

# WUXI LITTLE SWAN COMPANY LIMITED

## ANNUAL REPORT 2018



**March 2019**

## **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.

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.

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

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.

As approved by the said Board meeting, the Company has no final dividend plan, either in the form of cash or stock, for the year 2018.

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.

## Table of Contents

Part I Important Notes, Table of Contents and Definitions.....	2
Part II Corporate Information and Key Financial Information.....	5
Part III Business Summary .....	9
Part IV Operating Performance Discussion and Analysis .....	12
Part V Significant Events.....	28
Part VI Share Changes and Shareholder Information.....	53
Part VII Preferred Shares .....	60
Part VIII Directors, Supervisors, Senior Management and Staff.....	61
Part IX Corporate Governance.....	68
Part X Corporate Bonds .....	75
Part XI Financial Statements.....	76
Part XII Documents Available for Reference .....	76

## 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 31 December 2018
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi

## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	Little Swan, Little Swan-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		
Registered address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China		
Zip code	214028		
Office address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China		
Zip code	214028		
Company website	<a href="http://www.littleswan.com">http://www.littleswan.com</a>		
Email address	<a href="mailto:ir@littleswan.com.cn">ir@littleswan.com.cn</a>		

### II Contact Information

	Board Secretary	Securities Representative
Name	Ms. Zhou Sixiu	
Address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province, P.R.China	
Tel.	0510-81082320	
Fax	0510-83720879	
Email address	<a href="mailto:ir@littleswan.com.cn">ir@littleswan.com.cn</a>	

### III Media for Information Disclosure and Place where this Report Is Lodged

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

#### IV Change to Company Registered Information

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

#### V Other Information

The independent audit firm hired by the Company:

Name	PricewaterhouseCoopers Zhong Tian LLP
Office address	11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
Accountants writing signatures	Huang Meimei, Zhang Xiaoying

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable  Not applicable

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

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable  Not applicable

#### VI Key Financial Information

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

Yes  No

	2018	2017	change	2016
Operating revenue (RMB)	23,636,929,478.33	21,384,699,076.65	10.53%	16,334,914,501.69
Net profit attributable to the listed company's shareholders (RMB)	1,862,458,658.29	1,506,412,505.22	23.64%	1,175,054,922.85
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	1,822,990,385.73	1,456,953,109.59	25.12%	1,162,942,494.37
Net cash generated from/used in operating activities (RMB)	2,624,892,821.13	2,015,753,818.30	30.22%	3,896,072,787.38
Basic earnings per share (RMB/share)	2.94	2.38	23.53%	1.86
Diluted earnings per share (RMB/share)	2.94	2.38	23.53%	1.86
Weighted average return on equity (%)	24.42%	23.12%	1.30%	21.14%
	31 December 2018	31 December 2017	Change	31 December 2016
Total assets (RMB)	23,561,899,125.85	21,338,421,243.67	10.42%	18,885,986,837.64
Equity attributable to the listed company's shareholders (RMB)	8,312,062,507.53	7,047,090,800.97	17.95%	5,983,847,862.72

## VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

No difference for the Reporting Period.

### 2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable  Not applicable

No difference for the Reporting Period.

## VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	6,811,940,933.68	5,244,997,352.37	5,359,920,386.18	6,220,070,806.11
Net profit attributable to the listed company's shareholders	511,022,240.89	391,024,805.53	445,019,926.40	515,391,685.48
Net profit attributable to the listed company's shareholders before exceptional	501,731,839.62	390,059,222.75	427,541,808.27	503,657,515.10

items				
Net cash generated from/used in operating activities	284,655,859.29	-111,426,836.88	112,274,735.02	2,339,389,063.70

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

Yes  No

## IX Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	13,137,087.29	-975,423.00	-1,833,734.45	
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)	-7,619,781.97	22,954,813.04		
Non-operating income and expense other than the above	44,275,866.72	44,138,356.17	18,160,667.04	
Less: Income tax effects	7,474,356.94	12,040,092.19	2,455,096.12	
Non-controlling interests effects (net of tax)	2,850,542.54	4,618,258.39	1,759,407.99	
Total	39,468,272.56	49,459,395.63	12,112,428.48	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.

## Part III Business Summary

### I Principal Activity of the Company in the Reporting Period

Wuxi Little Swan Company Limited designs, manufactures and markets washing machines and clothes driers. Its main products include front-loading washing machines, top-loading 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 over 900 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 m<sup>2</sup> 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 Significant Changes in Major Assets

### 1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	No significant change
Construction in progress	No significant change

### 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

In 2018, the global economy generally maintained a recovery trend with individual economies evidently polarized, and trade and geopolitical frictions intensified. The overall economic situation at home was stable, regulatory policies for real estate became tightened, prices for raw materials ran high, the exchange rate of Renminbi fluctuated dramatically, growth in the home appliance market was weak, and the growth rate of the washing machine industry slowed down.

In 2018, the washing machine sector on domestic market entered a matured development period. Influenced by macro-economic and real estate policies, consumption end was mainly driven by needs of regeneration and structural upgrade. Consumption market has been segmented and become high-end oriented, intelligent and differentiated constantly, clothes dryer products have been growing considerably, and consumption has turned from popularized to structural consumption. On overseas market, there's a huge development space, and it has become a must road to speed up globalized production distribution and enlarge expansion on emerging markets. According to the online industrial data, total sales of washing machines from January to December of 2018 was 60.651 million sets, a year-on-year growth of 2.4%; domestic sales was 45.32 million sets, a year-on-year growth of 2.7%, export sales was 20.281 million sets, a year-on-year growth of 1.7%.

