	5.81%	-2.81%	Quicker inventory turnover
Investment property	59,769,771.00	0.31%	62,928,849.25	0.34%	-0.03%	
Fixed assets	1,064,376,016.22	5.44%	978,083,778.86	5.24%	0.20%	

Construction in progress	39,728,931.02	0.20%	176,579.99	0.00%	0.20%	Large investment in automatic punching and riveting line for cabinets of drum washers
Short-term borrowings			170,000,000.00	0.91%	-0.91%	
Other current assets	11,926,962,399.50	61.01%	8,804,584,056.35	47.20%	13.81%	Increase in bank's wealth management product and structured deposit investments
Notes receivable	1,176,200,901.21	6.02%	1,878,193,045.31	10.07%	-4.05%	

2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through profit or loss (exclusive of derivatives)	5,270,238.03	-5,270,238.03					-
2. Available-for-sale financial assets	3,792,871,097.59	-57,871,097.59	43,193,150.68			-2,685,000,000.00	1,093,193,150.68
Total of above	3,798,141,335.62	-63,141,335.62	43,193,150.68			-2,685,000,000.00	1,093,193,150.68
Financial liabilities	0.00	-4,800,613.47					-4,800,613.47

Material changes in the measurement attributes of the major assets in the Reporting Period:

☐ Yes ☒ No

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

As of the end of the 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 the Reporting Period	Investments made in same period of last	+/-%
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(RMB)	year (RMB)	
180,368,104.60	187,894,906.90	-4.01%

2. Significant Equity Investments Made in the Reporting Period

☐ Applicable ☒ Not applicable

3. Significant Non-Equity Investments Ongoing in the Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

Unit: RMB'0,000

Operator	Relationship with the Company	Connected 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	Not	Forward forex contract	17,676	11 September 2017	24 May 2019	17,676	19,125	18,980		17,821	2.43%	-202
Futures company	Not	Not	Futures contract	0	30 January 2018	15 June 2018	0	4,168	4,168		0		81
Total				17,676	--	--	17,676	23,293	23,148		17,821	2.43%	-121
Capital source for derivative investment				All from the Company's own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving				13 March 2018									

derivative investment (if any)	
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	12 April 2018
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>The Company has considered and formulated the Management Methods for Forex Trading Business and the Management Methods for Futures Hedging Business to implement full assessment and control on its derivative investments, with highlights as follows:</p> <p>1. About legal risk: The Company's futures and forex trading business are 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> <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 futures and 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 futures and 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 market Risk: the uncertainty in staple commodity price changes and exchange rate fluctuations in the foreign exchange market has led to greater market risks existing in the futures business and the foreign exchange capital business. At the same time, during the operation of futures, it is unable to raise funds in time to establish and maintain the hedge position, or in terms of the foreign exchange business, the foreign exchange funds used for performance cannot be paid on time, which may lead to any loss from such futures operation and any default risk.</p> <p>Control Measures: the Company will adhere to the principle of prudent and steady operation to operate its futures business and foreign exchange fund business. For the futures business, the Company will strictly determine the business volume according to the needs of production and operation, apply for the futures trading, and implement the stop-loss mechanism. Besides, the Company will also establish a futures risk measurement system to calculate the amount of margin used, the floating profit and loss, the amount of available margin and the needed amount of margin for establishing the proposed position so as to determine the amount of margin that may be required. For the foreign exchange fund business, the tiered management mechanism will be implemented. If a business unit applies for any fund business, it needs to conduct risk analysis on the conditions or environment that affect the business's profit and loss, estimate the maximum possible gains and losses, and report the acceptable margin ratio or the total amount. Meanwhile, the Company needs to timely update the operation of the fund business and guarantee the funding arrangement before the due date.</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)	<p>1. The income from futures contract was RMB0.81 million during the Reporting Period;</p> <p>2. The loss from Forex forward contract was RMB2.02 million during the Reporting Period;</p> <p>3. Public offer in futures market or forward forex quotations announced by the Bank of China are used in the fair value analysis of the derivative investments.</p>
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	In the opinion of the Company's independent director, the Company has formulated various derivative investment systems including Administrative Measures for Foreign Exchange Fund Business and Administrative Measures for Futures Hedging Business, which can effectively control the risk of derivative investment; the Company will regard the futures hedging business as an effective tool to stabilize any price fluctuation by strengthening the internal control, implementing effective risk prevention measures and improving the operational management; the Company's derivative investment business mainly focuses on the export business, which can help the Company lock the exchange rate and avoid any exchange rate fluctuation risk. Since there is no speculative operation and no compliance risk, the Company's liquidity will not be affected.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Main Controlled and Joint Stock Companies

Unit: RMB'0,000

Company name	Relationship with the	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
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	Company							
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	Washing machine manufacturing	US\$13,552	734,719.49	317,683.84	537,543.71	31,055.89	22,881.00
Wuxi FILIN	Subsidiary	Electronic component manufacturing	US\$362.4564	167,152.03	112,626.03	49,822.87	13,757.79	11,689.54

Subsidiaries obtained or disposed in the Reporting Period:

☐ Applicable ☒ Not applicable

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Performance Forecast for January-September 2018

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:

☐ Applicable ☒ Not applicable

X Risks Facing the Company and Countermeasures

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, 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 trade barriers and anti-dumping policy shall also have an impact on the scale and profit of export sales business of the Company.

In face of the complex and changeable domestic and international environments and risks, in strict accordance with The Company Law, The Securities Law and applicable CSRC-regulations, the Company will keep improving its corporate governance, promoting the Company's standard operating level, strengthening the internal control systems to prevent and control various risks for assurance of the sustainable, steady and healthy growth.

Part V Significant Events

I Annual and Extraordinary General Meeting Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The 2017 Annual General Meeting	Annual General Meeting	59.13%	11 April 2018	12 April 2018	Announcement No. 2018-14 of Wuxi Little Swan Company Limited on Resolutions of 2017 Annual General Meeting disclosed on www.cninfo.com.cn

2. Extraordinary General Meeting Convened at Request of Preference Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

II Interim Dividend Plan for the Reporting Period

☐ Applicable ☒ Not applicable

The Company has no interim dividend plan.

III Commitments of the Company's Actual Controller, Shareholders, Connected Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at 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.	28 February 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.	December 1, 2010 and June 6, 2014	Long-standing	Ongoing
	Controlling shareholder and actual controller	Commitment on regulation of connected-party transactions	2. The commitment by Midea Group and the actual controller on the specification of the connected-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 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	December 1, 2010 and June 6, 2014	Long-standing	Ongoing

			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.	1 December 2010 and 6 June 2014	Long-standing	Ongoing
	Controlling shareholder	Commitment on connected-party deposits and borrowings	4. As for the commitment on connected-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..	1 December 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 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.	1 December 2010	Long-standing	Ongoing

	Controlling shareholder	Commitment on trademarks	<p>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.</p>	1 December 2010	The use right of the “Royalstar” trademark detailed in (2) expired on 31 March 2013 and was not renewed. And the other commitment continues.	Ongoing
	Controlling shareholder	Commitment on social security payment and tax risks	<p>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. or Little Swan, Midea</p>	1 December 2010	Long-standing	Ongoing

			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.	27 February 2018	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					

IV Engagement and Disengagement of CPAs Firm

Has the Interim financial report been audited?

☐ Yes ☒ No

This Interim Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Committee Regarding “Modified Auditor’s Report” Issued by CPAs Firm for the Reporting Period

☐ Applicable ☒ Not applicable

VI Explanations Given by Board of Directors Regarding “Modified Auditor’s Report” Issued for Last Year

☐ Applicable ☒ Not applicable

VII Bankruptcy and Restructuring

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits or arbitrations:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Other legal matters:

☐ Applicable ☒ Not applicable

IX Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Significant Connected Transactions

1. Connected Transactions Relevant to Routine Operations

For details, see “14. Connected Parties and Transactions” under “Part X Financial Report” herein.

2. Connected Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Connected Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Connected Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Significant Connected Transactions

(1) About the Financial Service Agreement which Signed with the Midea Group Finance Co., Ltd. of Connected 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 one-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 RMB3 billion per day; and the total amount of credit (including drawing bank draft, discounting acceptance bill, and loans, etc) that the financial company granted to the Company and its

subsidiaries should not exceed the amount of RMB6 billion per day.

At the report-end, the deposit balance of the Company at financial company was of RMB0.39 billion with no loans.

(2) About Trademark License of Connected Transactions

①The Company permitted Wuxi Little Swan Refrigeration Equipment Co., Ltd. and its majority-owned 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 1 January 2017 to 31 December 2019.

②The Company permitted Midea Group Co., Ltd. and its majority-owned 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 1 December 2015 to 31 December 2018. On 6 August 2018, the Proposal on Trademark Licensing and Connected Transactions was reviewed and approved at the 16th Meeting of the 8th Board of Directors, and the Company and Midea Group renewed the Beverly Trademark Licensing Contract. the Company agreed to license “比佛利” and “BEVERLY” trademarks in a non-exclusive manner to the Midea Group and its majority-owned subsidiaries, and those “licensed trademarks” could be applied to dishwashers, kitchen range hoods, gas stoves, disinfection cupboards, water dispensers, water heaters, water purification equipment and machines, washing water heaters (gas or electric heating), gas stoves, bathroom fixtures, ice machines and equipment, and refrigerator products. However, the trademark license fee will be calculated at 0.3% of the net sales of various authorized trademark products in the above license contracts. The license period is from 1 September 2018 to 31 August 2021. The proposal still needs to be submitted to The 1st Extraordinary General Meeting of 2018 for consideration.

(3) The Company held the 2017 Annual General Meeting on 9 March 2018 which reviewed and approved the Proposal on Estimating the Amount of the 2018 Daily Connected Transactions.

(4) The Company held the 16th Meeting of the 8th Board of Directors on 6 August 2018 which reviewed and

approved the Proposal on the Adjustment of the Amount of 2018 Daily Connected Transactions.

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

Title of current announcement	Disclosure date	Disclosure website
Proposal on Estimating the Amount of the 2018 Daily Connected Transactions	13 March 2018	www.cninfo.com.cn
Proposal on Trademark Licensing and Connected Transactions	8 August 2018	www.cninfo.com.cn
Proposal on the Adjustment of the Amount of 2018 Daily Connected Transactions	8 August 2018	www.cninfo.com.cn

XIII. Particulars about the Non-operating Occupation of Funds by the Controlling Shareholder and Other Connected Parties of the Company

☐ Applicable ☒ Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other connected parties during the Reporting Period.

XIV. Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leasing

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company 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 connected party or not
Total external guarantee line approved during the Reporting Period (A1)			0	Total actual external guarantee amount during the Reporting Period (A2)			0	
Total approved external guarantee line at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)			0	
Guarantees provided by the Company for 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 connected party or not
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	19 April 2017	29.50	Joint-liability	10 months	Yes	No
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	19 April 2017	28.12	Joint-liability	10 months	Yes	No
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	21 April 2017	275.09	Joint-liability	10 months	Yes	No
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	26 July 2017	12,010.46	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	28 November 2017	10,897.83	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	29 November 2017	1,090.72	Joint-liability	Half year	Yes	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	22 January 2018	25.73	Joint-liability	1 month	Yes	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	12 March 2018	72.73	Joint-liability	2 months	Yes	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	13 April 2018	274.61	Joint-liability	3 months	Yes	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	13 April 2018	173.73	Joint-liability	2 months	Yes	No

Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	15 January 2018	80.33	Joint-liability	14 months	No	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	28 March 2018	268.08	Joint-liability	1 year	No	No
Hefei Midea Washing Machine Co., Ltd.	13 March 2018	130,000	17 April 2018	175.45	Joint-liability	1 year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)		130,000		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			25,402.38	
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)		130,000		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			523.86	
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 connected party or not
Total guarantee line for subsidiaries approved during the Reporting Period (C1)		0		Total actual guarantee amount for subsidiaries during the Reporting Period (C2)		0		
Total approved guarantee line for subsidiaries at the end of the Reporting Period (C3)		0		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4)		0		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		130,000		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		25,402.38		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		130,000		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		523.86		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company						0.07%		
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their connected 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 in the Reporting Period for undue guarantees (if any)						N/A		
Provision of external guarantees in breach of the prescribed procedures (if any)						N/A		

Notes for details about guarantee by complex method

(2) Illegal Provision of Guarantees for External Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Other Significant Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities

1. Significant Environment 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

☐ Applicable ☒ Not applicable

The State Environmental Protection Department, the Company still attaches great importance to the environmental protection management and has carried out the following related works according to applicable laws:

1. According to the requirements stated in Administrative Measures for the Recording of Emergency Responses for Sudden Environmental Incidents of Enterprises and Institutions, considering applicable national laws and regulations, rules and standards for environmental protection and the actual conditions of the unit, Emergency Plan for Environmental Emergencies was prepared and submitted to the local environmental protection bureau for records;
2. The Sewage Discharging Permit issued by the local environmental protection bureau was obtained, and the Environmental Impact Assessment of the Construction Project was prepared by the unit with the qualification of environmental assessment, and passed the approval and acceptance inspection conducted by the environmental protection department;
3. Accordingly, the Company has also constructed a sewage treatment station and equipped various waste gas treatment facilities and dust control facilities etc., and it will also regularly maintain these environmental

protection facilities. As a result, all kinds of environmental protection facilities are working normally, and agencies with the third-party qualification will be entrusted to conduct inspections on a regular basis. Therefore, the Company has not discharged any sewage or pollutant beyond the specific standard or limit, and strictly conformed to relevant requirements put forward by the environmental protection department.

XVI. Other Significant Events

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII. 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 (%)
1. Restricted shares	2,087,745	0.33%						2,087,745	0.33%
1.1 Shares held by other domestic investors	2,087,745	0.33%						2,087,745	0.33%
Among which: Shares held by domestic corporations	2,052,720	0.32%						2,052,720	0.32%
Shares held by domestic individuals	35,025	0.01%						35,025	0.01%
2. Non-restricted shares	630,400,019	99.67%						630,400,019	99.67%
2.1 RMB ordinary shares	439,364,147	69.47%						439,364,147	69.47%
2.2 Domestically listed foreign shares	191,035,872	30.20%						191,035,872	30.20%
3. Total shares	632,487,764	100.00%						632,487,764	100.00%

Reasons for the share changes

☐ Applicable ☒ Not applicable

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 ordinary 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

☐ Applicable ☒ Not applicable

II. Issuance and Listing of Securities

☐ Applicable ☒ Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the period-end	17,037	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see Note 8)					0	
5% or greater ordinary shareholders or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
MIDEA GROUP CO., LTD.	Domestic non-state-owned legal person	37.78%	238,948,117	0		238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.	Foreign legal person	14.89%	94,204,942	0		94,204,942		
GAOLING FUND,L.P.	Foreign legal person	3.74%	23,664,125	0		23,664,125		
HONGKONG SECURITIES CLEANING CO., LTD	Foreign legal person	3.42%	21,654,855	7,463,157		21,654,855		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	Domestic non-state-owned legal person	2.86%	18,099,842	-2,997,622		18,099,842		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	2.81%	17,787,068	0		17,787,068		
FINANCE BUREAU OF WUXI	State-owned legal person	2.20%	13,887,710	-3,166,361		13,887,710		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.61%	10,156,300	0		10,156,300		
AGRICULTURAL BANK OF	Domestic	1.55%	9,802,304	2,663,969		9,802,304		

CHINA- E FUND CONSUMPTION SECTOR STOCK INVESTMENT FUND	non-state-owned legal person							
BILL & MELINDA GATES FOUNDATION TRUST	Foreign legal person	1.15%	7,288,676	749,902		7,288,676		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)		N/A						
Connected 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 ordinary 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			238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.		94,204,942	Domestically listed foreign share			94,204,942		
GAOLING FUND,L.P.		23,664,125	Domestically listed foreign share			23,664,125		
HONGKONG SECURITIES CLEANING CO., LTD		21,654,855	RMB ordinary share			21,654,855		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108		18,099,842	RMB ordinary share			18,099,842		
GREENWOODS CHINA ALPHA MASTER FUND		17,787,068	Domestically listed foreign share			17,787,068		
FINANCE BUREAU OF WUXI		13,887,710	RMB ordinary share			13,887,710		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.		10,156,300	RMB ordinary share			10,156,300		
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK INVESTMENT FUND		9,802,304	RMB ordinary share			9,802,304		
BILL & MELINDA GATES FOUNDATION TRUST		7,288,676	RMB ordinary share			7,288,676		
Connected 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 ordinary shareholders conducting securities margin trading (if any) (see Note 4)		N/A						

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

☐ Yea ☒ No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

☐ Applicable ☒ Not applicable

There was no any change of the controlling shareholder of the Company in the Reporting Period.

Change of the actual controller in the Reporting Period

☐ Applicable ☒ Not applicable

There was no any change of the actual controller of the Company in the Reporting Period.

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preference shares in the Reporting Period.

Part VIII Directors, Supervisors and Senior Management

I Changes in Shareholdings of Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

There were no changes in shareholdings of directors, supervisors, and senior management in the Reporting Period.

For details, see Annual Report of 2017.

Based on the confidence in the long-term development of the Company, Mr. Lu Jianfeng, Director and GM of the Company, bought 22,700 shares of the Company on 5 July 2018, accumulatively holding 69,400 shares of the Company.