#### (II) Analysis of the Core Businesses

In face of the complicated political and economic conditions at home and abroad in 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. In the Reporting Period, in light of the industry-wide consumption upgrade and in order for continuous growth, the Company took the initiative to promote business transformation to actively deal with external changes. It increased medium-and-high-end offerings in its product mix so as to stay sustainably competitive. For 2018, the Company recorded operating revenue of RMB23.64 billion, up 10.5% year-on-year; a net profit attributable to the Company as the parent of RMB1.86 billion, representing a 23.6% growth from 2017; and a 26.2% gross profit margin, 0.9 percentage point

higher than 2017.

The revenue growth was fuelled by the increased unit sales and average selling price as a result of a refined product mix and greater strength in terms of products. Meanwhile, a larger business scale, higher efficiency and more investment income boosted profit. The overall operational efficiency has improved significantly thanks to the Company's efforts in promoting excellent performance through the value chain, and investment income increased on the back of more self-owned capital.

### **(III) Work Done in 2018**

#### **1. Constantly increase R&D input, enhance management innovation and improve leadership of products**

The Company has been implementing the product leadership strategy, increasing its R&D input and building its continuous competitiveness for products facing the future. It has been deepening the reform of product managers, improving business awareness of the R&D team to enable project development idea to focus more on market needs and consumers' hotspots, constantly improving target rate of corporate planning, concentrating core resources on building high-end products. It has been substantiating the objective of “studying one generation, reserving one generating and developing one generation”, and conducting innovation research layout and building product leadership centering round development of innovative products, study of pioneering platforms, research of key parts, differentiated layout of selling points and improvement of basic performance. Through structural optimization of R&D resource allocation and put-through and collaboration of value chain, enlarge launch of new products, and it has launched star products such as Beverly Qing (Inclining) series revolving washer, Beverly Yi (Horizontal) series front-loader washing machine and steam ironing-free dryers in succession. Within the reporting period, our Beverly washing machines won IF Award of Germany, Red Dot Award of Germany, Idea Award of the United States and International CMF Technical Innovation Award. Our Beverly washing machines won Red Top Award of China's high-end home appliance, China's Appearance Design Gold Prize, China's Home Appliance Products and Technical Innovation Results Award. The Company won “Cold Water Washing Technology Certification” granted by VDE and certification of “25-year Service Life for BLDC Electric Motors” and “25-year Service Life for CIM Electric Motors”. Within the reporting period, the product competitiveness of the Company has been enhanced continuously.

#### **2. Domestic sales has been restructured actively to cope with environmental change and has achieved stable year-on-year growth**

For the situation that growth speed of washing machine sector on domestic market has been evidently slowed down, the Company made a business adjustment actively, deepened the dual-brand strategy, highlighted Little

Swan brand and strengthen Midea brand. As a result, the product structure of Little Swan has been optimized continuously, and Midea brand has achieved rapid growth. Online and offline operation and brand propaganda has been conducting for the products to enlarge launch of new products, increase specially supplied models of products for different channels, further improve product lines, optimize product structure and drive sales growth continuously. Launch and promotion of new Beverly products has been enhanced, which enabled Beverly to achieve a rapid growth and proportion of medium and high end products is improving continuously. Within the reporting period, the Company realized domestic sales revenue of RMB16.8 billion, a year-on-year growth of 10.5%.



### **3. Market expansion is enlarged for domestic sales to drive global operation continuously, and a considerable year-on-year growth is achieved**

Faced with the complicated and volatile political and economic environment of the world and the pressure of slowing-down growth rate of export market, the Company has been pushing forward its global operating strategy firmly, exploring new markets and new clients actively, deepening the cooperation with strategic clients and overseas sales achieves a considerable growth and profit-making capability has been improved continuously. It has been enhancing the promotion of its own brands, propelling sales of its own brands of Toshiba and improving its brand recognition and profit-making capability, and its own brands have been developing well. It has been launching differentiated products continuously for regional markets, enhancing market competitiveness of the products and expanding the incremental market greatly. It has been exploring global manufacturing distribution actively and enhancing long-term competitiveness of the Company. Within the reporting period, overseas sales revenue of the Company achieved RMB4.9 billion, a year-on-year growth of 14.7%.

### **4. Implement efficiency driving firmly and improve whole value chain excellent operation all-roundly**

The Company has been implementing T+3 strategy firmly, pushing forward optimization and improvement of business processes of plan integration and procurement integration and speeding up circulation to ensure delivery. It has been optimizing supply layout constantly, improving guaranteed supply capability and response speed for outsourced parts and driving improvement of its self-manufacturing capability. It has been improving its

whole-process management from design to use, driving lean improvement, manufacturability improvement, automation input and high-end manufacturing capability robustly and improving lean manufacture level and efficiency. Centering round the market and oriented by strategy, it has been driving organizational reform, optimizing its business management process and improving response speed of the organization constantly. Within the reporting period, operating efficiency of the company has been improved significantly.

## II Core Business Analysis

### 1. Overview

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

Unit: RMB

Item	2018	2017	Change	Change (%)
Operating revenue	23,636,929,478.33	21,384,699,076.65	2,252,230,401.68	10.53%
Cost of sales	17,444,047,983.81	15,982,893,658.84	1,461,154,324.97	9.14%
Operating profit	2,460,967,201.57	2,048,866,736.50	412,100,465.07	20.11%
Profit before tax	2,479,157,987.43	2,064,694,943.36	414,463,044.07	20.07%
Net profit attributable to the Company as the parent	1,862,458,658.29	1,506,412,505.22	356,046,153.07	23.64%

### 2. Revenue and Cost Analysis

#### (1) Breakdown of Operating Revenue

Unit: RMB

	2018		2017		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	23,636,929,478.33	100%	21,384,699,076.65	100%	10.53%
By operating division					
Home appliance manufacturing	21,692,952,459.61	91.78%	19,469,125,226.23	91.04%	11.42%
Other	1,943,977,018.72	8.22%	1,915,573,850.42	8.96%	1.48%
By product category					
Washing machines	21,692,952,459.61	91.78%	19,469,125,226.23	91.04%	11.42%

Other	1,943,977,018.72	8.22%	1,915,573,850.42	8.96%	1.48%
By operating segment					
Domestic	18,739,863,208.93	79.28%	17,114,743,424.78	80.03%	9.50%
Overseas	4,897,066,269.40	20.72%	4,269,955,651.87	19.97%	14.68%

## (2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

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	21,692,952,459.61	15,584,261,291.42	28.16%	11.42%	9.68%	1.14%
By product category						
Washing machines	21,692,952,459.61	15,584,261,291.42	28.16%	11.42%	9.68%	1.14%
By operating segment						
Domestic	16,795,886,190.21	11,369,386,862.61	32.31%	10.51%	9.01%	0.93%
Overseas	4,897,066,269.40	4,214,874,428.86	13.93%	14.68%	11.54%	2.43%

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

Applicable  Not applicable

## (3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Operating division	Item	Unit	2018	2017	Change (%)
Home appliance manufacturing	Unit sales	Unit	21,149,599	20,462,099	3.36%
	Output	Unit	20,485,728	20,393,476	0.45%
	Inventory	Unit	1,943,645	2,607,516	-25.46%

Any over 30% YoY movements in the data above and why:

Applicable  Not applicable

## (4) Execution Progress of Major Signed Sales Contracts in the Reporting Period

Applicable  Not applicable

**(5) Breakdown of Cost of Sales**

Unit: RMB

Product category	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Washing machines	Raw materials	14,301,150,946.52	91.77%	13,209,710,403.74	92.97%	-1.20%
Washing machines	Labor costs	749,612,619.96	5.28%	632,054,812.65	4.45%	0.83%
Washing machines	Depreciation and amortization	230,995,508.04	1.63%	201,388,852.45	1.42%	0.21%
Washing machines	Energy	90,143,848.38	0.63%	77,018,797.10	0.54%	0.09%

**(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period** Yes  No**(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period** Applicable  Not applicable**(8) Major Customers and Suppliers**

Major customers:

Total sales to top five customers (RMB)	8,934,801,645.91
Total sales to top five customers as % of total sales of the Reporting Period (%)	41.19%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	17.15%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	3,720,722,529.54	17.15%
2	Customer B	1,955,803,693.19	9.02%
3	Customer C	2,315,109,756.06	10.67%
4	Customer D	537,825,230.48	2.48%
5	Customer E	405,340,436.64	1.87%
Total	--	8,934,801,645.91	41.19%

Other information about major customers:

 Applicable  Not applicable

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

## Main suppliers:

Total purchases from top five suppliers (RMB)	5,139,849,268.19
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	35.94%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	25.00%

## Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	3,574,747,992.09	25.00%
2	Supplier B	548,223,395.03	3.83%
3	Supplier C	457,629,616.28	3.20%
4	Supplier D	296,089,306.80	2.07%
5	Supplier E	263,158,957.99	1.84%
Total	--	5,139,849,268.19	35.94%

## Other information about major suppliers:

Applicable  Not applicable

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

### 3. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	3,351,676,000.52	2,872,849,586.14	16.67%	
Administrative expense	181,699,829.11	177,543,281.44	2.34%	
Finance costs	-531,729,710.86	-71,808,982.80	-640.48%	Increase of deposits interest income and exchange earning
R&D expense	733,045,215.90	550,779,796.27	33.09%	Increase of R&D investment

### 4. R&D Expense

During the Reporting Period, the Company was market-oriented and centered on customers' needs, intensifying R&D continuously. The R&D input was mainly for: 1. strengthening R&D and innovation of high-end, intelligent, and dryers for better competitive edges in the future; 2. strengthening user research continuously, increasing manufacturability of products and creating continuous cost competitive advantages; 3. expanding the high-end talent pool. In 2018, the Company's expenditure on R&D was RMB730 million, representing 7.52% of its audited

net assets and 3.10% of its revenue in the year.

Details about R&D expense:

	2018	2017	Change (%)
Number of R&D personnel	944	887	6.43%
R&D personnel as % of total employees	8.24%	8.70%	-0.46%
R&D expense (RMB)	733,045,215.90	550,779,796.27	33.09%
R&D expense as % of operating revenue	3.10%	2.58%	0.52%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable  Not applicable

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

Applicable  Not applicable

## 5. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	21,032,314,952.83	17,737,932,301.25	18.57%
Subtotal of cash used in operating activities	18,407,422,131.70	15,722,178,482.95	17.08%
Net cash generated from/used in operating activities	2,624,892,821.13	2,015,753,818.30	30.22%
Subtotal of cash generated from investing activities	17,050,655,473.15	11,517,797,636.35	48.04%
Subtotal of cash used in investing activities	18,779,510,384.29	15,658,505,062.46	19.93%
Net cash generated from/used in investing activities	-1,728,854,911.14	-4,140,707,426.11	58.25%
Subtotal of cash generated from financing activities	117,603,683.89	680,166,782.34	-82.71%
Subtotal of cash used in financing activities	714,121,209.86	1,267,750,117.45	-43.67%
Net cash generated from/used in financing activities	-596,517,525.97	-587,583,335.11	-1.52%
Net increase in cash and cash equivalents	295,744,885.68	-2,754,200,845.50	110.74%

Explanation of why any of the data above varies significantly:

Applicable  Not applicable

The reason for the increase of Net cash flows from operating activities: mainly due to the increase of cash from selling products and rendering of service.