II Changes in Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

There were no changes in directors, supervisors, and senior management in the Reporting Period. For details, see Annual Report of 2017.

Part IX Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

☐ Yea ☒ No

Part X Financial Report

I. Auditor's Report

Whether the interim report has been audited?

☐ Yes ☒ No

The interim report of the Company has not been audited.

II. Financial Statements

The unit of the financial statements attached: RMB

1. Consolidated Balance Sheet

Prepared by Wuxi Little Swan Company Limited

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	1,704,230,864.24	1,588,264,516.05
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss		5,270,238.03
Derivative financial assets		
Notes receivable	1,176,200,901.21	1,283,192,684.28
Accounts receivable	1,977,970,373.74	1,736,724,496.10
Prepayments	152,336,504.11	84,346,792.38
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable	179,688,607.69	60,943,907.98
Dividends receivable		
Other receivables	34,741,255.89	47,224,454.09
Financial assets purchased under resale agreements		
Inventories	586,403,967.09	1,980,766,196.14

Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	11,926,962,399.50	12,778,240,745.22
Total current assets	17,738,534,873.47	19,564,974,030.27
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	200,000.00	200,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment property	59,769,771.00	61,695,825.00
Fixed assets	1,064,376,016.22	1,029,668,355.84
Construction in progress	39,728,931.02	37,972,252.60
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	184,434,179.99	187,045,347.27
R&D expense		
Goodwill		
Long-term prepaid expense	26,391,575.09	22,382,020.52
Deferred income tax assets	380,061,339.65	407,151,474.64
Other non-current assets	56,029,381.55	27,331,937.53
Total non-current assets	1,810,991,194.52	1,773,447,213.40
Total assets	19,549,526,067.99	21,338,421,243.67
Current liabilities:		
Short-term borrowings		81,393,672.34
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	4,800,613.47	
Derivative financial liabilities		
Notes payable	3,915,720,273.53	2,805,804,600.41
Accounts payable	2,809,609,738.57	3,827,025,700.10

Advances from customers	828,133,123.71	3,065,815,801.93
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	257,127,334.88	349,483,844.76
Taxes payable	426,592,631.50	638,017,523.31
Interest payable		
Dividends payable	9,049,503.92	6,996,784.06
Other payables	185,057,430.91	221,120,863.48
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	2,476,199,672.19	2,107,700,604.61
Total current liabilities	10,912,290,322.68	13,103,359,395.00
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable	10,291,652.87	12,021,620.17
Specific payables		
Provisions	2,157,992.76	2,253,082.25
Deferred income	2,262,533.19	2,489,133.21
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	14,712,178.82	16,763,835.63
Total liabilities	10,927,002,501.50	13,120,123,230.63
Owners' equity:		
Share capital	632,487,764.00	632,487,764.00
Other equity instruments		
Including: Preferred shares		

Perpetual bonds		
Capital reserves	1,296,794,069.01	1,252,947,546.80
Less: Treasury shares		
Other comprehensive income	28,544,268.12	40,496,366.85
Specific reserve		
Surplus reserves	332,594,722.29	332,594,722.29
General reserve		
Retained profits	5,058,123,683.45	4,788,564,401.03
Total equity attributable to owners of the Company as the parent	7,348,544,506.87	7,047,090,800.97
Non-controlling interests	1,273,979,059.62	1,171,207,212.07
Total owners' equity	8,622,523,566.49	8,218,298,013.04
Total liabilities and owners' equity	19,549,526,067.99	21,338,421,243.67

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	642,107,101.53	1,030,061,384.78
Financial assets at fair value through profit or loss		3,724,810.47
Derivative financial assets		
Notes receivable	730,830,976.20	938,342,347.95
Accounts receivable	1,806,817,821.81	2,805,194,600.27
Prepayments	106,050,805.01	67,278,861.92
Interest receivable	117,300,028.26	32,913,208.23
Dividends receivable		
Other receivables	21,922,908.39	28,973,048.36
Inventories	365,685,219.33	1,206,334,183.68
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	7,821,975,278.04	7,259,605,039.27
Total current assets	11,612,690,138.57	13,372,427,484.93
Non-current assets:		
Available-for-sale financial assets	150,000.00	150,000.00
Held-to-maturity investments		

Long-term receivables		
Long-term equity investments	958,235,041.57	958,235,041.57
Investment property	7,703,668.04	7,882,440.32
Fixed assets	559,225,207.15	532,803,209.18
Construction in progress	39,078,412.10	37,321,733.68
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	88,555,717.18	89,900,867.32
R&D expense		
Goodwill		
Long-term prepaid expense	8,692,674.82	5,905,684.35
Deferred income tax assets	242,914,956.98	225,186,332.58
Other non-current assets	29,776,415.75	17,138,349.61
Total non-current assets	1,934,332,093.59	1,874,523,658.61
Total assets	13,547,022,232.16	15,246,951,143.54
Current liabilities:		
Short-term borrowings		16,806,882.34
Financial liabilities at fair value through profit or loss	2,287,302.98	
Derivative financial liabilities		
Notes payable	2,388,399,378.38	1,678,546,630.26
Accounts payable	3,561,506,900.23	4,395,361,312.16
Advances from customers	453,158,337.38	1,862,974,982.38
Payroll payable	192,419,861.91	268,065,495.23
Taxes payable	267,379,270.73	353,920,883.93
Interest payable		
Dividends payable	9,049,503.92	6,996,784.06
Other payables	117,503,996.19	146,982,721.63
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	1,459,958,436.52	1,336,384,942.60
Total current liabilities	8,451,662,988.24	10,066,040,634.59
Non-current liabilities:		

Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	8,451,662,988.24	10,066,040,634.59
Owners' equity:		
Share capital	632,487,764.00	632,487,764.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,444,087,483.55	1,405,575,239.68
Less: Treasury shares		
Other comprehensive income	17,203,068.47	27,970,054.39
Specific reserve		
Surplus reserves	319,944,578.39	319,944,578.39
Retained profits	2,681,636,349.51	2,794,932,872.49
Total owners' equity	5,095,359,243.92	5,180,910,508.95
Total liabilities and owners' equity	13,547,022,232.16	15,246,951,143.54

3. Consolidated Income Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Revenue	12,056,938,286.05	10,568,060,854.21
Including: Operating revenue	12,056,938,286.05	10,568,060,854.21
Interest income		
Premium income		

Handling charge and commission income		
2. Operating costs and expenses	10,930,076,719.93	9,801,989,312.87
Including: Cost of sales	8,849,801,833.02	7,861,371,811.78
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surtaxes	66,817,703.11	64,532,273.74
Selling expense	1,769,706,658.94	1,533,889,871.40
Administrative expense	451,163,055.68	328,163,105.40
Finance costs	-231,352,118.98	-23,523,197.84
Asset impairment loss	23,939,588.16	37,555,448.39
Add: Gain on changes in fair value ("-" for loss)	-10,070,851.50	4,917,873.13
Investment income ("-" for loss)	76,902,741.54	181,665,882.11
Including: Share of profit or loss of joint ventures and associates		
Foreign exchange gain ("-" for loss)		
Asset disposal income ("-" for loss)	634,455.90	
Other income	27,971,652.00	15,806,553.77
3. Operating profit ("-" for loss)	1,222,299,564.06	968,461,850.35
Add: Non-operating income	7,366,461.87	15,623,753.30
Less: Non-operating expense	790,740.84	3,079,657.86
4. Profit before taxation ("-" for loss)	1,228,875,285.09	981,005,945.79
Less: Income tax expense	225,410,775.48	148,245,695.78
5. Net profit ("-" for net loss)	1,003,464,509.61	832,760,250.01
5.1 Net profit from continuing operations ("-" for net loss)	1,003,464,509.61	832,760,250.01
5.2 Net profit from discontinued operations ("-" for net loss)		
Net profit attributable to owners of the Company as the parent	902,047,046.42	731,540,502.47
Net profit attributable to non-controlling interests	101,417,463.19	101,219,747.54
6. Other comprehensive income, net of tax	-12,473,938.60	-32,416,277.72
Attributable to owners of the Company as the parent	-11,952,098.73	-27,421,035.91
6.1 Items that will not be reclassified to profit or loss		

6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-11,952,098.73	-27,421,035.91
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-11,954,415.00	-27,414,609.36
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	2,316.27	-6,426.55
6.2.6 Other		
Attributable to non-controlling interests	-521,839.87	-4,995,241.81
7. Total comprehensive income	990,990,571.01	800,343,972.29
Attributable to owners of the Company as the parent	890,094,947.69	704,119,466.56
Attributable to non-controlling interests	100,895,623.32	96,224,505.73
8. Earnings per share		
8.1 Basic earnings per share	1.43	1.16
8.2 Diluted earnings per share	1.43	1.16

4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Operating revenue	8,455,200,768.71	7,759,223,092.31
Less: Cost of sales	6,418,259,181.32	5,996,000,032.58
Taxes and surtaxes	41,081,819.40	44,435,454.94
Selling expense	1,201,302,691.12	1,018,772,573.33
Administrative expense	363,636,150.54	270,135,520.31
Finance costs	-140,156,569.84	-28,038,916.25
Asset impairment loss	4,306,909.22	15,145,318.12
Add: Gain on changes in fair value ("-" for loss)	-6,012,113.45	4,277,601.99
Investment income ("-" for loss)	47,856,987.09	93,359,516.82
Including: Share of profit or loss of joint ventures and associates		
Asset disposal income ("-" for loss)	-423,677.25	

Other income	2,828,142.34	
2. Operating profit (“-” for loss)	611,019,925.69	540,410,228.09
Add: Non-operating income	6,052,314.08	8,461,114.95
Less: Non-operating expense	662,692.00	1,598,940.52
3. Profit before taxation (“-” for loss)	616,409,547.77	547,272,402.52
Less: Income tax expense	97,218,306.75	85,606,709.99
4. Net profit (“-” for net loss)	519,191,241.02	461,665,692.53
4.1 Net profit from continuing operations (“-” for net loss)	519,191,241.02	461,665,692.53
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-10,766,985.93	-15,363,138.05
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-10,766,985.93	-15,363,138.05
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-10,766,985.93	-15,363,138.05
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	508,424,255.09	446,302,554.48
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	7,969,115,684.30	6,722,546,282.77
Net increase in customer deposits and deposits from banks and other financial		

institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	18,677,078.35	35,550,472.93
Cash generated from other operating activities	65,692,959.29	46,492,111.69
Subtotal of cash generated from operating activities	8,053,485,721.94	6,804,588,867.39
Payments for commodities and services	6,150,288,344.76	4,509,538,095.07
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	782,742,734.50	620,865,515.47
Taxes paid	676,009,928.86	472,145,836.29
Cash used in other operating activities	271,215,691.41	1,344,450,112.80
Subtotal of cash used in operating activities	7,880,256,699.53	6,946,999,559.63
Net cash generated from/used in operating activities	173,229,022.41	-142,410,692.24
2. Cash flows from investing activities:		
Proceeds from disinvestments	7,685,000,000.00	2,895,000,000.00
Investment income	76,902,741.54	181,837,920.52
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	1,793,467.10	723,271.02
Net proceeds from disposal of subsidiaries or other business units		2,415,000.00
Cash generated from other investing activities	111,282,573.06	16,802,196.35
Subtotal of cash generated from investing activities	7,874,978,781.70	3,096,778,387.89
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	190,893,692.74	79,751,100.92
Payments for investments	7,050,000,000.00	3,465,000,000.00

Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	7,240,893,692.74	3,544,751,100.92
Net cash generated from/used in investing activities	634,085,088.96	-447,972,713.03
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings obtained		170,000,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		170,000,000.00
Repayment of borrowings	81,393,672.34	183,813,064.12
Payments for interest and dividends	644,659,161.07	470,510,888.90
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	726,052,833.41	654,323,953.02
Net cash generated from/used in financing activities	-726,052,833.41	-484,323,953.02
4. Effect of foreign exchange rate changes on cash and cash equivalents	-2,843,992.20	
5. Net increase in cash and cash equivalents	78,417,285.76	-1,074,707,358.29
Add: Cash and cash equivalents, beginning of the period	1,417,489,071.71	4,171,689,917.21
6. Cash and cash equivalents, end of the period	1,495,906,357.47	3,096,982,558.92

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	6,468,247,142.50	5,000,964,767.84
Tax rebates		
Cash generated from other operating activities	17,928,127.28	20,559,743.51
Subtotal of cash generated from operating activities	6,486,175,269.78	5,021,524,511.35
Payments for commodities and services	4,428,038,167.84	3,201,385,866.98
Cash paid to and for employees	558,115,177.17	439,863,524.85
Taxes paid	358,960,977.35	284,758,489.88

Cash used in other operating activities	214,338,314.97	905,013,311.49
Subtotal of cash used in operating activities	5,559,452,637.33	4,831,021,193.20
Net cash generated from/used in operating activities	926,722,632.45	190,503,318.15
2. Cash flows from investing activities:		
Proceeds from disinvestments	3,935,000,000.00	1,625,000,000.00
Investment income	47,856,987.09	92,023,835.23
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	269,811.40	192,710.01
Net proceeds from disposal of subsidiaries or other business units		2,415,000.00
Cash generated from other investing activities	55,212,504.56	13,702,196.35
Subtotal of cash generated from investing activities	4,038,339,303.05	1,733,333,741.59
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	129,504,678.24	31,162,375.53
Payments for investments	4,600,000,000.00	1,895,000,000.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	4,729,504,678.24	1,926,162,375.53
Net cash generated from/used in investing activities	-691,165,375.19	-192,828,633.94
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained		135,000,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		135,000,000.00
Repayment of borrowings	16,806,882.34	123,943,093.80
Payments for interest and dividends	641,299,593.52	470,510,888.90
Cash used in other financing activities		
Sub-total of cash used in financing activities	658,106,475.86	594,453,982.70
Net cash generated from/used in financing activities	-658,106,475.86	-459,453,982.70
4. Effect of foreign exchange rate changes on cash and cash equivalents	-2,384,725.50	
5. Net increase in cash and cash equivalents	-424,933,944.10	-461,779,298.49
Add: Cash and cash equivalents, beginning of the period	945,759,061.62	2,353,708,554.75
6. Cash and cash equivalents, end of the period	520,825,117.52	1,891,929,256.26

7. Consolidated Statements of Changes in Owners' Equity

H1 2018

Unit: RMB

Item	H1 2018												
	Equity attributable to owners of the Company as the parent										Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve			Retained profits
		Preferred shares	Perpetual bonds	Other									
1. Balances as of end of prior year	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
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations involving enterprises under common control													
Other adjustments													
2. Balances as of beginning of the year	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

3. Increase/ decrease in the period (“-” for decrease)					43,846,522.21		-11,952,098.73				269,559,282.42	102,771,847.55	404,225,553.45
3.1 Total comprehensive income							-11,952,098.73				902,047,046.42	100,895,623.32	990,990,571.02
3.2 Capital increased and reduced by owners					43,846,522.21							1,876,224.23	45,722,746.43
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners’ equity					43,846,522.21							1,876,224.23	45,722,746.43
3.2.4 Other													
3.3 Profit distribution											-632,487,764.00		-632,487,764.00
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-632,487,764.00		-632,487,764.00
3.3.4 Other													
3.4 Carryforwards within owners’ equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share													

capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other													
4. Balances as of end of the period	632,487,764.00				1,296,794,069.01		28,544,268.12		332,594,722.29		5,058,123,683.45	1,273,979,059.62	8,622,523,566.49

H1 2017

Unit: RMB

Item	H1 2017												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less : Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained profits		
		Preferr ed shares	Perpetual bonds	Other									
1. Balances as of end of prior year	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
Add: Adjustments for changed accounting policies													
Adjustments for corrections of													

previous errors													
Adjustments for business combinations involving enterprises under common control													
Other adjustments													
2. Balances as of beginning of the year	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
3. Increase/ decrease in the period (“-” for decrease)					61,457,413.79		-30,261,157.76				1,032,046,682.22	195,960,007.39	1,259,202,945.64
3.1 Total comprehensive income							-30,261,157.76				1,506,412,505.22	192,923,009.68	1,669,074,357.14
3.2 Capital increased and reduced by owners					61,457,413.79							3,036,997.71	64,494,411.50
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners’ equity					61,953,091.84							2,541,319.66	64,494,411.50
3.2.4 Other					-495,678.05							495,678.05	
3.3 Profit distribution											-474,365,823.00		-474,365,823.00
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners											-474,365,823.00		-474,365,823.00

(or shareholders)													
3.3.4 Other													
3.4 Carryforwards within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other													
4. Balances as of end of the period	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

8. Statements of Changes in Owners’ Equity of the Company as the Parent

H1 2018

Unit: RMB

Item	H1 2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained profits	Total owners’ equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	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
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	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
3. Increase/ decrease in the period (“-” for decrease)					38,512,243.87		-10,766,985.92			-113,296,522.98	-85,551,265.03
3.1 Total comprehensive income							-10,766,985.92			519,191,241.02	508,424,255.10
3.2 Capital increased and reduced by owners					38,512,243.87						38,512,243.87
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											

3.2.3 Share-based payments included in owners' equity					38,512,243.87						38,512,243.87
3.2.4 Other											
3.3 Profit distribution										-632,487,764.00	-632,487,764.00
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)										-632,487,764.00	-632,487,764.00
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	632,487,764.00				1,444,087,483.55		17,203,068.47		319,944,578.39	2,681,636,349.51	5,095,359,243.92

H1 2017

Unit: RMB

Item	H1 2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained profits	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	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
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	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
3. Increase/ decrease in the period ("-" for decrease)					54,918,708.03		-9,545,289.45			186,568,810.37	231,942,228.95
3.1 Total comprehensive income							-9,545,289.45			660,934,633.37	651,389,343.92
3.2 Capital increased and reduced by owners					54,918,708.03						54,918,708.03
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity					54,918,708.03						54,918,708.03

3.2.4 Other											
3.3 Profit distribution										-474,365,823.00	-474,365,823.00
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)										-474,365,823.00	-474,365,823.00
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	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

III. Company Profile

Wuxi Little Swan Company Ltd. (“the Company”) was incorporated as an oriented-collection company limited with the approval of Su-Ti-Gai-Sheng (1993) No. 253 document from Economic Reform Commission of Jiangsu Province on 29 November 1993. Then the Company domestically and publicly issued 70,000,000 shares of B-share and transformed to a state-collectively-owned enterprise with the approval of (1996) No. 52 document from Jiangsu Province of the People’s Republic of China (the “PRC”), Zheng-Wei-Fa (1996) No. 14 document from China Securities Regulatory Commission of the State Council and Shen-Zheng-Ban-Han (1996) No. 4 from Shenzhen Municipal Securities Regulatory Office on July 1996, which amounted to RMB310 million of the share capital of the Company after the issuance.