The reason for the increase of Net cash flows from investing activities: mainly due to the increase of structural deposits during the Reporting Period.

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

Applicable  Not applicable

### III Analysis of Non-Core Businesses

Applicable  Not applicable

### IV Analysis of Assets and Liabilities

#### 1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	1,926,938,134.40	8.18%	1,588,264,516.05	7.44%	0.74%	
Accounts receivable	1,957,583,475.15	8.31%	1,736,724,496.10	8.14%	0.17%	
Inventories	1,754,597,149.53	7.45%	1,980,766,196.14	9.28%	-1.83%	
Investment property	54,776,877.23	0.23%	61,695,825.00	0.29%	-0.06%	
Fixed assets	1,121,036,700.25	4.76%	1,029,668,355.84	4.83%	-0.07%	
Construction in progress	15,486,834.37	0.07%	37,972,252.60	0.18%	-0.11%	The equipment was converted into fixed assets after being tested
Short-term borrowings	117,603,683.89	0.50%	81,393,672.34	0.38%	0.12%	Increase of the discounted undue notes receivable

#### 2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through gains/losses (exclusive of derivative)	5,270,238.03	-5,270,238.03					

financial assets)							
3. Available-for-sale financial assets	3,792,871,097.60	-57,871,097.60				-3,735,000,000.00	0.00
Total of above	3,798,141,335.63	-63,141,335.63				-3,735,000,000.00	0.00
Financial liabilities	0.00	3,078,878.95	0.00	0.00	0.00	0.00	3,078,878.95

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes  No

### 3. Restricted Asset Rights as at the Period-End

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 Investment Amount

Total investment amount of Reporting Period (RMB)	Total investment amount of last year (RMB)	Change (%)
297,706,394.90	320,566,388.23	-7.13%

### 2. Major Equity Investments Made in the Reporting Period

Applicable  Not applicable

### 3. Major 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	Rela	Rela	Type of	Initial	Starting	Ending	Beginni	Purchased	Sold in	Impairm	Ending	Proporti	Actua
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	Relationship with the Company	Party transaction or not	Derivative	Investment amount	Investment date	Expiry date	Investment amount	Investment amount in the Reporting Period	Investment amount in the Reporting Period	Provision (if any)	Investment amount	Return on investment closing amount in the Company's closing net assets	Gain/Loss in the Reporting Period
Bank	Not	Not	Forward forex contract	17,676	10 May 2017	24 May 2019	17,676	19,125	32,313		4,488	0.46%	-762
Total				17,676	--	--	17,676	19,125	32,313		4,488	0.46%	-762
Capital source for derivative investment				All from the Company's own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				13 March 2018									
Disclosure date of shareholders' meeting 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</p>									

	<p>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>
<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>	<ol style="list-style-type: none"> <li>1. The loss from Forex forward contract was RMB7.62 million during the Reporting Period;</li> <li>2. 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.</li> </ol>
<p>Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period</p>	<p>No significant changes</p>
<p>Opinion of independent directors on derivative investments and risk control</p>	<p>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</p>

	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.
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## 5. Use of Funds Raised

Applicable  Not applicable

No such cases in the Reporting Period

## 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 Major Subsidiaries

Unit: RMB'0,000

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	Washing machine manufacturing	US\$13,552	892,370.11	353,710.21	1,132,894.38	70,732.91	60,720.81
Wuxi FILIN	Subsidiary	Electronic component manufacturing	US\$362.4564	203,769.45	132,082.35	127,046.20	36,022.18	30,798.38

Subsidiaries obtained or disposed in the Reporting Period:

Applicable  Not applicable

## VIII Structured Bodies Controlled by the Company

Applicable  Not applicable

## **IX Prospects**

### **(I) Development Trends in the Industry**

In 2019, recovery of global economy may be slowed down, there will be a greater uncertainty for trade friction and geopolitics, China's economy will turn from a high-speed growth stage to a high-quality development stage, and its economic growth speed may be gradually slowed down. The kinetic energy for growth of China's home appliance sector is undergoing a gradual transformation, and the kinetic energy for traditional growth such as growth in scale, population dividend and internet dividend is weakened gradually and the incremental dividend is being transformed to fission of stock. With continuous increase of residents' revenue, enterprises shall adapt themselves to and grasp consumption upgrade trend accurately. There will be a trend to combine intelligent life scenarios in the future, integrate and apply various cutting-edge technologies and provide smart home appliance with better experience for users. Development and application of new technologies such as IT is restructuring cooperation modes in the ecosphere of home appliance sector, and making industrial boundary vaguer. Needs of users are getting more and more personalized, and lean manufacture and smart manufacture are becoming an inevitable choice for home appliance sector to gain competitive advantage. New products, new services, new modes and new participants will impact the industrial pattern constantly, and competition will be keener. In general, on the background that an uncertainty of global economic development is intensified and China is undergoing a great economic transformation, home appliance sector will face a great challenge, but the change of development trend of the sector will bring new development opportunities for enterprises.

### **(II) Development Plan of the Company**

In 2019, the Company will stick to its professional development path, focus on main lines of washing machines and clothes dryers, continue the main strategic axle of "being led by products, driven by efficiency and going global". It will drive business transportation firmly, optimize structure of products, improve proportion of high, medium and low end products constantly, pursue growth of high quality and ensure continuous growth of revenue and profit. Centering round the strategic axle of the Company, the following work will mainly be done in 2019:

#### **1. Product leadership**

Further increase R&D input, build innovation capability for products continuously, as innovation capability is core competitiveness to determine future development. Centering round users, improve scientific research capability for users and improve implementation of CDOC and support differentiated innovation for products. Improve industrial design and breakthroughs of new techniques, enhance sense of quality and sense of artistic aesthetic and improve competitiveness of products. Optimize configuration structure of research and development

resources, and focus more on key models of machines, core technologies, new techniques, clothes dryers and pioneering research so as to ensure sustainable competitiveness in the future. Enhance talent introduction and outbound cooperation continuously, drive reform of R&D organization, build a R&D atmosphere based on business pioneers and arose the vitality of the organization constantly.