In March 1997, the Company domestically and publicly issued 60,000,000 shares of RMB ordinary share (including 9,000,000 shares of staff-share) with the approval of Zheng-Jian-Fa-Zi (1997) No. 55 from CSRC. And the total raised fund from this issuance of A-share totaled RMB720.83 million, and the Company was formally listed in Shenzhen Stock Exchange in March 1997 with the short form of stock as Little Swan A and stock code as 000418.

On 20 July 2006, the proposal on the equity division reform of the Company reviewed and approved by the relevant shareholders meeting with the consideration of the non-circulating shareholders paid for the circulating stock shareholders of the Company for acquiring the circulation right for the non-circulating shares held by them: regarded 4 August 2006 as the shares alternation registration date as well as executed the consideration proposal by paying 2.5 shares of every 10 shares for the A shares circulating stock shareholders on 7 August 2006 and the shares with consideration listed and circulated on that date. After the execution of the above consideration of the bonus, the total amount of the shares of the Company remains the same, while the shares structure correspondingly changed.

On 9 May 2008, the 2007 Annual General Meeting reviewed and approved the 2007 Dividend Plan: adding five shares to every ten shares basing on the total share capital of 365,103,840 shares at the end of 2007, transferring the public reserves to 182,551,920 shares with par value of RMB1 per share, thus the added share capital totaled RMB182,551,920 and after which, the total share capital turned from 365,103,840 shares to 547,655,760 shares of the Company.

According to the resolutions of the 4th Meeting of the 6th Board of Directors and The 1st Extraordinary General Meeting of 2010, having approved by China Securities Regulatory Commission of the Reply to the Approval of

the Significant Assets Reorganization and the Purchase of the Assets of GD Midea Holding by Wuxi Little Swan Co., Ltd. (ZJXK [2010] 1577) on 9 November 2010, the company launched directional add-issuance of 84,832,000.00 A shares to buy 69.47% of the shares of Hefei Midea Washing Machine Co., Ltd.(original name: Hefei Rongshida Washing Equipment Manufacturing Co., Ltd) from its shareholder GD Midea Holding Co., Ltd.. This add-issuance increased the share capital by RMB84,832,000.00

After approved by CSRC through the Reply of the Approval of the Merger of GD Midea Holding by Midea Group Co., Ltd. (ZJXK [2013] 1014 document) that issued on 29 July 2013, Midea Group had split off as well as consolidated and combined the original controller GD Midea Holding on 18 September 2013. After the consolidation and combination, Midea Group inherited and undertook the whole rights and obligations of the whole assets and liabilities etc of GD Midea Holding as the reminder enterprise and had finished the relevant registration procedures of shares transfer on 31 December 2013, and after which, Midea Group changed to be the first largest shareholder of the Company.

By 30 June 2018, the total amount of the outstanding common shares of the company were 632,487,764 shares, among which the restricted exchange-traded A shares are 2,087,745 shares, accounting for 0.33% of the whole shares; the unrestricted exchange-traded A shares are 439,364,147 shares, accounting for 69.47%; and the unrestricted exchange-traded B shares are 191,035,872 shares, account for 30.20% of the whole shares.

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

The Company and its subsidiaries belong to household appliances so the main business scope is as follows: manufacture and sales as well as after-sale service of household appliances, industrial ceramics, environmental dry-cleaning equipment, cleaning mechanical equipment, subsequent finishing equipment and accessory; cleaning service; machinery processing; import and export business of “Little Swan” or agent products and technologies (excluding the products or technology restricted to operate, export or import in China); technical service for household appliances; contracting foreign engineering in international bidding (operate with effective certificate); used self-owned funds to investment in financial industry.

The financial statements were approved and authorized for issue by the Board of Directors on the date of 6 August 2018.

For the major subsidiaries that included in the consolidated scope of the Reporting Period, please refer to the Notes IX.

IV. Basis for the Preparation of Financial Statements

1. Preparation Basis

The financial report compiled according to the ASBE-Basic Criterion issued by Ministry of Finance on 15 February 2006 and the follow-up periods, each specific accounting criterions as well as the relevant regulations (hereinafter referred to as a whole of “ASBE”) and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

2. Continuation

The financial report compiled based on the continuation.

V. Important Accounting Policies and Estimations

1. Statement of Compliance with Enterprise Accounting Standards

The 2018 interim financial statements of the Company comply with the requirements of Accounting Standards with the merger on 30 June 2018 and the Company’s financial conditions as well as the relevant information of the semi-annual merger of Y2018 and the operation results and the cash flow of the Company are truly and completely disclosed in the financial statements.

2. Accounting Period

The Company’s accounting year is from January 1st to December 31st for each calendar year.

3. Fiscal Period

The fiscal periods of an enterprise includes fiscal years and fiscal periods shorter than a complete fiscal year. The fiscal period of the Company is 12 months.

4. Recording Currency

The recording currency of the Company is RMB. Subsidiaries of the Company confirmed the recording currency according to their primary economic environment, among which the recording currency of the subsidiary of Little Swan International (Singapore) Company Limited is USD. The financial statement is presented and listed by RMB.

5. Accounting Processing Method of Business Combination Under the Same Control and not Under the Same Control

(a) The Business Combinations which are Under the Same Control

Combination consideration paid by the combining party and net assets acquired shall all be measured based on their book value, but if the combined party was acquired by the final controlling party from the third party in previous years, then they are based on the book value of assets and liabilities of the combined party (including the goodwill formed from the acquisition of the combined party by the final controlling party) in the consolidated financial statements of the final controlling party. Corresponding capital reserve (capital stock premium) shall be adjusted according to the difference between the book value of such net assets and that of the combination consideration; when such capital reserve (capital stock premium) cannot write them down, retained earnings shall be adjusted. Meanwhile, relevant direct expenses resulting from such business combination shall be included in the profit and loss for the period, and all transaction expenses resulting from issuing equity securities or debt securities for such business combination shall be included in the initial recognition amount of such equity security or debt security.

(b) Business Combination not Under the Same Control

Combination costs occurred to purchaser and obtained net identifiable assets shall be calculated based on the fair value in the purchasing date. If combination costs are greater than the seller's balance obtained from the fair value of net identifiable assets in the purchasing date, such surplus shall be confirmed as Goodwill; if less, such balance shall be included in current profit and loss. Meanwhile, relevant direct expenses resulting from such business combination shall be included in the profit and loss for the period, and all transaction expenses resulting from issuing equity securities or debt securities for such business combination shall be included in the initial recognition amount of such equity security or debt security.

6. Consolidated Financial Statement Compilation Method

The consolidation scope of financial statement shall include the company and all subsidiaries.

From the day when the company obtained the actual control of its subsidiaries, the company could initiate corresponding consolidation which shall be ended up to the day of losing such actual control. Subsidiaries obtained through business combination under the same control shall be incorporated into the consideration scope from the day when they're put under the control of the final controlling party, and the net profit realized before the

combination day shall be individually reflected in the consolidated income statement.

When consolidated financial statement is being formulated, the company's accounting policy and accounting period shall be regarded as final and binding to adjust the subsidiary's financial statement if the subsidiary's accounting policy is not consistent with that of the company. For the subsidiary acquired through business combination not under the same control, its financial statement shall be adjusted based on the fair value of the net identifiable assets in the day of purchase.

All of the major incoming and outgoing balances of the Company and its subsidiaries, transactions and unrealized profit shall be set off during the compilation of the consolidated financial statement. The subsidiary's shareholder equity, net profit and loss for the period and the part of comprehensive income not belonging to the company shall be individually indicated and shown in the consolidated financial statement under shareholder's equity, net profit and total comprehensive income respectively as minority equity, minority interest income and total comprehensive income attributed to minority shareholders. All unrealized internal transaction profit and loss resulting from the company's sales of assets to the subsidiary shall be applied to set off the net profit attributed to the parent company's shareholders; all unrealized internal transaction profit and loss resulting from the subsidiary's sales of assets to the parent company shall be set off accordingly by the net profit attributed the parent company's shareholders and minority interest income based on corresponding distribution ratio (the company to the subsidiary). All unrealized internal transaction profit and loss resulting from assets sales among subsidiaries shall be set off accordingly by the net profit attributed the parent company's shareholders and minority interest income based on corresponding distribution ratio (the company to the seller's subsidiary).

If any discrepancy exists between the recognition by regarding the company and its subsidiaries as the accounting subject and the recognition by regarding the company or its subsidiary as the accounting subject in terms of the same transaction, this transaction shall be adjusted from the perspective of combination.

7. Cash and Cash Equivalent Recognition Standard

The company's cash and cash equivalent shall include cash in treasury, deposit that can be applied for any payment at any time, cashes featuring short time limit, strong flowability and convenience in conversion into known amount and investment of low risk in value variations.

8. Foreign Currency Transaction and Foreign Currency Statement Translation

(a) Foreign Currency Transaction

Foreign currency transaction shall be recorded in an account based on recording currency (through applying the spot rate in the day of transaction).

On balance sheet day, foreign currency monetary items shall be converted into recording currency based on the spot rate of exchange. The exchange difference resulting from the specific foreign currency borrowings in order to purchase and construct the assets in conformity with corresponding capitalization conditions shall be capitalized during the process of capitalization, and other exchange differences shall be directly included in profit and loss for the period. Foreign currency non-monetary items measured at historical cost shall be converted based on the spot rate of exchange on balance sheet day. The amount of cash subject to the change in exchange rate shall be individually indicated and shown in cash flow statement.

(b) Foreign Currency Statement Translation

Assets and liabilities stated in balance sheet statement (overseas operation) shall be converted based on the spot rate of exchange on balance sheet day; in terms of shareholder's equity, except undistributed profit, other items shall be converted based on the spot rate of exchange. Income and cost items stated in balance sheet statement (overseas operation) shall be converted based on the spot rate of exchange in the day of purchase. Corresponding foreign currency statement translation differences mentioned above shall be included in other comprehensive incomes. Cash flow items (overseas operation) shall be converted based on the spot rate of exchange in the day of cash flow. Meanwhile, the amount of cash subject to the change in exchange rate shall be individually indicated and shown in cash flow statement.

9. Financial Instruments

(a) Financial Assets

(i) Classification of Financial Assets

Upon initial recognition, financial assets shall be classified into financial assets at fair value through profit or loss, account receivable, available-for-sale financial assets. However, the classification of financial assets depends on the Company and its subsidiaries' intention and capacity of holding such financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of sale in a short time.

Account receivable

Account receivable refers to non-derivative financial assets with fixed or recognized recovery cost and no quoted price in the active market.

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale non-derivative financial assets designated upon the initial recognition and financial assets not classified into others. Within 12 months after balance sheet day, (sold) available-for-sale financial assets shall be shown in balance sheet statement as other current assets.

(ii) Recognition and Measurement

When the Company and its subsidiaries becomes one party for the financial instrument contract, financial assets shall be recognized based on its fair value in balance sheet statement. Transaction expenses resulting from financial assets measured based on its fair value and its variations included in profit and loss for the period shall be included in profit and loss for the period; other transaction expenses related to such financial assets shall be included in the amount after initial recognition.

Follow-up measurement shall be conducted for financial assets at fair value through profit or loss and available-for-sale financial assets based on their fair value while equity instrument investment that cannot be reliably measured without any quoted price in the active market shall be measured based on costs; receivables and held-to-maturity investment shall be measured based on amortized cost by means of effective interest method.

The fair value change of financial assets at fair value through profit or loss shall be included into the current profit and loss as the fair value change's profit and loss; interests or cash dividends from assets in holding period and the disposal profit and loss when disposed shall be included into the current profit and loss.

Except depreciation loss and corresponding exchange profit and loss resulting from foreign currency monetary financial assets, variations of the fair value of available-for-sale financial assets shall be directly included in shareholder's equity. When such financial asset is derecognized, total variation previously included in equity shall be directly transferred to profit and loss for the period. Interests from investment into available-for-sale debt instruments calculated by effective interest method in the holding period and cash dividends (related to available-for-sale equity instrument investment) declared for distribution by the invested unit shall be included in profit and loss for the period as income from investment.

(iii) Financial Assets Depreciation

Except the financial assets at fair value through profit or loss, the Company and its subsidiaries shall check the book value of corresponding financial assets on balance sheet day; if any objective evidence proves the

depreciation of certain financial assets, corresponding depreciation reserve shall be calculated and withdrawn.

Such objective evidence refers to any matter actually happened that will influence the future cash flow prediction of such financial assets after the initial recognition, and the company is able to reliably measure such matter.

Objective evidences indicating the depreciation of available-for-sale equity instrument investment include any sharp or permanent drop of corresponding fair value of such equity instrument investment. The Company and its subsidiaries shall respective check various available-for-sale equity instrument investments on balance sheet day. If such the fair value of such equity instrument investment on balance sheet day is less than its initial investment cost (such difference exceeding 50%) or such duration exceeds 1 year (including 1 year), it shall be the sign of depreciation; if such difference reaches 20% (including 20%) to 50%, the company shall completely take relevant factors into consideration including price fluctuation so as to judge whether such equity instrument investment is depreciated. The company shall apply weighted mean method to calculate the initial investment cost of such available-for-sale equity instrument investment.

When financial assets measured based on amortized cost is depreciated, corresponding depreciation reserve shall be calculated and withdrawn based on the difference resulting from the current value of expected future cash flow (excluding future credit loss not occurred) less than its book value. If any objective evidence proves the recovery of such financial assets and it's related to the matter after the recognition of such loss, depreciation loss originally recognized shall be restituted and included in profit and loss for the period.

When available-for-sale financial assets measured based on fair value is depreciated, the total loss previously included in shareholder's equity resulting from the decrease in fair value shall be restituted and included in depreciation loss. For available-for-sale debt instrument investment whose depreciation loss is recognized, depreciation loss previously recognized shall be restituted and included in profit and loss for the period when it is related to the matter happened after original depreciation loss is recognized and such value increases. For available-for-sale equity instrument investment whose depreciation loss is recognized, the increase of fair value shall be directly included in shareholder's equity.

When available-for-sale financial assets measured based on cost is depreciated, the difference between its book value and its current value recognized from its future cash flow based on its market return shall be recognized as depreciation loss and included in profit and loss for the period. Such resulting depreciation loss shall not be restituted any longer.

(iv) Derecognition of Financial Assets

Corresponding financial assets shall be derecognized when any of the following conditions is met: (1) the contractual right to collect the cash flow of such financial assets is terminated; (2) such financial assets is transferred, and the Company and its subsidiaries have transferred all risks and rewards related to its ownership to the party accepting such financial assets; or (3) such financial assets is transferred. Although the Company and its subsidiaries do not transfer and retain all risks and rewards related to its ownership, it gives up its control of such financial assets.

When such financial assets is derecognized, the difference between its book value and the sum of received consideration and the total variation of fair value in shareholder's equity shall be included in profit and loss for the period.

(b) Financial Liabilities

Upon initial recognition, financial liabilities shall be classified into financial assets measured based on its fair value and its variations included in profit and loss for the period and other financial liabilities. However, the Company and its subsidiaries' financial liabilities are mainly other financial liabilities, including short-term borrowing, notes payable, accounts payable, dividends payable, and other accounts payable, as well as other current liabilities, which shall be initially measured based on fair value. Meanwhile, follow-up measurement shall also be conducted by means of effective interest method based on amortized cost.

Borrowings shall be initially measured based on fair value and the amount deducting relevant transaction expenses. Meanwhile, follow-up measurement shall also be conducted by means of effective interest method based on amortized cost.

Other financial liabilities with the time limit less than 1 year (including 1 year) shall be indicated and shown as current liabilities; if such time limit exceeds 1 year, but such financial liability will be due within (including) 1 year as of balance sheet day, such financial liability shall be indicated and shown as non-current liabilities due within one year. Others shall be reported as non-current liabilities.

When corresponding financial liability's current obligation is fully or partially relieved, the relieved part shall be derecognized. The difference between the book value of the derecognized part and the consideration shall be included in profit and loss for the period.

(c) Recognition of Fair Value of Financial Instrument

The fair value of financial instrument existing in the active market shall be recognized based on its quoted price in the active market. The fair value of financial instrument not existing in the active market shall be recognized by

means of corresponding valuation technology. During the valuation process, the Company and its subsidiaries shall apply appropriate valuation technology with strong support from adequate usable data and other information and select the input value consistent with relevant assets or liabilities features considered by market participants in conducting relevant transactions. Meanwhile, corresponding observable input value shall be first choice. When it's impossible or not feasible to obtain such observable input value, unobservable input value shall be put into service.

10. Receivables

(a) Accounts Receivable with Significant Single Amount for which the Bad Debt Provision is Made Individually

Definition or amount criteria for an account receivable with a significant single amount	The single amount of the accounts receivable accounts for more than or equal to 10% of the total accounts receivable, or the single amount is more than or equal to RMB10,000,000; the single amount of the other accounts receivable at the period-end accounts for more than or equal to 10% of the total other accounts receivable, or the single amount is more than or equal to RMB5,000,000.
Making individual bad-debt provisions for accounts receivable with a significant single amount	Executes the withdrawal according to the difference that the current value of the expected future cash flow lowers than its book value of the accounts receivable.

(b) Accounts Receivable which the Bad Debt Provision is Withdrawn by Credit Risk Characteristics

Name of portfolios	Bad debt provision method
Aging group	Aging analysis

In the groups, those adopting aging analysis method to withdraw bad debt provision:

Aging	Provision rate for Accounts Receivable	Provision rate for Other Receivables
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%
4-5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

In the groups, those adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, those adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Independently

Reason for bad debt provision	There is objective evidence indicate that the Company and its subsidiaries couldn't withdraw the accounts according to the original articles of the accounts receivable.
Withdrawal method	Executes the withdrawal according to the difference that the current value of the

11. Inventory

(a) Category

Inventory includes raw materials, products in process, stock merchandises and revolving materials that measured according to the lower one between the cost and the net realizable value.

(b) Pricing method for distributed inventories

Inventories are measured at weighted average method when procured, while the cost of the stock merchandises and the products in process includes the raw materials, direct labor and manufacturing expenses assigned according to the system under the normal capacity.

(c) Recognition basis of net realizable value of inventories and withdrawal method for impairment provision of inventories

When the net realizable value is lower than the cost, provisions for impairment of inventories shall be drawn. The net realizable value is confirmed according to the amount after the estimated sales price of the inventory minus the amount of the estimated cost occur when the work finished and the estimated sales expenses as well as the relevant taxes among the daily activities.

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

(e) The method of amortization of the low priced and easily worn articles and the wrappages

The revolving materials include the low priced and easily worn articles and the wrappages and so on, while they both are amortized by one time write-off method.

12. Long-term Equity Investment

Long-term equity investments include the company's long-term equity investment made to the subsidiary.

The subsidiary refers to the invested unit under the Company's control

The investment to the subsidiary shall be shown in the company's financial statement based on the amount recognized through cost method, and consolidated after corresponding adjustment according to equity law when

the consolidated financial statement is being formulated.

(a) Investment Cost Recognition

Long-term equity investment resulting from business combination: for long-term equity investment resulting from business combination under the same control, corresponding investment cost shall be determined based on the share of book value of the owner's equity of the combined party in the final controlling party's consolidated financial statements in the day of combination; for long-term equity investment resulting from business combination not under the same control, corresponding investment cost shall be determined based on corresponding combination cost.

Long-term equity investment obtained by other means except business combination: for long-term equity investment obtained by paying cash, its initial investment cost shall be the actual purchasing payment; for long-term equity investment obtained by issuing equity securities, the fair value of such equity security shall be its initial investment cost.

(b) Follow-up Measurement and Profit and Loss Recognition Method

Long-term equity investment calculated by using cost method shall be measured based on its initial investment cost; cash dividends or profits declared by the invested unit for distribution shall be recognized as investment revenue and included in profit and loss for the period.

For long-term equity investment calculated by using equity method, if initial investment cost is more than the share of fair value of the invested unit's net identifiable assets, such initial investment cost shall be the long-term equity investment cost; if such initial investment cost is less than the share of fair value of the invested unit's net identifiable assets, such resulting difference shall be included in profit and loss for the period and the long-term equity investment cost shall be accordingly adjusted and increased.

For long-term equity investment calculated by using equity method, the company shall recognize corresponding profit and loss for the period according to the share of net profit and loss obtained or held from the invested unit. In terms of the recognition of the invested unit's net loss, the long-term equity investment's book value and other long-term equities constituting the net investment made to the invested unit in reality shall be written down to Zero, but when the company is obliged to burden corresponding extra loss and relevant expected liability recognition conditions are met, corresponding investment loss shall still be recognized and calculated as expected liability. As for other changes in owner's equity of the invested unit except net profit and loss, other comprehensive revenue and profit distribution, the book value of long-term equity investment shall be adjusted

and included in capital reserve. Accordingly, the book value of long-term equity investment shall be reduced based on the part attributed to the company when the profit or cash dividend is declared and distributed by the invested unit. Meanwhile, the unrealized internal transaction profit and loss between the company and the invested company shall be applied to determine and set off the part attributed to the company based on corresponding shareholding ratio, on which basis, corresponding investment profit and loss shall be recognized. In terms of the internal transaction loss resulted from the company and the invested unit, the part belonging to assets impairment loss and corresponding unrealized loss shall not be set off.

(c) Basis for Confirming Joint Control and Important Influence on the Invested Party

Control means that the company has the right to control the invested party and enjoy variable returns through participating in relevant activities of the invested party. In addition, the company is also able to make use of its control right to influence such variable return.

Joint control refers to jointly control an arrangement as agreed by both parties, and activities related to the arrangement can only be conducted with the consent from all parties involved in such joint control.

Important influence refers to the possession of the right to make decisions about the company's financial and business operation policies, but the establishment of these policies cannot be controlled or jointly controlled with other parties.

(d) Long-term Equity Investment Depreciation

For long-term equity investments attributed to the subsidiary, when their recoverable amount is less than their book value, such book value shall be written down to corresponding recoverable amount (Notes V (17)).

13. Investment property

Depreciation or amortization methods

An investment property includes the use rights of leased land and buildings for rental purposes, and is initially recorded at cost. Subsequent expenditures related to an investment property shall be included into the cost under conditions that relevant economic benefits are likely to flow in the company and the cost can be measured reliably. Otherwise, they should be recorded into current profits and losses when incurred.

The Company and its subsidiaries conduct subsequent measurement of all investment properties in the model of cost, and the depreciation of investment properties is withdrawn according to the difference of entry value minus the net residual within the estimated useful life by the straight-line method. The estimated useful life, net residual value and annual depreciation (amortization) rate are as follows:

Items	Estimate Useful Life	Net Residual Rate	Annual Depreciation Rate
Buildings	20-35 years	5.00%	2.71%-4.75%
Land Use Rights	50 years	-	2.00%

Investment properties should be transferred to fixed assets or intangible assets since the date of their being changed for self-use. As the purposes of self-use properties are changed for generating rents or capital appreciation, the fixed assets or intangible assets shall be transferred to investment properties from the date of change. In time of change, the book value before transfer should be used as the recorded value after transfer.

Reviews and appropriate adjustments shall be made annually to the estimated useful life, estimated net residual rate and depreciation (amortization) methods of the investment properties.

When an investment property is disposed or permanently out of use with the estimation that no further economic benefits could be obtained from its proposal, it should be derecognized. The disposal revenue of an investment property for sale, transfer, retirement or damage should be recorded into current profits and losses after deducting book value and relevant taxes.

As the recoverable amount of an investment property is lower than its book value, its book value should be written down as the recoverable amount (Note V (17)).

14. Fixed Assets

(a) Recognition Method

The fixed assets include the buildings, machineries and equipments, transportation tools, as well as office and electronic equipment and so on, which are confirmed when the related economic benefits probably flow into the Company and its subsidiaries with the cost could be reliable measured. The purchased and the newly built fixed assets should be executed the initially measurement according to the cost when acquired. And the follow-up expenses related to the fixed assets should be included in the fixed assets cost when the economic benefits related to the former that probably flow into the Company and its subsidiaries with the cost could be reliable measured; as for the part be replaced, should derecognize its book value; all of the other follow-up expenses should be included in the current gains and losses when occur.

(b) Depreciation Method

Categories	Depreciation method	Estimated useful life	Residual value	Annual depreciation rate
Houses & buildings	Average method of useful life	20-35 years	5.00%	2.71%-4.75%
Machineries	Average method of useful life	10-15 years	5.00%	6.33%-9.50%

Transport machine	Average method of useful life	5 years	5.00%	19.00%
Office and electronic equipments	Average method of useful life	3-5 years	5.00%	19.00%-31.67%

Fixed assets are depreciated using the straight-line method based on their costs less estimated residual values over their estimated useful lives. For a fixed asset whose provision for depreciation has been made, the depreciable amount is confirmed by book value after deducting impairment provision and its service life in future period.

When the recoverable amount of the fixed assets lower than the book value, should reduce the amount of the book value and include in the recoverable amount (Note V (17)).

Disposal of the fixed assets

When the fixed assets be disposed, or expected not to produce any economic benefits through usage or disposal, should derecognize the fixed assets. The amount of the disposal revenues of the sales, transfer, scrap or damage that deducted the book value as well as the relevant taxes should be included in the current gains and losses.

15. Construction in Progress

Construction in progress shall be measured at actual cost. The actual cost comprises construction cost, installation cost, borrowing costs eligible for capitalization, and other expenditures necessary for the construction in progress to reach the intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. As the recoverable amount of the construction in progress is lower than the book value, its book value should be written down as the recoverable amount.

16. Intangible Assets

(a) Evaluation Methods, Useful Life, Impairment Test

Intangible assets comprise land use rights, and non-patented technology and software etc, which are measured at cost.

(i) Land Use Rights

The land use right allocated by the nation is zero-cost, and there is no specific use term in the land use right certificate, which should not be amortized. The other land use rights should be averagely amortized based in use term of 50 years. Charges of lands and buildings purchasing which could not be reasonably allocated between land use rights and buildings should be used as fixed assets.

(ii) Non-patented Technology

Non-patented technology should be averagely amortized based on whichever is shorter among contract period, profits period and legally regulated period.

(iii) Software

Software should be recorded based on the actual payment, and averagely amortized according to an estimated useful life of 3 to 5 years.

(iv) Regular Review of Useful Life and Amortization Method

The estimated useful life and amortization methods of intangible assets with limited service life should be reviewed and appropriately adjusted at the end of each year.

(b) Research and Development

Internal research and development project expenditure could be divided into research expenditures and development expenditures based on their nature and whether the intangible assets created by the R&D activities have high level of uncertainty.

Expenditures of planned surveys, assessment and selections for the purpose of researching production process are research expenditures and are recorded in current profits and losses in occurrence; expenditures of relevant designs and tests in production process before mass production are development expenditures, and can be capitalized if they meet all of the following conditions:

- The development of production process has been fully verified by technology team;
- The management has approved the budget of production process development;
- Studies and analyses of pre-market researches show that the products produced based on production process have marketing abilities.
- There are sufficient technology and funds support to conduct development of production process and follow-up large scale production;
- Expenditures of production process development could be reliably merged.

Development expenditures failing to meet the above conditions would be recorded into current profits and losses. Previously recorded development expenditures would not be reaffirmed as assets in subsequent periods. Capitalized expenditures in development phase should be listed as development expenditures on balance sheet, and would be transferred to intangible assets since the date of the project achieving its intended use.

(c) Impairment of Intangible Assets

As the recoverable amount of the intangible assets is lower than the book value, its book value should be written down as the recoverable amount (Note V (17)).

17. Impairment of Long-term Assets

Fixed assets, intangible assets with limited life, investment properties measured at cost, and long-term

unamortized expenses, other non-current assets, and long-term equity investment in subsidiaries should go through impairment test as there are signs of impairment on balance sheet; intangible assets not reaching useful status should go through impairment tests at least annually whether there is sign of impairment or not. As the impairment test results show that the recoverable amount of assets is lower than the book value, provision for impairment based on the difference would be prepared and included in impairment losses. The fair value of assets deducted by the higher one between the net value after disposal and the present value of the expected future cash flow is the recoverable amount. Assets impairment preparation should be calculated and confirmed based on single assets, and the assets group where the assets belong should confirm its recoverable amount in case that the recoverable amount of single assets is hard to estimate. Assets group is the minimum assets unit to produce cash flow independently.

Intangible assets with uncertain useful life and development expenditures of capitalization should go through impairment tests at least annually whether there is sign of impairment or not. The above assets impairment losses cannot be recovered in subsequent period once confirmed.

18. Long-term Unamortized Expenses

Long-term unamortized expenses include operating rented fixed assets and other expenses which already happen and should be amortized over a year and undertaken by current and subsequent phases, and they would be averagely amortized according to benefit period and listed in the net amount of actual expenses deducted by accumulated amortization.

19. Employee Remuneration

(a) Accounting Treatment of Short-term Remuneration

Short-term remuneration includes salary, bonus, allowance and subsidy, welfare, medical insurance, industrial injury insurance, maternity insurance, housing funds, labor union and education funding. In the accounting period of employees providing service, the Company and its subsidiaries recognizes the actual short-term remuneration as reliabilities and records it in current profits and losses and relevant asset cost.

(b) Accounting Treatment of Post-employment Benefits

The post-employment benefits of the Company and its subsidiaries are divided into defined contribution plan and defined benefit plan. Defined contribution plan refers to the post-employment welfare plan that the Company and its subsidiaries does not undertake further liabilities after depositing fixed expenses in an independent fund;

Defined benefit plan refers to the post-employment welfare plan excluding defined contribution plan. Within the period of this report, the post-employment welfare plan of the Company and its subsidiaries refer to the basic old-age pension insurance and unemployment insurance deposit for employees, both of which belong to the defined contribution plan.

Basic old-age pension insurance

Employees of the Company and its subsidiaries have joined the social basic old-age pension insurance organized and implemented by local labor and social security departments. The Company and its subsidiaries pay old-age pension insurance premiums monthly to local social basic old-age pension insurance agencies according to local social basic old-age pension insurance contribution base and proportion. After employees retire, local labor and social security departments are responsible for payment of basic old-age pension to employees. In the accounting period of employees providing service, the Company and its subsidiaries recognize the payable amount regulated by social security departments as liabilities and records it in current profits and losses and relevant asset cost.

(c) Accounting Treatment of Termination Benefits

As the Company and its subsidiaries terminate labor contract with employees before the expiration date, or encourages employees to accept layoff voluntarily by providing certain compensation, liabilities caused by the compensation to employees for terminating labor contract with them would be confirmed on whichever is earlier between that the Company and its subsidiaries could not withdraw the labor relationship or layoff suggestions unilaterally and costs related to paying termination benefits are confirmed, and should be recorded in current profits and losses.

(d) Accounting Treatment of Other Long-term Employees Benefits

(i) Early retirement welfare

Subsidiaries of the Company provide early retirement welfare for employees accepting early retirement arrangement. Early retirement welfare refer to salary and social insurance premiums paid to employees who haven't reached the retirement age regulated by the country and have stepped down their posts voluntarily after being approved by the management of the Company and the subsidiary they belong to. The subsidiaries should pay early retirement welfare to these early retired employees from the first date of early retirement till their normal retirement age. As for early retirement welfare, subsidiaries should conduct accounting treatment. As the conditions of early retirement welfare are confirmed, the to-be-paid salary and social insurance premiums for employees from the date when employees stop providing service till the date when they reach legal retirement date should be confirmed as liabilities and recorded into current profits and losses at one time. Difference

caused by changes in actuarial assumptions and adjustments of welfare standards for early retirement welfare should be recorded into current profits and losses.

The estimated termination benefits within a year since the date of balance sheet date should be listed as flowing liabilities.

20. Estimated liabilities

Current obligations in the form of product quality guarantee and onerous contract should be confirmed as anticipation liabilities as fulfilling these obligations may lead to flowing out of economic benefits and the amounts could be measured reliably.

The anticipated liabilities should be initially measured according to the best estimate of fulfilling related current obligations, and comprehensive considerations should be taken in relevant risks, uncertainty and time value of money etc. If the time value of money has significant impacts, relevant future cash flow could be discounted to confirm the best estimate; the increased amount to the book value of anticipated liabilities caused by discount reduction along with time would be confirmed as interest expenses. On balance sheet date, the book value of anticipated liabilities should be reviewed and appropriately adjusted to reflect the best current estimates.

The estimated liabilities that need to pay within one year from the balance sheet date are listed as current liabilities.

21. Share-based Payment

(a) Categories of Share-based Payment

The term "share-based payment" refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees. The equity instruments include the equity instruments of the Company itself, the Company as the parent or other accounting entity in the same group. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

Equity-settled share-based payments

The equity-settled share-based payment in return for employee services of the Company and its subsidiaries' stock option plan and restricted stock incentive plan shall be measured at the fair value of the equity instruments granted to the employees. As for an equity-settled share-based payment in return for employee services, the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met.