## **2. Efficiency driving**

Go on driving digital transformation and achieve whole-process management and application of data with aid of IOT and so on and drive business and management reform through intelligent operation; greatly push forward lean manufacturing, automation and intelligence and gradually push forward intelligent manufacturing and improve manufacturing efficiency and level constantly on the basis of intensifying lean manufacturing and automation capability; through continuous resource allocation and put-through and coordination of the whole value chain, respond to market demands rapidly and improve operating efficiency of value chain. Push forward distribution of global manufacturing capability and deepen resource coordination with Toshiba, and drive organizational reform and increase response speed for excellent operation of the whole value chain constantly.

## **3. Global operation**

On domestic market, drive transformation of marketing and retail actively, intensify online and offline consistency, and drive reform of business mode continuously centering round the market and user's needs. Stick to dual-brand differentiation strategy, enhance promotion of Beverly, continuously promote news products of high quality and constantly optimize sales structure of products. Enhance systematic construction of brands, focus on promotion and diversion and improve brand recognition. On overseas sales market, enhance market expansion further and develop new clients actively. For the differentiated needs of regional market, intensify market research and product planning, provide targeted products, and improve market competitiveness rapidly. Focus on Toshiba brand, and promote development of our own brands.

### **(III) Key Capital Expenditure Plan for Near Future**

To actively adapt to internal and external environment change and satisfy the future development demand of the Company, the investment focus of the Company in 2019 shall be put on R&D and innovation, intelligent manufacturing, high-end brand construction, quality improvement, etc. and meanwhile the Company shall actively promote global layout and promote the global competitiveness of the Company. The Company shall strictly control non-production operation investment. Investment fund comes from the Company's own fund.

### **(IV) Main Risks in Future Development**

**1. Macro risk.** Under the influence of uncertainty 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, the challenge of new comers, and profound adjustment of global industrial pattern and re-division.

**3. Cost risk.** If the price of raw materials continues to rise in 2019, cost pressure of the Company shall further increase to directly affect the profitability of the Company with continuous rise in Labor cost.

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

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

## X Communications with the Investment Community such as Researches, Inquiries and Interviews

### 1. During the Reporting Period

Date	Way of communication	Type of communication party	Index to main information communicated
24 January 2018 to 2 February 2018	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors from 24 January 2018 to 2 February 2018 (No. 2018-01) on www.cninfo.com.cn
15 March 2018 to 22 March 2018	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors from 15 March 2018 to 22 March 2018 (No. 2018-02) on www.cninfo.com.cn
8 August 2018 to 17 August 2018	Field research	Institution	Little Swan A: The Sheet of Interactions with Investors from 8 August 2018 to 17 August 2018 (No. 2018-03) on www.cninfo.com.cn
Times of communications			26
Number of institutions communicated with			110
Number of individuals communicated with			187
Number of other communication parties			0
Tip-offs or leakages of substantial supposedly-confidential information during			None

communications	
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## Part V Significant Events

### I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

2018 profit distribution plan: the Company didn't carry out the 2018 profit distribution plan, with no share dividend in any form. The plan was reviewed and approved by 6<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Director of the Company, and intended to be submitted to Annual General Meeting for review.

2018 interim profit distribution plan: based on the total 632,487,764 shares of the Company as of 31 December 2018, a cash dividend of RMB40 (tax inclusive) per 10 shares was distributed to all the shareholders. The plan was reviewed and approved by 5<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Director of the Company, and intended to be submitted to Annual General Meeting for review.

2017 profit distribution plan: based on the total 632,487,764 shares of the Company as of 31 December 2017, a cash dividend of RMB10 (tax inclusive) per 10 shares was distributed to all the shareholders, with no share dividend in any form. The said plan has been carried out in May 2018.

2016 profit distribution plan: based on the total 632,487,764 shares of the Company as of 31 December 2016, a cash dividend of RMB7.5 (tax inclusive) per 10 shares was distributed to all the shareholders, with no share dividend in any form. The said plan has been carried out in May 2017.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
2018	2,529,951,056.00	1,862,458,658.29	135.84%	0.00	0.00%	2,529,951,056.00	135.84%
2017	632,487,764.00	1,506,412,505.22	41.99%	0.00	0.00%	632,487,764.00	41.99%
2016	474,365,823.00	1,175,054,922.85	40.37%	0.00	0.00%	474,365,823.00	40.37%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

□ Applicable √Not applicable

## II Final Dividend Plan for the Reporting Period

Share dividend per 10 shares from retained earnings (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	40.00
Share dividend per 10 shares from capital reserves (share)	0
Share base (share)	632,487,764.00
Cash dividends (RMB) (tax inclusive)	2,529,951,056.00
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	2,529,951,056.00
Distributable profit (RMB)	3,235,769,891.68
Total cash dividends (including those in other forms) as % of the total profit distribution	100%
Cash dividend policy	
Other	
Details about cash and/or share dividend proposal	
<p>Given that the Interim Profit Distribution Plan has been reviewed and approved by the 5<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Directors, the Company distributed a cash dividend of RMB40 (tax inclusive) per 10 shares to all shareholders based on the total 632,487,764 shares of the Company as of 31 December 2018, and the cash dividend reached RMB2,530 million. The Company intended to not carry out the 2018 profit distribution plan, with no bonus shares or share dividend in any form after comprehensively considering the financial conditions and subsequent demand of production and operation of the Company.</p> <p>For 1996 when the Company was listed to now, the Company has accumulatively distributed cash dividend of RMB5,498 million, and the amount of dividends is 5.33 times of the amount of raised fund. The proportion of cash dividends has exceeded 40% for seven consecutive years</p>	