Within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses at the fair value of the equities instruments on the date of the grant, and the capital reserves shall be increased accordingly. If the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments. On the vesting date, an enterprise shall, based on the number of the equity instruments of which the right is actually exercised, calculate and confirm the amount of the capital stock to be transferred in, and transfer it in the stock capital.

(b) Recognition Method of Fair Value of Equity Instruments

The Company and its subsidiaries confirm the fair value of stock option by adopting options pricing model, and confirm the fair value of stock appreciation right by adopting options pricing model of Black Scholes.

(c) Recognition Basis of the Best Estimate of the Vested Equity Instruments

On every balance sheet date in the waiting period, the Company and its subsidiaries shall reason out the best course to estimate according to the newly information of the vested employee variation and revise the amounts of expected vested equity instruments. On the vesting date, final estimated number of vested equity instruments is same as the actual number of vested equity instruments.

(d) Relevant Accounting Treatment of Executing, Revising and Terminating the Share-based Payment Plans

On the vesting date of stock option, the Company and its subsidiaries confirmed the share capital and stock premium, and carry forward the recognized capital reserves within the vesting period according to the vesting conditions.

22. Revenue

Revenue amount should be confirmed by the fair value of received and receivable contracts or agreements as the Company and its subsidiaries sells goods and provides services in daily operation activities. Revenue is shown as the net amount after deducting sales discount and returns.

As economic benefits related to transactions could flow into the Company and its subsidiaries, and relevant revenue could be measured reliably and also meet the standards for various operation activities as listed below, relevant revenue is confirmed:

(a) Sales of Goods

The company manufactures and sells washing machines. As the products are delivered, main risks and remuneration of the ownership of the goods would be transferred to the purchaser, and the Company would not conduct continuing management and control over the products. The sales revenue is realized as related income or price credential has been obtained, and relevant cost could be calculated reliably. The Company and its subsidiaries' main sales are realized from dealers, large-scale chain home appliance retailers and e-commerce platforms as well as export. Sales revenue obtained from dealers, large-scale chain home appliance retailers and non-proprietary e-commerce platforms should be confirmed as products have been delivered to them and accepted by them. After accepting the products by dealers, large-scale chain home appliance retailers and non-proprietary e-commerce platforms, they need to undertake the risk of possible damage and price fluctuation of the products, and also have the right to sell the products by themselves. Sales revenue obtained from proprietary e-commerce platform should be confirmed as the products have been delivered to and accepted by end users. Sales revenue obtained from export should be confirmed as the products have been declared to customs, crossed the ship's side at designated loading port and got the bill of landing according to the contract agreement.

The Company sells materials. As the products are delivered, main risks and remuneration of the ownership of the goods would be transferred to the purchaser, and the Company would not conduct continuing management and control over the products. The sales revenue is realized as related income or price credential has been obtained, and relevant cost could be calculated reliably.

(b) Transfer of Assets Use Rights

Interest income would be confirmed by actual interest rate in accordance with the time of other parties using monetary fund of the company.

Operating lease income would be confirmed within the lease period on straight-line basis.

23. Government Subsidy

A government subsidy means the monetary or non-monetary assets obtained free by the Company and its subsidiaries from the government, including tax refund and fiscal subsidies, and etc.

No government subsidy may be recognized unless the attached conditions are met and the subsidy can be obtained by the Company and its subsidiaries. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

(a) Judgment Basis and Account Treatment Methods of Assets Related Government Subsidy

Assets related government subsidy refers to government support acquired by the company to be used in purchasing and building or forming long-term assets in other ways. Benefits related government subsidy refer to the government support except for assets relate government subsidy.

Assets related government subsidy would be confirmed as deferred benefits, averagely allocated within the useful life of relevant assets, and recorded in current profits and losses. Government subsidy measured at nominal amount would be recorded to current profits and losses directly.

(b) Judgment Basis and Account Treatment Methods of Benefits Related Government Subsidy

Benefits related government subsidy, used to compensate expenses and losses of subsequent periods, would be confirmed as deferred benefits, and recorded into current profits and losses during the period of establishing relevant costs; those used to compensate relevant expenses and losses that already happened would be recorded directly to current profits and losses.

24. Deferred Income Tax Assets/ Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities should be confirmed based on the difference (temporary difference) between tax basis of assets and liabilities and their book values. Corresponding deferred income tax income assets should be confirmed in accordance with the tax provisions for deductible losses which could deduct the taxable income in subsequent years. The temporary difference caused by initial confirmation of goodwill could not confirm the deferred income tax liabilities. Temporary differences formed by initial confirmation of assets and liabilities generated from non-corporate merging transactions having no influences on accounting profits or taxable income (deductible losses) could not confirm corresponding deferred income tax assets and deferred income tax liabilities. In the balance sheet date, deferred income tax assets and deferred income tax liabilities should be measured based on the appropriate tax rate in the period of expected recovery of the assets or settlement of the liabilities.

Deferred income tax assets should be confirmed by the possible taxable income used to deduct temporary difference, deductible losses and tax deduction.

The taxable temporary difference related to investment of subsidiaries could confirm the deferred income tax liabilities, unless the Company could control the time of reverse of temporary difference or the temporary difference would not reverse in the foreseeable future. The deductible temporary difference related to investment of subsidiaries could confirm the deferred income tax assets, as the temporary difference could possibly reverse in foreseeable future and obtain taxable income which could be used to deduct deductible temporary difference.

Deferred income tax assets and deferred income tax liabilities meeting all of the following conditions could be listed as the net amount after deduction:

- Deferred income tax assets and deferred income tax liabilities are related to the income tax collected by the same tax bureau from the same taxpayer of the company.
- The taxpayer of the company owns the legal rights of settle the current income tax assets and income tax liabilities in net amount.

25. Lease

Financing lease is the lease that virtually transfers all risks and remuneration related to assets ownership other leases are operating leases.

The rent income of operating lease during the lease period should be confirmed on a straight-line basis.

The rent payment of operating lease during the lease period should be recorded in related asset cost or current profits and losses on a straight-line basis.

26. Segment Information

The Company and its subsidiaries confirm the operating segment according to internal organizational structure, management requirement, and internal reporting system, which is the base to confirm reportable segment and disclose the segment information.

Operating segment refers to the component that the Company and its subsidiaries both can meet following conditions simultaneously:

- (a) The component can give rise to income and expenditure on daily activities.
- (b) Management can assess the operating results of this component regularly to decide to allocate resources to it and value its performance.
- (c) Related accounting information, such as financial status, operating results, and cash flow of this component can be obtained. Two or more operating segments that have similar economic characteristics and can meet certain conditions can be combined into one operating segment.

27. Other Critical Accounting Policies and Accounting Estimates

Based on historical experience and other factors, including reasonable expectations of future events, the Company and its subsidiaries conduct continuous evaluation of critical accounting estimates and key judgments adopted.

The following critical accounting estimates and key assumptions will lead to important risks of significant adjustment in the book value of assets and liabilities of next fiscal year:

(a) Provision of Sales Rebates

The Company and its subsidiaries apply sales rebates policy to their clients of sales. The Company and its subsidiaries conduct regular estimates and withdraw sales rebates in advance in accordance with regulations of sales agreement, review of specific transactions, market conditions and level of channel inventories historical experience, and by reference of the completion status of agreed assessment indicators of sales clients. In case of significant changes of previous estimates, the above difference would have impacts on sales rebates during the period of estimates changes.

(b) Income Taxes

The Company and its subsidiaries pay corporate income taxes in multiple jurisdictions. In normal operations, uncertainty exists in the final tax treatment of some transactions and events. Significant judgments are required from the Company and its subsidiaries in the provision of income taxes in each jurisdiction. If the final identified outcome of these tax matters differs from the initially recorded amount, the difference would have impacts on the income taxes and deferred income taxed during the period of making the above mentioned identification.

28. Changes in Critical Accounting Policies and Accounting Estimates

(1) Changes in Critical Accounting Policies

☐ Applicable ☒ Not applicable

(2) Changes in Critical Accounting Estimates

☐ Applicable ☒ Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable added value (tax amount payable should be measured according to the balance after the taxable sales multiply the applicable tax rate then deduct the input tax which allowed to be deduct at the Reporting Period)	16% or 10% or 5%
Urban maintenance and construction tax	Paid VAT	7% or 5%
Enterprise income tax	Payable income tax amount	15% or 17% or 25%

2. Tax Preference

Based on the relevant regulations of the No. 28 articles of the Enterprise Income Law of the People's Republic of China, the payment of the corporate income tax of the Company, Wuxi Little Swan GE Co., Ltd. and Wuxi Filin Electronics Co. Ltd. should be measured according to the 15% of the tax rate.

In July 2015, the Company got the High Technology Enterprises Certificate (certificate No.: GR201532000606) issued by Jiangsu Science and Technology Development, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau after the re-examination with the period of validity from 2015 to 2018 lasting for 3 years.

In July 2015, the subsidiary Wuxi Little Swan GE Co., Ltd. got the High Technology Enterprises Certificate (certificate No.: GR201532000557) issued by Jiangsu Science and Technology Development, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau after the re-examination with the period of validity from 2015 to 2018 lasting for 3 years.

In July 2015, the subsidiary Wuxi Filin Electronics Co., Ltd. got the High Technology Enterprises Certificate (certificate No.: GR201532000917) issued by Jiangsu Science and Technology Development, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau after the re-examination with the period of validity from 2015 to 2018 lasting for 3 years.

The applicable Singapore corporate income tax rate of the subsidiary Little Swan International (Singapore) Co., Ltd is 17%.

VII. Notes on Major items in Consolidated Financial Statements of the Company

1. Monetary Funds

Unit: RMB

Item	Ending balance	Beginning balance
Bank deposits	1,495,906,357.47	1,417,489,071.71
Other monetary funds	208,324,506.77	170,775,444.34
Total	1,704,230,864.24	1,588,264,516.05
Of which: total amount of the accounts deposited abroad	495,192.03	503,115.69

On 30 June 2018, other monetary funds included RMB195,786,014.31 of deposit for bank acceptance bills, RMB1,862,014.85 of deposit for forward foreign exchange contracts and RMB10,676,477.61 of deposit for letters of credit. (On 31 December 2017, other monetary funds included RMB166,791,807.67 of deposit for bank

acceptance bills and RMB3,983,636.67 of deposit for letters of credit.)

2. Financial Assets Measured by Fair Value with its Changes Recorded into Current Profit or Loss.

Unit: RMB

Item	Ending balance	Beginning balance
Derivative financial assets		5,270,238.03
Total		5,270,238.03

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	1,176,200,901.21	1,283,192,684.28
Total	1,176,200,901.21	1,283,192,684.28

(2) Notes Receivable which Had Endorsed by the Company or Had Discounted and not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	1,176,200,901.21	
Total	1,176,200,901.21	

4. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB'0,000

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable	208,207.41	100.00%	10,410.37	5.00%	197,797.04	182,813.10	100.00%	9,140.66	5.00%	173,672.45

withdrawn bad debt provision according to credit risks characteristics										
Total	208,207.41	100.00%	10,410.37	5.00%	197,797.04	182,813.10	100.00%	9,140.66	5.00%	173,672.45

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

☐ Applicable ☒ Not applicable

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

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	2,082,074,077.64	104,103,703.90	5.00%
Total	2,082,074,077.64	104,103,703.90	5.00%

Notes of the basis of recognizing the group:

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

(2) Accounts Receivable Withdrawn, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the reporting period was of RMB12,697,151.58; the amount of the reversed or collected part during the reporting period was of RMB 0.00.

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Item	Balance	Balance of the bad debt provision	Proportion to the total balance of the accounts receivable
Total amount of balance of the top 5 accounts receivable	1,341,328,505.12	67,066,425.26	64.42%

5. Prepayment

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	147,898,021.12	97.08%	79,671,655.89	94.46%
1 to 2 years	2,586,749.99	1.70%	4,675,136.49	5.54%
2 to 3 years	1,851,733.00	1.22%		
Total	152,336,504.11	--	84,346,792.38	--

The reason why the prepayments with significant amount and aging over one year had not settled in time:

As of 30 June 2018, the prepayments aging over one year were RMB4,438,482.99, which were mainly the unsettled prepayments not reaching conditions stipulated in contracts.

(2) Top 5 Prepayments in Ending Balance Collected according to the Prepayment Target

Unit: RMB

Item	Balance	Proportion to the total amount of the prepayments
Total amount of the top 5 of the balance of the prepayments	51,322,929.69	33.69%

6. Interest Receivable

(1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Structured deposits	179,050,047.95	60,096,246.58
Bank deposits	638,559.74	847,661.40
Total	179,688,607.69	60,943,907.98

7. Other Accounts Receivable

(1) Other Accounts Receivable Disclosed by Category

Unit: RMB'0,000

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	3,745.66	100.00%	271.53	7.25%	3,474.13	5,057.52	100.00%	335.07	6.63%	4,722.45
Total	3,745.66	100.00%	271.53	7.25%	3,474.13	5,057.52	100.00%	335.07	6.63%	4,722.45

Other accounts receivable at the period-end that is individually significant and provisions for bad debts individually.

☐ Applicable ☒ Not applicable

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

Unit: RMB

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	34,926,315.62	1,746,315.79	5.00%
1 to 2 years	985,908.00	98,590.80	10.00%
2 to 3 years	621,400.00	186,420.00	30.00%
Over 3 years	922,930.77	683,971.90	74.11%
Total	37,456,554.39	2,715,298.50	7.20%

Notes of the basis of recognizing the group:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopting other methods to accrue bad debt provision:

☐ Applicable ☒ Not applicable

(2) Other Accounts Receivable Withdrawn, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB635,414.59.

(3) Other Accounts Receivable Classified by the Nature of Accounts

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Funds in third parties' accounts	29,328,243.46	44,740,888.28
Borrowings by employees	4,376,288.38	2,875,802.98

Margin & cash pledge	3,267,721.48	2,515,443.83
Other	484,301.07	443,032.08
Total	37,456,554.39	50,575,167.17

(4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of units	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
Alipay (China) Network Technology Co., Ltd.	Deposits in the third-party payment platform	19,920,884.60	Within one year	53.18%	996,044.23
Shenzhen Midea Payment Technology Co., Ltd.	Deposits in the third-party payment platform	6,706,867.80	Within one year	17.91%	335,343.39
Chinabank Payments	Deposits in the third-party payment platform	1,668,076.64	Within one year	4.45%	83,403.83
Nanjing Suning Yifubao Network Technology Co., Ltd.	Deposits in the third-party payment platform	1,032,414.42	Within one year	2.76%	51,620.72
Wuxi China Resources Gas Co., Ltd.	Margin & cash pledge	820,800.00	1 to 2 years	2.19%	82,080.00
Total	--	30,149,043.46	--	80.49%	1,548,492.17

8. Inventory

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	24,203,708.86	570,442.41	23,633,266.45	35,127,847.81	570,442.41	34,557,405.40
Goods in process	15,014,293.01		15,014,293.01	14,237,995.55		14,237,995.55
Inventory goods	577,520,400.93	29,763,993.30	547,756,407.63	1,995,530,607.75	63,559,812.56	1,931,970,795.19
Total	616,738,402.80	30,334,435.71	586,403,967.09	2,044,896,451.11	64,130,254.97	1,980,766,196.14

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Beginning balance	Increased amount	Decreased amount	Ending balance
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		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	570,442.41					570,442.41
Inventory goods	63,559,812.56	11,877,851.17		45,673,670.43		29,763,993.30
Total	64,130,254.97	11,877,851.17		45,673,670.43		30,334,435.71

9. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial products	1,093,193,150.68	3,792,871,097.59
Structured deposits	10,700,000,000.00	8,650,000,000.00
Input tax to be deducted and certified	88,353,636.04	283,158,673.31
Other	45,415,612.78	52,210,974.32
Total	11,926,962,399.50	12,778,240,745.22

10. Available-for-sale Financial Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Available-for-sale equity instruments:	300,300.00	100,300.00	200,000.00	300,300.00	100,300.00	200,000.00
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 Property

(1) Investment Property Adopted the Cost Measurement Mode

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	88,189,256.96	22,949,959.07		111,139,216.03
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer from inventory\fixed				

assets\construction in progress				
(3) Enterprise combination increase				
3. Decreased amount of the period				
(1) Disposal				
(2) Other				
4. Ending balance	88,189,256.96	22,949,959.07		111,139,216.03
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	29,852,095.86	7,015,229.88		36,867,325.74
2. Increased amount of the period	1,650,141.54	275,912.46		1,926,054.00
(1) Withdrawal or amortization	1,650,141.54	275,912.46		1,926,054.00
3. Decreased amount of the period				
(1) Disposal				
(2) Other				
4. Ending balance	31,502,237.40	7,291,142.34		38,793,379.74
III. Depreciation reserves				
1. Beginning balance	12,576,065.29			12,576,065.29
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other				
4. Ending balance	12,576,065.29			12,576,065.29
IV. Carrying value				
1. Ending book value	44,110,954.27	15,658,816.73		59,769,771.00
2. Beginning book value	45,761,095.81	15,934,729.19		61,695,825.00

12. Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office & Electronic equipment	Total
I. Original carrying value					
1. Beginning balance	735,906,249.69	1,053,086,342.85	28,536,914.16	139,927,818.59	1,957,457,325.29
2. Increased amount of the period		52,764,489.72	3,538,087.27	54,112,985.37	110,415,562.36
(1) Purchase		37,437,395.70	3,538,087.27	54,112,985.37	95,088,468.34

(2) Transfer from construction in progress		15,327,094.02			15,327,094.02
(3) Enterprise combination increase					
3. Decreased amount of the period		18,196,176.73	337,264.94	2,445,391.05	20,978,832.72
(1) Disposal or Scrap		18,196,176.73	337,264.94	2,445,391.05	20,978,832.72
4. Ending balance	735,906,249.69	1,087,654,655.84	31,737,736.49	191,595,412.91	2,046,894,054.93
II. Accumulative depreciation					
1. Beginning balance	227,391,811.31	556,756,002.40	23,111,726.15	99,321,819.31	906,581,359.17
2. Increased amount of the period	15,624,330.54	45,341,385.52	608,730.53	11,795,470.17	73,369,916.76
(1) Withdrawal	15,624,330.54	45,341,385.52	608,730.53	11,795,470.17	73,369,916.76
3. Decreased amount of the period		12,804,858.29	302,089.08	1,170,190.22	14,277,137.59
(1) Disposal or Scrap		12,804,858.29	302,089.08	1,170,190.22	14,277,137.59
4. Ending balance	243,016,141.85	589,292,529.63	23,418,367.60	109,947,099.26	965,674,138.34
III. Depreciation reserves					
1. Beginning balance	3,918,452.47	17,168,643.32	30,622.40	89,892.09	21,207,610.28
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		4,318,221.04	19,389.79	26,099.07	4,363,709.90
(1) Disposal or Scrap		4,318,221.04	19,389.79	26,099.07	4,363,709.90
4. Ending balance	3,918,452.47	12,850,422.28	11,232.61	63,793.02	16,843,900.38
IV. Carrying value					
1. Ending carrying value	488,971,655.37	485,511,703.94	8,308,136.28	81,584,520.63	1,064,376,016.22
2. Beginning carrying value	504,595,985.91	479,161,697.13	5,394,565.61	40,516,107.19	1,029,668,355.84

13. Construction in Progress

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Automatic stamping riveting	39,078,412.10		39,078,412.10	37,167,679.63		37,167,679.63

line of roller cabinet						
Other	650,518.92		650,518.92	804,572.97		804,572.97
Total	39,728,931.02		39,728,931.02	37,972,252.60		37,972,252.60

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB'0,000

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Automatic stamping riveting line of roller cabinet	5,902.00	3,716.77	191.07			3,907.84	98.00%	98.00%				Other
Other	2,436.30	80.46	1,517.30	1,532.71		65.05	65.58%	65.58%				Other
Total	8,338.29	3,797.23	1,708.38	1,532.71	0	3,972.89	--	--				--

14. Intangible Assets

Unit: RMB

Item	Land use right	Patent right	Non-patents	Others	Total
I. Original carrying value					
1. Beginning balance	242,666,890.39			1,395,014.56	244,061,904.95
2. Increased amount of the period	7,947.17				7,947.17
(1) Purchase	7,947.17				7,947.17
(2) Internal R&D					
(3) Business combination increase					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	242,674,837.56			1,395,014.56	244,069,852.12
II. Accumulated amortization					
1. Beginning balance	55,621,543.12			1,395,014.56	57,016,557.68

2. Increased amount of the period	2,619,114.45				2,619,114.45
(1) Withdrawal	2,619,114.45				2,619,114.45
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	58,240,657.57			1,395,014.56	59,635,672.13
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	184,434,179.99				184,434,179.99
2. Beginning carrying value	187,045,347.27				187,045,347.27

15. Long-term Prepaid Expense

Unit: RMB

Item	Beginning balance	Increased amount	Amortization amount of the period	Other decreased amount	Ending balance
Fixed assets improvement	21,318,606.65	8,819,217.24	4,685,773.66		25,452,050.23
Other	1,063,413.87	126,572.19	250,461.20		939,524.86
Total	22,382,020.52	8,945,789.43	4,936,234.86		26,391,575.09

16. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	145,786,037.32	21,824,399.10	171,883,829.48	25,782,574.43
Internal unrealized profit	29,913,702.45	4,487,055.37	107,345,624.86	16,101,843.73
Remuneration and dismissal expense	11,520,236.25	1,728,035.44	13,089,160.95	1,963,374.14

Other current liabilities	2,476,196,552.18	355,800,208.12	2,107,686,604.61	370,746,106.98
Provisions	2,157,992.76	323,698.90	2,253,082.26	337,962.34
Deferred income	2,262,533.19	339,379.98	2,489,133.21	373,369.98
Investment differences	8,782,955.88	1,317,443.38	8,782,955.88	1,317,443.38
Changes in fair value-trading financial assets	4,800,613.47	720,092.02		
Total	2,681,420,623.50	386,540,312.31	2,413,530,391.25	416,622,674.98

(2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	43,193,150.68	6,478,972.60	57,871,097.59	8,680,664.64
Changes in fair value of financial assets at fair value through profit or loss			5,270,238.03	790,535.70
Total	43,193,150.68	6,478,972.60	63,141,335.62	9,471,200.34

(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Off-set

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Ending balance of deferred income tax assets or liabilities after off-set	Mutual set-off amount of deferred income tax assets and liabilities at the period-begin	Beginning balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets	6,478,972.60	380,061,339.65	9,471,200.34	407,151,474.64

(4) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	27,199,560.02	27,153,908.99
Deductible losses	81,634,128.03	81,636,690.06
Total	108,833,688.05	108,790,599.05

(5) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Unit: RMB

Years	Ending amount	Beginning amount	Notes
Y2018	16,300,604.68	57,917.22	
Y2019	49,620,940.42	16,303,166.71	
Y2020	9,576,983.63	49,620,940.42	
Y2021	5,618,761.45	9,576,983.63	
Y2022	516,837.85	5,618,761.45	
Total	81,634,128.03	81,177,769.43	--

17. Other Non-current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for equipment	56,029,381.55	27,331,937.53
Total	56,029,381.55	27,331,937.53

18. Provision for Impairment of Assets

Unit: RMB

Item	31 December 2017	Increase	Decrease		30 June 2018
			Reverse	Write-off	
Bad debt provision	94,757,265.40	12,061,736.99	-	-	106,819,002.39
Of which: bad debt provision for accounts receivable	91,406,552.32	12,697,151.58			104,103,703.90
Bad debt provision for other accounts receivable	3,350,713.08	-635,414.59			2,715,298.49
Inventory falling price reserves	64,130,254.97	11,877,851.17		45,673,670.43	30,334,435.71
Provision for impairment of available-for-sale financial assets	100,300.00				100,300.00
Provision for impairment of investment property	12,576,065.29				12,576,065.29
Provision for impairment of fixed assets	21,207,610.28			4,363,709.90	16,843,900.38
Total	192,771,495.94	23,939,588.16	-	50,037,380.33	166,673,703.77

19. Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Discount financing of notes receivable		81,393,672.34
Total		81,393,672.34

20. Financial Liabilities at Fair Value through Profit or Loss

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	4,800,613.47	
Derivative financial liabilities	4,800,613.47	
Total	4,800,613.47	

21. Notes Payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank acceptance bill	3,915,720,273.53	2,805,804,600.41
Total	3,915,720,273.53	2,805,804,600.41

22. Accounts Payable**(1) List of Accounts Payable**

Unit: RMB

Item	Ending balance	Beginning balance
Material	2,778,165,944.92	3,803,318,504.56
Other	31,443,793.65	23,707,195.54
Total	2,809,609,738.57	3,827,025,700.10

(2) Significant Accounts Payable Aging over One Year

Unit: RMB

Item	Ending balance	Unpaid/ Un-carry-over reason
Material	54,501,046.83	Unsettled due to the agreement of contract
Total	54,501,046.83	--

23. Advances from Customers**(1) List of Advances from Customers**

Unit: RMB

Item	Ending balance	Beginning balance
Advances from customers	828,133,123.71	3,065,815,801.93
Total	828,133,123.71	3,065,815,801.93

(2) Significant Advances from Customers Aging over One Year

Unit: RMB

Item	Ending balance	Unpaid/ Un-carry-over reason
Advance from goods	42,618,060.31	Unsettled advance from goods
Total	42,618,060.31	--

24. Payroll Payable**(1) List of Payroll Payable**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	320,914,272.91	619,671,080.97	697,918,140.10	242,667,213.78
II. Post-employment benefit-defined contribution plans	25,775,609.10	66,505,577.92	80,486,126.29	11,795,060.73
III. Termination benefits	2,793,962.75	4,209,565.73	4,338,468.11	2,665,060.37
Total	349,483,844.76	690,386,224.62	782,742,734.50	257,127,334.88

(2) List of Short-term salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	282,471,135.34	508,925,266.35	583,695,741.92	207,700,659.77
2. Employee welfare	8,331,772.70	40,159,306.08	36,854,249.27	11,636,829.51
3. Social insurance	12,297,766.43	34,607,681.11	41,028,639.38	5,876,808.16
Of which: Medical insurance premiums	9,960,643.80	27,659,647.95	32,851,023.62	4,769,268.13
Work-related injury insurance	1,540,246.23	4,553,613.97	5,363,858.42	730,001.78
Maternity insurance	796,876.40	2,394,419.19	2,813,757.34	377,538.25

4. Housing fund	8,897,498.05	25,356,868.92	25,532,130.72	8,722,236.25
5. Labor union budget and employee education budget	8,916,100.39	10,621,958.51	10,807,378.81	8,730,680.09
Total	320,914,272.91	619,671,080.97	697,918,140.10	242,667,213.78

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits	24,835,787.74	64,937,837.37	78,368,996.77	11,404,628.34
2. Unemployment insurance	939,821.36	1,567,740.55	2,117,129.52	390,432.39
Total	25,775,609.10	66,505,577.92	80,486,126.29	11,795,060.73

25. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
Corporate income tax	367,523,892.84	538,655,891.42
Urban maintenance and construction tax	4,962,554.32	10,431,895.61
VAT	14,469,621.44	43,514,198.41
House appliance recycling funds	25,064,569.00	24,202,458.00
Education Surcharge	3,425,481.66	7,895,593.79
Other	11,146,512.24	13,317,486.08
Total	426,592,631.50	638,017,523.31

26. Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	9,049,503.92	6,996,784.06
Total	9,049,503.92	6,996,784.06

27. Other Accounts Payable**(1) Other Accounts Payable Listed by Nature of Account**

Unit: RMB

Item	Ending balance	Beginning balance
Payment for equipment	86,017,107.85	119,000,776.50

Payment for mold	59,934,550.67	66,898,435.10
Margin & cash pledged	11,821,035.99	3,027,766.49
Payment made on behalf	8,979,515.65	3,831,550.67
Third party payment	8,690,052.55	5,278,489.39
Energy-saving subsidy		6,140,000.00
Other	9,615,168.20	16,943,845.33
Total	185,057,430.91	221,120,863.48

(2) Significant Other Accounts Payable Aging over One Year

Unit: RMB

Item	Ending balance	Unpaid/Un-carry-over reason
Payment for mold	32,314,272.98	unsettled due to the agreement of contract
Payment for equipment	17,822,442.22	unsettled due to the agreement of contract
Total	50,136,715.20	--

28. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Accrued expenses-sale rebate	1,134,694,687.20	1,190,189,575.45
Accrued expenses-sales promotional expense	535,362,600.86	276,458,030.09
Accrued expenses-shipping and handling charges	224,935,439.82	169,965,392.33
Accrued expenses-maintenance and installation charges	392,472,038.07	312,536,901.29
Accrued expenses-brand royalty	7,921,114.16	
Accrued expenses-waste household appliance maintenance funds		15,637,977.00
Accrued expenses-other	180,813,792.08	142,912,728.45
Total	2,476,199,672.19	2,107,700,604.61

29. Long-term Payroll Payable

Unit: RMB

Item	Ending balance	Beginning balance
Termination benefits	10,291,652.87	12,021,620.17
Total	10,291,652.87	12,021,620.17

30. Provisions

Unit: RMB

Item	Ending balance	Beginning balance	Formed reason
Product quality assurance	2,157,992.76	2,253,082.25	
Total	2,157,992.76	2,253,082.25	--

31. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	632,487,764.00						632,487,764.00

32. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	1,055,182,718.57			1,055,182,718.57
Other capital reserves	197,764,828.23	43,846,522.21		241,611,350.44
Of which: equity incentive	163,325,332.37	43,846,522.21		207,171,854.58
Other	34,439,495.86			
Total	1,252,947,546.80	43,846,522.21		1,296,794,069.01

33. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Other	40,496,366.85	43,195,466.96	57,871,097.59	-2,201,692.03	-11,952,098.73	-521,839.87	28,544,268.12

comprehensive income that may subsequently be reclassified to profit or loss							
Gain/Loss on changes in fair value of available-for-sale financial assets	42,711,851.32	43,193,150.68	57,871,097.59	-2,201,692.03	-11,954,415.00	-521,839.87	28,544,268.12
Differences arising from translation of foreign currency-denominated financial statements	-2,215,484.47	2,316.27			2,316.27		-2,213,168.20
Total of other comprehensive income	40,496,366.85	43,195,466.96	57,871,097.59	-2,201,692.03	-11,952,098.73	-521,839.87	28,544,268.12

34. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	332,594,722.29			332,594,722.29
Total	332,594,722.29			332,594,722.29

35. Retained Profits

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained profits before adjustments	4,788,564,401.03	3,756,517,718.81
Beginning balance of retained profits after adjustments	4,788,564,401.03	3,756,517,718.81
Add: Net profit attributable to owners of the Company as the parent	902,047,046.42	731,540,502.47
Less: dividend of ordinary shares payable	632,487,764.00	474,365,822.97
Ending retained profits	5,058,123,683.45	4,013,692,398.30

36. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same Period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	11,213,772,811.33	8,049,680,720.75	9,694,560,835.56	7,052,479,498.41
Other operations	843,165,474.72	800,121,112.27	873,500,018.65	808,892,313.37
Total	12,056,938,286.05	8,849,801,833.02	10,568,060,854.21	7,861,371,811.78

37. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same Period of last year
Urban maintenance and construction tax	30,884,900.17	29,091,665.44
Education Surcharge	24,140,924.03	22,058,158.72
Other	11,791,878.91	13,382,449.58
Total	66,817,703.11	64,532,273.74

38. Selling Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Selling expense	1,769,706,658.94	1,533,889,871.40
Total	1,769,706,658.94	1,533,889,871.40

39. Administrative Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Administrative expense	451,163,055.68	328,163,105.40
Total	451,163,055.68	328,163,105.40

40. Finance Costs

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest expense	31,353,226.28	5,897,953.01
Interest income	-246,342,976.78	-63,840,314.80

Foreign exchange gains or losses	-18,665,871.63	30,775,819.93
Other	2,303,503.16	3,643,344.03
Total	-231,352,118.98	-23,523,197.84

41. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same Period of last year
I. Bad debt loss	12,061,736.99	7,560,737.61
II. Inventory falling price loss	11,877,851.17	26,185,813.40
III. Fixed assets impairment losses		3,808,897.38
Total	23,939,588.16	37,555,448.39

42. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Financial assets at fair value through profit or loss		4,917,873.13
Financial liabilities at fair value through profit or loss	-10,070,851.50	
Total	-10,070,851.50	4,917,873.13

43. Investment Income

Unit: RMB

Item	Reporting Period	Same Period of last year
Investment income from disposal of financial assets at fair value through profit or loss	8,050,775.00	2,654,220.00
Investment income from available-for-sale financial assets	68,851,966.54	179,011,662.11
Total	76,902,741.54	181,665,882.11

44. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same Period of last year
Fixed assets disposal income	634,455.90	

45. Other Income

Unit: RMB

Sources	Reporting Period	Same Period of last year
Specialized return	18,631,803.79	15,806,553.77
Other subsidies	9,339,848.21	
Total	28,308,152.00	15,806,553.77

46. Income Tax Expense**(1) List of Income Tax Expense**

Unit: RMB

Item	Reporting Period	Same Period of last year
Current income tax expense	196,118,948.51	191,867,580.15
Deferred income tax expense	29,291,826.97	-43,621,884.37
Total	225,410,775.48	148,245,695.78

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	1,228,875,285.09
Current income tax expense accounted at statutory/applicable tax rate	215,323,762.35
Influence of income tax before adjustment	2,283,020.72
Influence of not deductible costs, expenses and losses	7,275,617.33
Influence of deductible loss of unrecognized deferred income tax assets in prior period	528,375.08
Income tax expense	225,410,775.48

47. Other Comprehensive Income

Refer to Note 33 for details.