## III Fulfillment of Commitments

### 1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform	Controlling shareholder	Commitment concerning shareholding	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	28 February 2008	Long-standing	Ongoing

		reduction	Company two trading days before its first reduction of holdings.			
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.	1 December 2010, and 6 June 2014	Long-standing	Ongoing
	Controlling shareholder and actual controller	Commitment on regulation of related-party transactions	2. The commitment by Midea Group and the actual controller on the specification of the related-party transaction. Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises will specify and try their best to reduce the related-party transactions with Little Swan and its controlled enterprises. If occurred the unavoidable related transactions with Little Swan and its controlled enterprises, would sign the normative related-party transactions agreement Little Swan according to laws and would execute the approval procedure according to the relevant regulations to ensure the fairness of the price of the related-party transactions; ensure to execute the information disclose obligation of related-party transactions according to the relevant regulations; ensure not to make advantage of the related-party transactions for illegally transferring the assets and profits of Little Swan, as well as not to	1 December 2010, and 6 June 2014	Long-standing	Ongoing

		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 related-party deposits and borrowings	4. As for the commitment on related-party deposits and borrowings, up to April 8, 2010, the Financial Settlement Center of Midea Group had settled all internal deposits and borrowings with Hefei Midea Washing Machine Co., Ltd.; and Midea Group has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Midea Washing Machine Co., Ltd..	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	Commitments on trademarks	6. The commitment by Midea Group on trademarks is detailed as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, Midea Group has promised that it will make sure that Hefei Midea Washing Machine Co., Ltd. uses the “Midea” trademark in a	1 December 2010	The use right of the “Royalstar”	Ongoing

		<p>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>		<p>trademark detailed in (2) expired on 31 March 2013 and was not renewed. And the other commitment continues.</p>		
	Controlling shareholder	<p>Commitment on social security payment and tax risks</p>	<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 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</p>	<p>1 December 2010</p>	<p>Long-standing</p>	<p>Ongoing</p>

			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.	25 February 2019	Effective for one year	Ongoing
Commitments made in time of asset restructuring	Actual controller	Declaration and commitment letter for the opinion of stock exchange and share reduction plan	1. I agree on this consolidation and combination in principle. 2. I have not the plan for reducing the equity I hold in Midea Group and/or Little Swan during the period from the date of this consolidation and combination and resumption of trading to the date of implementation, and I will not reduce the equity I hold in Midea Group and/or Little Swan during the period from the date of this consolidation and combination and resumption of trading to the date of implementation. 3. This letter of commitment will have legal binding force on me as of the date of its signing, and I will assume corresponding compensation liability in case Midea Group or Little Swan suffers from any loss due to my acting against my commitment to the contents under this letter of commitment.	24 October 2018	Long-standing	Ongoing
	Actual controller	Commitment letter for avoiding horizontal competition	1. I, my direct relatives and other enterprises under their control have not been engaged in, nor will they be engaged in any production and business activity the same as or similar to current main businesses of Midea Group and the enterprises under its control, and I, my direct relatives and other enterprises under their control will not be engaged in or participate in any competitive business the same as the main business of the enterprise nowadays under the control of Midea Group and the enterprises under its control through any other economic entity, agency or economic organization. 2. If Midea Group and the enterprises under its control further expand their business scope on the basis of their existing business, and I, my direct relatives and other enterprises under their control have been conducting production or business operation for it, so long as I am the actual controller of Midea Group, I, my direct relatives and other enterprises under their control agree to solve the non-competitive issue arising out of this within the term specified at that time. 3. When Midea Group and the enterprises under its control further expand their business scope on their existing business scope, and I, my direct relatives and other enterprises under their control have not conducted production or business operation for it yet, so long as I am the actual controller of Midea Group, I, my direct	24 October 2018	Long-standing	Ongoing

		relatives and other enterprises under their control will not be engaged in such new business competing with Midea Group and the enterprises under its control. So long as I am recognized as the actual controller of Midea Group pursuant to effective laws, regulations and other normative documents of the People's Republic of China, I will not change and dissolve my above commitment.				
	Actual control	Commitment letter for standardizing and reducing related-party transaction	<p>1. I, my direct relatives and other enterprises under their control will standardize and endeavor to reduce affiliated party transactions with Midea Group and the enterprises under its control. If I, my direct relatives and other enterprises under their control conduct any affiliated party transaction that cannot be prevented with Midea Group and the enterprises under its control, including but not limited to commodity transaction, provision of services between them or acting as agents to each other, a standard agreement on the affiliated party transaction will be signed with Midea Group pursuant to the laws and regulations, and the approval formalities will be handled pursuant to relevant laws, regulations, rules and other standard documents as well as the articles of association of Midea Group, the price of the affiliated party transaction will be ensured to be fair and the information disclosure obligations for the affiliated party transaction will be performed pursuant to relevant laws, regulations and the articles of association of Midea Group, they will not transfer the fund or profit of Midea Group illegally by taking advantage of the affiliated party transaction, and they will not undermine the benefits of Midea Group and its stockholders by taking advantage of the affiliated party transaction. 2. I commit that I will perform the obligation of vote avoidance when the stockholders' meeting of Midea Group is voting on any affiliated party transaction involving I, my direct relatives and other enterprises under their control. 3. I, my direct relatives and other enterprises under their control will not require Midea Group to give them more preferential conditions compared with those given to any independent third party in any fair transaction on the market. So long as I am recognized as the actual controller of Midea Group pursuant to effective laws, regulations and other normative documents of the People's Republic of China, I will not change and dissolve my above commitment. I will perform the above commitment truthfully and assume corresponding legal responsibilities. If I do not perform the obligations and responsibilities in the above commitment, I will assume corresponding liabilities pursuant to laws, regulations, rules and other normative documents.</p>	24 October 2018	Long-standing	Ongoing

	Actual controller	Commitment letter for maintaining the independence of the Company	To further ensure independent operation of Midea Group, I and the other enterprises under my control will keep independent from Midea Group in terms of personnel, finance, assets, business and organization pursuant to relevant laws, regulations and normative documents. So long as I am recognized as the actual controller of Midea Group pursuant to effective laws, regulations and other normative documents of the People's Republic of China, I will not change and dissolve my above commitment. I will perform the above commitment truthfully and assume corresponding legal responsibilities. If I do not perform the obligations and responsibilities in the above commitment, I will assume corresponding liabilities pursuant to laws, regulations, rules and other normative documents.		Long-standing	Ongoing
	Controlling shareholder	Commitment letter for providing factual, accurate and complete information	The Company will provide the information for this consolidation and combination for the intermediary agency engaged for the consolidation and combination in time, ensure that the provided information is true, accurate and complete, there's not any false recording, misleading statement or significant omission, and the Company will assume separate and joint and several legal liabilities for authenticity, accuracy and completeness for the provided information. In case of any false recording, misleading statement or significant omission for the provided information on the part of the Company and bring any loss for the investors, it will assume the compensation liability pursuant to the laws.	24 October 2018	Long-standing	Ongoing
	Controlling shareholder	Note for Punishments and credit quality	1. By the date that this letter is issued, the Company has not the circumstance of initiating an investigation by the judicial organ on account of its being suspected of committing a crime or that of initiating an investigation by China Securities Regulatory Commission on account of its being suspected of violating laws or regulations. 2. By the date that this letter is issued, in the recent five years, the Company has not been subject to any administrative penalty (except for those evidently not related to securities market), criminal penalty or major civil lawsuit or arbitration involving economic disputes, nor has it any circumstance of not repaying its large-sum debt at due time, not performing its commitment or being subject to the administrative regulatory measures of China Securities Regulatory Commission or the disciplinary penalty of the securities exchange, and it has not other major behavior of breaking promises.	24 October 2018	Long-standing	Ongoing
	Controlling shareholder	Note for share holding reduction	1. The Company has not the plan for reducing the equity it holds in Little Swan during the period from the date of this consolidation and combination and resumption of trading to the date of implementation, and the Company will not reduce the	24 October 2018	Long-standing	Ongoing

	plan	equity it holds in Little Swan during the period from this consolidation and combination and resumption of trading to the date of implementation. The equity held by the Company will be canceled after this consolidation and combination is completed. 2. This letter of commitment will have legal binding force on the Company as of the date of its signing, and it will assume corresponding compensation liability in case Little Swan suffers from any loss due to the Company's acting against its commitment to the contents under this letter of commitment.			
Related party	Declaration and commitment letter for the opinion of stock exchange and share reduction plan	1. The Company agrees on this consolidation and combination in principle. 2. The company has not the plan for reducing the equity it holds in Midea Group during the period from the date of this consolidation and combination and resumption of trading to the date of implementation, and it will not reduce the equity it holds in Midea Group during the period from the date of this consolidation and combination and resumption of trading to the date of implementation. 3. This letter of commitment will have legal binding force on the Company as of the date of its signing, and the Company will assume corresponding compensation liability in case Midea Group suffers from any loss due to the Company's acting against its commitment to the contents under this letter of commitment.	24 October 2018	Long-standing	Ongoing
Related party	Note for horizontal competition with Midea Group Co., Ltd.	By the date that this letter is issued, the Company and the enterprises under it other than Midea Group and the enterprises under it have not been engaged in any production and business activity the same as or similar to current main businesses of Midea Group and the enterprises under its control, nor have they been engaged in or participate in any competitive business that is the same as the main businesses of Midea Group and the enterprises under its control through any other economic entity, agency or economic organization.	24 October 2018	Long-standing	Ongoing
Related party	Commitment letter for standardizing and reducing related-party transaction	1. The Company will standardize and endeavor to reduce affiliated party transactions with Midea Group and the enterprises under its control. If the Company conducts any affiliated party transaction that cannot be prevented with Midea Group and the enterprises under it, including but not limited to commodity transaction, provision of services or acting as agents to each other, they shall sign a standard agreement on the affiliated party transaction with Midea Group pursuant to the laws and regulations, and go through the approval formalities pursuant to relevant laws, regulations, rules and other standard documents as well as the articles of association of Midea Group, ensure that the price of the affiliated party transaction is fair, ensure to perform	24 October 2018	Long-standing	Ongoing