48. Cash Flow Statement**(1) Cash Generated from Other Operating Activities**

Unit: RMB

Item	Reporting Period	Same Period of last year
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Interest income	19,741,871.26	18,617,988.30
Specialized subsidies	10,686,348.21	8,072,556.77
Claim & fine income	1,872,681.61	1,264,590.80
Other	33,392,058.21	18,536,975.82
Total	65,692,959.29	46,492,111.69

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Cash for payments	261,375,812.90	1,343,311,634.84
Other	9,839,878.51	1,138,477.96
Total	271,215,691.41	1,344,450,112.80

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest income from structured deposits	111,282,573.06	16,802,196.35
Total	111,282,573.06	16,802,196.35

49. Supplemental Information for Cash Flow Statement**(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	1,003,464,509.61	832,760,250.01
Add: Provision for impairment of assets	23,939,588.16	37,555,448.39
Depreciation of fixed assets, oil-gas assets, and productive living assets	75,295,970.76	64,952,458.10
Amortization of intangible assets	2,619,114.45	2,619,069.42
Amortization of long-term prepaid expenses	4,936,234.86	1,681,848.52
Losses on disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-634,455.90	-2,324,085.53
Losses from variation of fair value (gains: negative)	10,070,851.50	-4,917,873.13
Finance costs (gains: negative)	-227,392,382.23	-10,904,243.34

Investment loss (gains: negative)	-76,902,741.54	-181,665,882.11
Decrease in deferred income tax assets (gains: negative)	30,082,362.69	-44,359,565.36
Increase in deferred income tax liabilities ("—" means decrease)	-790,535.70	737,680.97
Decrease in inventory (gains: negative)	1,428,158,048.36	614,201,149.52
Decrease in accounts receivable generated from operating activities (gains: negative)	-229,740,644.12	-728,452,220.93
Increase in accounts payable used in operating activities (decrease: negative)	-1,915,599,644.90	-748,672,061.46
Others	45,722,746.41	24,377,334.69
Net cash generated from/used in operating activities	173,229,022.41	-142,410,692.24
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Net increase/decrease of cash and cash equivalent:	--	--
Ending balance of cash	1,495,906,357.47	3,096,982,558.92
Less: beginning balance of cash	1,417,489,071.71	4,171,689,917.21
Net increase in cash and cash equivalents	78,417,285.76	-1,074,707,358.29

(2) Cash and Cash Equivalent

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,495,906,357.47	1,417,489,071.71
Of which: bank deposits on demand	1,495,906,357.47	1,417,489,071.71
II. Ending balance of cash and cash equivalents	1,495,906,357.47	1,417,489,071.71

50. Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital			
Including: USD	8,666,576.26	6.6166	57,343,268.48
EUR	1,151,914.59	7.6515	8,813,874.49
Accounts receivable			
Including: USD	164,135,696.04	6.6166	1,086,020,246.42
EUR	9,094,964.00	7.6515	69,590,117.05
JPY	378,500.00	0.05991	22,677.45

Accounts payable			
Including: USD	386,975.97	6.6166	2,560,465.20
EUR	61,072.31	7.6515	467,294.78
JPY	5,236,912.00	0.05991	313,764.35

VIII. Changes of Consolidation Scope

No such case in Reporting Period.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Wuxi Little Swan General Electric Appliances Co., Ltd.	Wuxi	Wuxi	Production	100.00%		Setting-up
Wuxi Filin Electronics Co., Ltd.	Wuxi	Wuxi	Production	73.00%		Setting-up
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Wuxi	Wuxi	Trading	99.54%	0.09%	Setting-up
Wuxi Little Swan Import & Export Co., Ltd.	Wuxi	Wuxi	Import & Export	88.46%		Setting-up
Little Swan International (Singapore) Co., Ltd.	Singapore	Singapore	Investment	100.00%		Setting-up
Little Swan (Jingzhou) Electronic Appliances Co., Ltd.	Jingzhou	Jingzhou	Production	100.00%		Business combination under same control
Hefei Midea Washing Machine Co., Ltd.	Hefei	Hefei	Production	69.47%		Business combination under same control

(2) Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to non-controlling interests	Declaring dividends distributed to non-controlling interests	Ending balance of non-controlling interests
Wuxi Filin Electronics Co., Ltd.	27.00%	31,561,769.44		304,090,289.33
Hefei Midea Washing Machine Co., Ltd.	30.53%	69,855,693.75		969,888,770.32

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB'0,000

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Wuxi Filin Electronics Co. , Ltd.	160,369.02	6,783.01	167,152.03	54,515.58	10.42	54,526.00	159,685.46	6,493.23	166,178.69	65,449.77	15.58	65,465.35
Hefei Midea Washing Machine Co., Ltd.	661,267.77	73,451.72	734,719.49	415,538.14	1,497.51	417,035.65	785,372.27	67,388.46	852,760.73	556,889.47	1,314.69	558,204.16

Unit: RMB'0,000

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuxi Filin Electronics Co. , Ltd.	49,822.87	11,689.54	11,689.54	-1,525.98	45,315.85	11,171.12	11,171.12	-7,281.50
Hefei Midea Washing Machine Co., Ltd.	537,543.71	22,881.00	22,710.07	-72,991.19	446,674.46	23,274.72	21,638.55	-35,564.58

X. Segment Information

Since the Company's operating revenue, cost of sales, assets and liabilities are mainly related to the manufacturing and sales of washing machines and relevant products, after considering some factors such as the internal organizational structure, management requirements and internal report systems, the management holds the opinion that various companies' business has obvious similarity within the scope of consolidation. Thus, the segment report is not prepared.

The total income of the Company and its subsidiaries from external transactions in domestic and other countries or regions, the total non-current assets excluding financial assets and deferred income tax assets in domestic and other countries or regions are listed as follows:

(1) Income from External Transactions

Unit: RMB

Region	Reporting Period	Same period of last year
China	9,593,374,628.71	8,375,128,927.45
Other countries	2,463,563,657.34	2,192,931,926.76
Total	12,056,938,286.05	10,568,060,854.21

(2) Total Non-current Assets

Unit: RMB

Region	30 June 2018	30 June 2017
China	1,430,729,854.87	1,366,095,738.76
Other countries		
Total	1,430,729,854.87	1,366,095,738.76

XI. The Risk Related to Financial Instruments

The financial risks the Company faced during operation are: credit risk, market risk (mainly exchange risk and interest rate risk) and liquidity risk. The overall risk management plan of the Company and its subsidiaries, considering the unpredictability of financial market, aims to reduce the potential negative influence to the financial results of the Company and its subsidiaries.

(1) Market Risk**(a) Foreign Exchange Risk**

The main operation of the Company and its subsidiaries was within the state, which settled by RMB. The foreign assets, liabilities and foreign trade in future (the foreign assets, liabilities and foreign trade in future mainly settled by USD) the Company and its subsidiaries had recognized existed foreign exchange risk. The financial department of the Company's headquarter supervised the scope of foreign assets, liabilities and foreign trade in future of the Company and its subsidiaries to maximally reduce foreign exchange risk, thus the Company and its subsidiaries might avoid foreign exchange rate in a way of signing forward foreign exchange contracts or currency exchange contracts.

On 30 June 2018 and 31 December 2017, the list of foreign financial assets and foreign financial liabilities converted into RMB held by the Company and its subsidiaries taking RMB as the recording currency was presented as follows:

Unit: RMB

Item	Ending balance		
	USD	Other foreign currency	Total
Foreign financial assets			
Monetary capital	57,343,268.48	8,813,874.49	66,157,142.97
Accounts receivable	1,086,020,246.42	69,612,794.50	1,155,633,040.92
Total	1,143,363,514.90	78,426,668.98	1,221,790,183.88
Foreign financial liabilities			
Accounts payable	2,560,465.20	781,059.13	3,341,524.33
Total	2,560,465.20	781,059.13	3,341,524.33
Item	Beginning balance		
	USD	Other foreign currency	Total
Foreign financial assets			
Monetary capital	191,071,173.12	14,916,914.11	205,988,087.23
Accounts receivable	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
Foreign financial liabilities			0.00
Accounts payable	36,668,878.79	6,033,971.28	42,702,850.07
Other accounts payable		37,060,925.00	37,060,925.00

Total	36,668,878.79	43,094,896.28	79,763,775.07
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On June 30, 2018, when RMB appreciates or depreciates by 6% without any changes in other factors, for all kinds of US financial assets and liabilities, there will be an decrease or increase in net profit of about RMB58,180,955 (about RMB34,980,000 on 31 December 2017) for the Company.

(b) Interest Rate Risk

On 30 June 2018 and 31 December 2017, there were no short-term and long-term interest-bearing debt contracts with floating interest rates in the Company and its subsidiaries, thus the management believed that there was not existing significant interest rate risk.

(2) Credit Risk

The Company and its subsidiaries adopt group classification to manage the credit risk. Credit risk mainly incurred in bank deposit, accounts receivable, other accounts receivable, notes receivable, structured deposits, and financial products recorded into other current assets, etc.

The bank deposits and structured deposits of the Company and its subsidiaries were deposited in the state-owned banks and other large and medium-sized commercial banks, the Company believed that there was not existing significant credit risk, and won't lead to any significant losses due to break a contract to the entity.

The Company and its subsidiaries entrust commercial bank, trust company, assets management company and other financial institutions to conduct short term low risk finance investment, participate in bank financial products, trust plan of trust company, assets management plan of assets management company, the main investment direction was financial instrument with the high credit rating, better fluidity, trust products and assets management plan with prospective earnings, and conducting commercial bank guaranteed finance business with low risk, stable interest and no more than 1 year investment period in our inter-bank market. The idle fund of the Company and its subsidiaries used for trust investment was not used to invest in stock and its derivative product, security investment fund and trust investment for security investment purpose and investment relevant to other securities.

Besides, as for accounts receivable, other accounts receivable and notes receivable, the Company and its subsidiaries set relevant policy to control credit risk exposure. The Company and its subsidiaries, based on the financial situation of the clients, possibility of obtaining guarantee from third party, credit record, and other factors such as the recent market situation etc. to evaluate the credit qualification of client and set relevant credit period. The Company and its subsidiaries regularly supervise the credit record of client, as for the client with bad credit records, the Company and its subsidiaries will adopt reminder letters, shorten the credit period or cancel credit period etc. to ensure the overall credit risk of the Company within control. On 30 June 2018 and 31 December 2017, there were no significant overdue accounts receivable.

(3) Liquidity Risk

The Company and its subsidiaries were responsible for their respective cash flow prediction. The head financial department continuously supervised short-term and long-term capital demands at combination level based on

collecting cash flow prediction of all subsidiaries to ensure to maintain plenty of cash reserve and securities available for realization at any time.

On balance sheet date, each financial liabilities listed by un-discounted contract cash flow according to the due date were demonstrated as follows:

Unit: RMB

Item	30 June 2018				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Notes payable	3,915,720,273.53				3,915,720,273.53
Accounts payable	2,809,609,738.57				2,809,609,738.57
Dividends payable	9,049,503.92				9,049,503.92
Other current-liabilities	2,476,199,672.19				2,476,199,672.19
Other accounts payable	185,057,430.91				185,057,430.91
Provisions	2,157,992.76				2,157,992.76
Total	9,397,794,611.88				9,397,794,611.88
Item	31 December 2017				
	Within 1 year	1-2 years	2-5 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 accounts payable	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

XII. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total

I. Consistent fair value measurement	--	--	--	--
Other			1,093,193,150.68	1,093,193,150.68
Derivative financial liabilities		4,800,613.47		4,800,613.47
II. Inconsistent fair value measurement	--	--	--	--

2. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

On 30 June 2018, financial liabilities with fair value measurement items at level 2 were all forward foreign exchange contracts whose fair value were determined based on the current market prices.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

On 30 June 2018 and 31 December 2017, financial assets with fair value measurement items at level 3 were all the break-even floating income financial product investment, whose fair values were recognized through valuation technique.

4. Explain the Reason for Conversion and the Policy Governing when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

The incurred date leading to events of conversion between different levels was recognized as the time-point of conversion between different levels. There was no conversion between level 1 and level 2 in the Current Period.

5. Change in Financial Assets at Level 3

Unit: RMB

Item	Financial product investment
1 January 2018	3,792,871,097.59
Purchase	-
Sale	-2,685,000,000.00
Total current gains	-14,677,946.91
-gains recorded into profit or loss	-57,871,097.59
-gains recorded into other comprehensive income	43,193,150.68
30 June 2018	1,093,193,150.68

Changes in unrealized gains or losses arising from the recording of assets still held on 30 June 2018 in profit or loss of 2017	-
Gain on changes in fair value	-
Item	Financial product investment
1 January 2017	5,994,142,671.24
Purchase	4,745,000,000.00
Sale	-6,900,000,000.00
Total current gains	-46,271,573.65
-gains recorded into profit or loss	-104,142,671.24
-gains recorded into other comprehensive income	57,871,097.59
31 December 2017	3,792,871,097.59
Changes in unrealized gains or losses arising from the recording of assets still held on 31 December 2017 in profit or loss of 2016	-
Gain on changes in fair value	-

Relevant information on fair value measurement at level 3

Unit: RMB

Item	Fair value on 30 June 2018	Valuation technique	Unobservable input value	Scope	Relationship with fair value	Observable/unobservable
Available-for-sale financial assets						
Financial products	1,093,193,150.68	Discounted cash flow	Expected annual yield	4.7%-5%	Positive	Unobservable
Item	Fair value on 31 December 2017	Valuation technique	Unobservable input value	Scope	Relationship with fair value	Observable/unobservable
Available-for-sale financial assets						
Financial products	3,792,871,097.59	Discounted cash flow	Expected annual yield	4.2%-5.25%	Positive	Unobservable

6. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

Financial assets and liabilities of the Company and its subsidiaries measured at amortized cost mainly include: notes receivable, accounts receivable, other current assets-structured deposits, other accounts receivable, notes payable, accounts payable, other accounts payable and other current liabilities.

Available-for-sale financial assets measured at cost was the unlisted share investment with no offer in active market and larger variation range of its reasonable valuation and each fair value probability cannot be reasonably recognized, thus, the fair value cannot be reliably measured.

There is no significant variance between the carrying value and fair value of financial assets and liabilities for the Company and its subsidiaries on 30 June 2018 and 31 December 2017. .

XIII. Capital Management

The objective of the capital management policy of the Company and its subsidiaries is to guarantee continuing operation of the Company and its subsidiaries, and then to offer returns to shareholders and benefit other stakeholders when maintaining the optimized capital structure to reduce the capital cost.

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 liabilities.

The Company and its subsidiaries, not subject to external compulsory capital requirement, supervised the capital via the asset-liabilities ratio (ratio of total liabilities and total assets).

Item	30 June 2018	31 December 2017
Asset-liability ratio	55.89%	61.49%

XIV. Connected Party and Connected Transaction

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
MIDEA GROUP CO., LTD.	Foshan Guangdong	Operating consumer appliances, HVAC, robots and automatic system, intelligent supply chain etc.	6,628,613,347.00	52.67%	52.67%

Notes of the Company as the parent of the Company:

The ultimate controller of the Company is He Xiangjian.

2. Subsidiaries of the Company

Refer to Note IX for details.

3. Information on Other Connected Parties

Name	Relationship
Ningbo Midea United Material Supply Co., Ltd	Under control of controlling shareholder of the Company
Ningbo Beautiful Homeland Electric Appliance Service Co., Ltd.	Under control of controlling shareholder of the Company
Midea Group E-commerce Co., Ltd.	Under control of controlling shareholder of the Company

Zhejiang Meizhi Compressor Co. Ltd.	Under control of controlling shareholder of the Company
Guangdong Midea Hicks Electronics Co., Ltd.	Under control of controlling shareholder of the Company
Guangdong Midea Precise Mould Technology Co., Ltd.	Under control of controlling shareholder of the Company
Midea Smart Home Technology Co., Ltd	Under control of controlling shareholder of the Company
Hefei Hua Ling Share Holding Co. , Ltd.	Under control of controlling shareholder of the Company
Wuhu Midea Household Electric Appliance Manufacturing Co., Ltd.	Under control of controlling shareholder of the Company
Midea Electric Trading (Singapore) Co. Pte. Ltd.	Under control of controlling shareholder of the Company
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Under control of controlling shareholder of the Company
MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD.	Under control of controlling shareholder of the Company
PT. MIDEA PLANET INDONESIA	Under control of controlling shareholder of the Company
ORIENT HOUSEHOLD APPLIANCES LTD.	Under control of controlling shareholder of the Company
Hefei Midea Material Supply Co., Ltd.	Under control of controlling shareholder of the Company
Guangdong Midea Household Electric Appliance manufacturing Co., Ltd.	Under control of controlling shareholder of the Company
Guangdong Midea Refrigeration Equipment Co., Ltd	Under control of controlling shareholder of the Company
Chongqing Midea Refrigeration Equipment Co., Ltd	Under control of controlling shareholder of the Company
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Under control of controlling shareholder of the Company
Hubei Midea Refrigerator Co., Ltd.	Under control of controlling shareholder of the Company
Hefei Midea Refrigerator Co., Ltd.	Under control of controlling shareholder of the Company
Guangdong Midea Environmental Appliance Manufacturing Co., Ltd.	Under control of controlling shareholder of the Company
Midea Group Finance Co., Ltd.	Under control of controlling shareholder of the Company
Foshan Midea Qinghu Water Purification Equipment Co., Ltd.	Under control of controlling shareholder of the Company
Wuhu Welling Motor Marketing Co., Ltd.	Under control of controlling shareholder of the Company
Huai'an Welling Motor Manufacturing Co., Ltd.	Under control of controlling shareholder of the Company
Midea Welling Motor Technology (Shanghai) Co., Ltd.	Under control of controlling shareholder of the Company
Shenzhen Midea Payment Technology Co., Ltd.	Under control of controlling shareholder of the Company
Annto Zhilian Technology Co., Ltd.	Under control of controlling shareholder of the Company
TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION	Under control of controlling shareholder of the Company
Toshiba Home Appliances Manufacturing (South China Sea) Co., Ltd.	Under control of controlling shareholder of the Company
Ningbo Annto Zhilian Technology Co., Ltd.	Under control of controlling shareholder of the Company
Jiangxi Midea Guiya Lighting Co., Ltd.	Under control of controlling shareholder of the Company
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Under control of controlling shareholder of the Company
MIDEA MIDDLE EAST	Under control of controlling shareholder of the Company
Wuhu Midea Kitchen & Bathroom Appliance Manufacturing Co., Ltd.	Under control of controlling shareholder of the Company
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	Under control of controlling shareholder of the Company

MIDEA AUSTRALIA PTY LTD	Under control of controlling shareholder of the Company
CARRIER MIDEA INDIA PRIVATE LIMITED	Under control of controlling shareholder of the Company
MIDEA ELECTRIC TRADING (THAILAND) CO., LTD.	Under control of controlling shareholder of the Company

4. List of Connected Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service (Unit: Ten Thousand Yuan)

Information on acquisition of goods and reception of labor service

Unit: RMB

Connected party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Wuhu Welling Motor Marketing Co., Ltd.	Electrical Machine	513,218,519.99	1,410,000,000.00	No	501,214,171.41
Ningbo Midea United Material Supply Co., Ltd.	Materials	982,391,580.79	2,900,000,000.00	No	824,485,276.15
Ningbo Annto Zhilian Technology Co., Ltd.	Warehousing & logistics	61,694,435.77	1,100,000,000.00	No	366,086,063.48
Annto Zhilian Technology Share Holding Co., Ltd.	Warehousing & Logistics	336,696,450.38			54,675,276.23
Zhejiang Meizhi Compressor Co. Ltd.	Compressor	9,461,525.70	20,000,000.00	No	7,043,483.25
Midea Group E-commerce Co., Ltd.	Promotion & Marketing	22,297,851.57	125,000,000.00	No	22,380,192.57
Ningbo Midea United Material Supply Co., Ltd	Chip & HIFI module	17,884,517.65	65,000,000.00	No	33,583,425.56
Ningbo Beautiful Homeland Electric Appliance Service Co., Ltd.	After-sales service	196,390,679.14	395,000,000.00	No	132,504,096.51
Toshiba Home Appliances Manufacturing (South China Sea) Co., Ltd.	Washing machine	31,458,756.25	280,000,000.00	No	
Guangdong Midea Precise Mould Technology Co., Ltd.	Mould	9,698,119.68	25,000,000.00	No	
Midea Smart Home Technology Co., Ltd	Service charge	559,969.12	25,000,000.00	No	144,785.68
Guangdong Midea Refrigeration Equipment Co., Ltd	Service charge	9,854,722.96			
Shenzhen Midea Payment Technology Co., Ltd.	Service charge	88,088.80			
Shenzhen Shuzhi Scene Position Technology Co., Ltd.	Service charge	916,147.89			

Guangdong Midea Intelligent Robot Co., Ltd.	Service charge	25,042.57			
Guangdong Midea Hicks Electronics Co., Ltd.	Chip & HIFI module				513,334.92
Midea Group Co., Ltd.	Service charge				19,999.98
Total		2,192,636,408.26			1,942,650,105.74

Information of sales of goods and provision of labor service

Unit: RMB

Connected party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Midea Electric Trading (Singapore) Co. Pte. Ltd.	Washing machine & Fittings	1,727,394,796.55	4,250,000,000	No	1,594,543,430.93
MIDEA SCOTT&ENGLISH ELECTRONIICS SDN.BHD	Washing machine & Fittings	53,263,471.91	80,000,000	No	45,312,856.38
PT.Midea Planet Indonesia	Washing machine & Fittings	23,579,838.36	50,000,000	No	15,461,735.27
MIDEA CONSUMER ELECTRIC (VIETNAM)COM.,LTD	Washing machine & Fittings	16,073,292.50	50,000,000	No	6,144,209.34
Orient Household Appliances Ltd.	Washing machine & Fittings	12,206,159.82	40,000,000	No	18,771,850.49
Ningbo Beautiful Homeland Electric Appliance Service Co., Ltd.	Fittings	13,930,794.77	25,000,000	No	18,416,401.64
Toshiba Home Appliances Manufacturing (South China Sea) Co., Ltd.	Materials	7,552,897.23	25,000,000		548,124.87
TOSHIBA LIFESTYLE PRODUCTS & SERVICES CORPORATION	Washing machine	9,133,040.59	30,000,000	No	20,757,917.67
Annto Zhilian Technology Co., Ltd.	Washing machine	2,768,102.02			
Midea Group E-commerce Co., Ltd.	Washing machine	605,688.19			
Guangdong Midea Zhilian Home Technology Co., Ltd.	Washing machine	64,659.49			
Midea Middle East	Washing machine & Fittings				1,921,564.33
Ningbo Annto Zhilian Technology Co., Ltd.	Washing machine				1,855,571.90
Hefei Hua Ling Share Holding Co. , Ltd.	Washing machine & Fittings				161,538.46
Total		1,866,572,741.43			1,723,895,201.28

(2) Information on Connected Lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in the Reporting Period	The approval trade credit	Whether exceed trade credit or not	The lease income confirmed in the same period of last year
Hefei Hua Ling Share Holding Co., Ltd.	House renting	6,305,409.36	15,000,000.00	No	5,641,036.82

5. Accounts Receivable and Payable of Connected Party**(1) Accounts Receivable**

Unit: RMB

Item	Connected party	Ending balance		Beginning balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Midea Electric Trading (Singapore) Co. Pte. Ltd.	808,990,082.77	40,449,504.14	589,756,109.51	29,487,805.48
Accounts receivable	MIDEA SCOTT&ENGLISH ELECTRONILCS SDN.BHD	27,689,915.81	1,384,495.79	7,962,102.83	398,105.14
Accounts receivable	PT MIDEA PLANET INDONESIA	19,444,985.13	972,249.26	9,792,445.24	489,622.26
Accounts receivable	MIDEA CONSUMER ELECTRIC (VIETNAM)COM.,LTD	16,078,525.03	803,926.25	11,868,764.19	593,438.21
Accounts receivable	Orient Household Appliances Ltd.	11,902,760.39	595,138.02	2,078,970.94	103,948.55
Accounts receivable	Ningbo Beautiful Homeland Electric Appliance Service Co., Ltd.	3,293,563.20	164,678.16	4,748,685.08	237,434.25
Accounts receivable	Toshiba Home Appliances Manufacturing (South China Sea) Co., Ltd.	1,115,712.81	55,785.64		
Accounts receivable	Midea Group E-commerce Co., Ltd.	208,234.95	10,411.75	125,900.58	6,295.03
Accounts receivable	Annto Zhilian Technology Co., Ltd.	1,000.00	50.00	52,895.00	2,644.75
Accounts receivable	TOSHIBA LIFESTYLE PRODUCTS & SERVICES CORPORATION			8,103,283.44	405,164.17
Total		888,724,780.09	44,436,239.00	634,489,156.81	31,724,457.84
Other accounts receivable	Shenzhen Midea Payment Technology Co., Ltd.	6,706,867.80	335,343.39	10,520,299.96	526,015.00
Total		6,706,867.80	335,343.39	10,520,299.96	526,015.00

Prepayments	Ningbo Midea United Material Supply Co., Ltd	26,999,276.18		7,407,695.59	
Prepayments	Midea Group E-commerce Co., Ltd.	4,553,229.49		3,354,919.77	
Prepayments	Shenzhen Shuzhi Scene Position Technology Co., Ltd.	1,050,000.00			
Total		32,602,505.67		11,072,455.36	

(2) Accounts Payable

Unit: RMB

Item	Connected party	Ending carrying balance	Beginning carrying balance
Accounts payable	Wuhu Welling Motor Marketing Co., Ltd.	146,638,887.47	146,551,812.62
Accounts payable	Toshiba Home Appliances Manufacturing (South China Sea) Co., Ltd.	21,718,943.46	38,171,577.41
Accounts payable	Guangdong Midea Precise Mould Technology Co., Ltd.	15,315,177.94	5,995,300.00
Accounts payable	Ningbo Midea United Material Supply Co., Ltd.	45,879,499.32	7,300,152.98
Accounts payable	Zhejiang Meizhi Compressor Co. Ltd.	3,984,880.19	5,500,676.15
Accounts payable	Annto Zhilian Technology Co., Ltd.	174,836.38	
Accounts payable	Foshan Midea Qinghu Water Purification Equipment Co., Ltd.	88,452.00	88,452.00
Accounts payable	Ningbo Beautiful Homeland Electric Appliance Service Co., Ltd.	79,899.40	51,350.00
Accounts payable	Ningbo Annto Zhilian Technology Co., Ltd.	69,785.77	68.38
Accounts payable	Wuhu Midea Household Electric Appliance Manufacturing Co., Ltd.	6,800.00	6,800.00
Accounts payable	Midea Smart Home Technology Co., Ltd.		1,216,403.00
Accounts payable	Guangdong Midea Environmental Appliance Manufacturing Co., Ltd.		13,951.00
Total		233,957,161.93	204,896,543.54
Other accounts payable	Guangdong Midea Refrigeration Equipment Co., Ltd.	119,866.94	351,404.33
Other accounts payable	Midea Welling Motor Technology (Shanghai) Co., Ltd.	840,075.83	90,387.26
Other accounts payable	Guangdong Midea Precise Mould Technology Co., Ltd.		100,000.00
Other accounts payable	Guangdong Midea Household Electric Appliance Manufacturing Co., Ltd.		61,458.90
Total		959,942.77	603,250.49

XV. Stock Payment

1. Summary

Midea Group has implemented five stock options and two restricted stock incentive plans for middle and senior management and technical backbones of the Group and its subsidiaries. At present, three exercise period of the first and second period of the stock option incentive plan, the first and second exercise period of the third period of the stock option incentive plan, the first exercise period of the fourth period of the stock option incentive plan and the first lifting restriction on the first restricted stock have reached the right condition.

By the end of the Reporting Period, 33 personnel from the Company and its subsidiaries participated in the first phase of stock option incentive plan with a total of 7.47 million stock options, 38 personnel participated in the second phase of stock option incentive plan with a total of 5.985 million stock options, 61 personnel participated in the third phase of stock option incentive plan with a total of 8.325 million stock options, 117 personnel participated in the fourth phase of stock option incentive plan with a total of 7.44 million stock options, 125 personnel participated in the fifth phase of stock option incentive plan with a total of 4.84 million stock options, 14 personnel participated in the first phase of restricted stock incentive plan with a total of 2.07 million restricted stocks, and 21 personnel participated in the second phase of restricted stock incentive plan with a total of 1.34 million restricted stocks.

2. Influence of Stock Payment on Financial Situation and Operating Result

As of 30 June 2018, the total amount of expense for equity-settled stock payment was recognized as RMB45,722,746.41 (as of 30 June 2017: RMB24,377,334.69). As of 30 June 2018, the accumulated amount of capital reserve used for equity-settled stock payment was RMB207,171,854.58 (31 December 2017: RMB163,325,332.37).

XVI. Commitments and Contingency

1. Significant Commitments

As of 30 June 2018, there were no significant commitments to be disclosed.

2. Contingency

There was no contingency to be disclosed.

XVI. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB'0,000

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	46,907.02	24.99%			46,907.02	143,493.46	49.87%			143,493.46
Accounts receivable withdrawn bad debt provision according to credit risks characteristics:	140,815.54	75.01%	7,040.78	5.00%	133,774.76	144,237.89	50.13%	7,211.89	5.00%	137,026.00
Total	187,722.56	100.00%	7,040.78	5.00%	180,681.78	287,731.35	100.00%	7,211.89	2.51%	280,519.46

Accounts receivable with single significant amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

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

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Within one year	1,408,155,396.79	70,407,769.85	5.00%
Total	1,408,155,396.79	70,407,769.85	5.00%

In the groups, accounts receivable adopted balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB1,711,175.28.

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of customer	Balance	Bad debt provision	Proportion (%)
Total of top 5 accounts receivable in ending balance	1,138,136,736.87	56,906,836.84	60.63%

2. Other Accounts Receivable**(1) Other Accounts Receivable Disclosed by Category**

Unit: RMB'0,000

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	7,578.75	76.31%	7,545.67	99.56%	33.08	7,627.85	71.55%	7,545.57	98.92%	82.28
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	2,341.88	23.69%	182.68	7.80%	2,159.21	3,032.33	28.45%	217.30	7.17%	2,815.03
Total	9,920.63	100.00%	7,728.34	77.90%	2,192.29	10,660.18	100.00%	7,762.87	72.82%	2,897.30

Other receivable with single significant amount for which bad debt provision separately accrued at the end of the period:

Unit: RMB

Other accounts receivable (unit)	Ending balance			
	Other accounts	Bad debt	Withdrawal	Withdrawal reason

	receivable	provision	proportion	
Jiangsu Little Swan Marketing and Sales Co., Ltd.	74,295,013.55	74,295,013.55	100.00%	Irrecoverable
Wuxi Little Swan Import & Export Co., Ltd.	1,161,652.95	1,161,652.95	100.00%	Irrecoverable
Little Swan International (Singapore) Co., Ltd.	330,830.00			
Total	75,787,496.50	75,456,666.50	--	--

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

Unit: RMB

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	22,006,622.30	1,100,331.12	5.00%
1 to 2 years	426,008.00	42,600.80	10.00%
2 to 3 years	160,400.00	48,120.00	30.00%
Over 3 years	825,800.00	635,700.00	76.98%
Total	23,418,830.30	1,826,751.92	7.80%

Notes:

In the groups, other accounts receivable adopted balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, other accounts receivable adopted other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB346,288.40.

(3) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds with subsidiaries	75,787,496.50	76,278,456.92
Deposits in third-party payment platforms	16,939,293.28	26,047,303.64
Margin & Cash pledge	2,244,821.48	1,404,000.00
Borrowings by employees	4,155,862.28	2,439,630.53
Other	78,853.27	432,364.08

Total	99,206,326.81	106,601,755.17
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(4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Intercourse funds	74,295,013.55	Over five years	74.89%	74,295,013.55
Alipay (China) Network Technology Co., Ltd.	Deposits in third-party payment platforms	11,300,245.09	Within one year	11.39%	565,012.25
Shenzhen Midea Payment Technology Co., Ltd.	Deposits in third-party payment platforms	3,891,703.86	Within one year	3.92%	194,585.19
Wuxi Little Swan Import & Export Co., Ltd.	Intercourse funds	1,161,652.95	Over five years	1.17%	1,161,652.95
Chinabank Payments	Deposits in third-party payment platforms	1,038,920.97	Within one year	1.05%	51,946.06
Total	--	91,687,536.42	--		76,268,210.00

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	1,433,285,041.57	475,050,000.00	958,235,041.57	1,433,285,041.57	475,050,000.00	958,235,041.57
Total	1,433,285,041.57	475,050,000.00	958,235,041.57	1,433,285,041.57	475,050,000.00	958,235,041.57

Investment to subsidiaries

Unit: RMB

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
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
Wuxi FILIN Electronics Co., Ltd.	25,660,308.10			25,660,308.10		

Wuxi Little Swan General Appliance Co., Ltd.	89,062,000.00			89,062,000.00		
Little Swan (Jingzhou) Sanjin Electrical Appliance Co., Ltd.	11,869,431.12			11,869,431.12		
Little Swan International (Singapore) Co., Ltd.	681,050.00			681,050.00		
Hefei Midea Washing Machine Co., Ltd.	830,962,252.35			830,962,252.35		
Total	1,433,285,041.57			1,433,285,041.57		475,050,000.00

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	7,979,065,489.12	5,959,888,669.74	7,187,874,729.64	5,451,504,491.74
Other operations	476,135,279.59	458,370,511.58	571,348,362.67	544,495,540.84
Total	8,455,200,768.71	6,418,259,181.32	7,759,223,092.31	5,996,000,032.58

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income generated from disposal of financial assets at fair value through profit or loss	5,554,875.00	1,507,720.00
Investment income generated from available-for-sale financial assets	42,302,112.09	91,851,796.82
Total	47,856,987.09	93,359,516.82

XVIII. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

Unit: RMB

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	634,455.90	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of trading financial assets and liabilities as well as financial assets available-for-sale, except for effective	-2,020,076.50	

hedges related to routine operations of the Company		
Other	16,252,069.24	
Less: Income tax effects	2,956,041.69	
Non-controlling interests effects	1,654,422.90	
Total	10,255,984.05	--

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

☐ Applicable ☒ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	12.21%	1.43	1.43
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	12.07%	1.41	1.41

Part XI Documents Available for Reference

1. Text of the 2018 Interim Report with the signature of the Chairman of the Board.
2. Financial statements with the signatures and seals of the legal representative, the Chief Financial Officer and the Financial Manager.
3. Originals of all the documents and announcements of the Company ever disclosed on the Securities Times and the Ta Kung Pao (HK) in the Reporting Period.

Wuxi Little Swan Company Limited

Legal Representative: Fang Hongbo

8 August 2018