		the information disclosure obligations for the affiliated party transaction pursuant to relevant laws, regulations and the articles of association of Midea Group, and ensure that they will not transfer the fund or profit of Midea Group illegally by taking advantage of the affiliated party transaction, and they will not undermine the benefits of Midea Group and its stockholders by taking advantage of the affiliated party transaction. 2. The Company commits that it will perform the obligation of vote avoidance when the stockholders' meeting of Midea Group is voting on any affiliated party transaction involving the Company and other enterprise under its control. 3.The Company and other enterprises under its control will not require Midea Group to give them more preferential conditions compared with those given to any independent third party in any fair transaction on the market. So long as the Company is recognized as the dominant stockholder of Midea Group pursuant to effective laws, regulations and other normative documents of the People's Republic of China, the Company will not change and dissolve its above commitment. The Company will perform the above commitment truthfully and assume corresponding legal responsibilities. If it does not perform the obligations and responsibilities in the above commitment, it will assume corresponding liabilities pursuant to laws, regulations, rules and other normative documents.			
Related party	Commitment letter for maintaining the independence of the Company	To further ensure independent operation of Midea Group, the Company and the other enterprises under its control will keep independent from Midea Group in terms of personnel, finance, assets, business and organization pursuant to relevant laws, regulations and normative documents. So long as the Company is recognized as a dominant stockholder of Midea Group pursuant to effective laws, regulations and other normative documents of the People's Republic of China, it will not change and dissolve its above commitment. The Company will perform the above commitment truthfully and assume corresponding legal responsibilities. If it does not perform the obligations and responsibilities in the above commitment, it will assume corresponding liabilities pursuant to laws, regulations, rules and other normative documents.	24 October 2018	Long-standing	Ongoing
Related party	Note for violations of laws and regulation in the	By the date that this letter is issued, in the recent five years, the Company and its current senior managers have not the circumstance of being subject to any administrative penalty (except for those evidently not related to securities market), criminal penalty or major civil lawsuit or arbitration involving economic disputes, nor have they the circumstance of initiating		Long-standing	Ongoing

	recent five years	an investigation by the judicial organ on account of their being suspected of committing a crime or that of initiating an investigation by China Securities Regulatory Commission on account of their being suspected of violating laws or regulations.			
	Shareholder reduction plan	Note for shareholders 1. The company has not the plan for reducing the equity it holds in Little Swan during the period from the date of this consolidation and combination and resumption of trading to the date of implementation, and it will not reduce the equity it holds in Little Swan during the period from the date of this consolidation and combination and resumption of trading to the date of implementation. The equity of Little Swan the Company holds will be canceled after this consolidation and combination is completed. 2. This letter of commitment will have legal binding force on the Company as of the date of its signing, and the Company will assume corresponding compensation liability in case Little Swan suffers from any loss due to the Company's acting against its commitment to the contents under this letter of commitment.	24 October 2018	Long-standing	Ongoing
Commitments made in time of IPO or refinancing					
Equity incentive commitments					
Other commitments made to minority shareholders					
Fulfilled on time	Yes				
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A				

**2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.**

Applicable  Not applicable

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#### **IV Occupation of the Company’s Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes**

Applicable  Not applicable

No such cases in the Reporting Period.

#### **V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's “Modified Opinion” on the Financial Statements of the Reporting Period**

Applicable  Not applicable

#### **VI YoY Changes to Accounting Policies, Estimates and Methods**

Applicable  Not applicable

Refer to Note V(29) in Part XI for details of changes in accounting policies of the Company during the Reporting Period.

#### **VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period**

Applicable  Not applicable

No such cases in the Reporting Period.

#### **VIII YoY Changes to the Scope of the Consolidated Financial Statements**

Applicable  Not applicable

No such cases in the Reporting Period.

#### **IX Engagement and Disengagement of Independent Auditor**

Current independent auditor

Name of the domestic independent auditor	PricewaterhouseCoopers Zhong Tian LLP
The Company’s payment to the domestic independent auditor (RMB’0,000)	240
How many consecutive years the domestic independent auditor has provided audit service for the Company	4
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor’s report	Huang Meimei and Zhang Xiaoying

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How many consecutive years the certified public accountants have provided audit service for the Company	4
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Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes  No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable  Not applicable

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

Applicable  Not applicable

### **XI Insolvency and Reorganization**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XII Major Legal Matters**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XIII Punishments and Rectifications**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller**

Applicable  Not applicable

### **XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees**

Applicable  Not applicable

No such cases in the Reporting Period.

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## **XVI Major Related-Party Transactions**

### **1. Continuing Related-Party Transactions**

Applicable  Not applicable

Refer to XIV Related Parties and Related-party Transactions in Part XI Financial Reports for details of continuing related-party transactions.

### **2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests**

Applicable Not applicable

No such cases in the Reporting Period.

### **3. Related Transactions Regarding Joint Investments in Third Parties**

Applicable Not applicable

No such cases in the Reporting Period.

### **4. Credits and Liabilities with Related Parties**

Applicable Not applicable

No such cases in the Reporting Period.

### **5. Other Major Related-Party Transactions**

(1) About the Financial Service Agreement which Signed with the Midea Group Finance Co., Ltd. of Related-party 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 period-end, the deposit balance of the Company at financial company was of RMB0.385 billion with no

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loans.

(2) About Trademark License of Related-party 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 16<sup>th</sup> Meeting of the 8<sup>th</sup> 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.

(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 Related-party Transactions.

(4) The Company held the 16<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors on 6 August 2018 which reviewed and approved the Proposal on the Adjustment of the Amount of 2018 Daily Related-party Transactions.

(5) The Company held the 3<sup>rd</sup> Meeting of the 9<sup>th</sup> Board of Directors on 29 October 2018 which reviewed and approved the Proposal on the Adjustment of the Amount of 2018 Daily Related-party 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 Related-party Transactions	13 March 2018	www.cninfo.com.cn
Proposal on Trademark Licensing and Related-party Transactions	8 August 2018	www.cninfo.com.cn
Proposal on the Adjustment of the Amount of 2018 Daily Related-party Transactions	8 August 2018	www.cninfo.com.cn
Proposal on the Adjustment of the Amount of 2018 Daily Related-party Transactions	31 December 2018	www.cninfo.com.cn

## XVII Major Contracts and Execution thereof

### 1. Entrustment, Contracting and Leases

#### (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) Leases

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Major Guarantees

#### (1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Total approved line for such guarantees in the Reporting Period (A1)				0	Total actual amount of such guarantees in the Reporting Period (A2)			0
Total approved line for such guarantees at the end of				0	Total actual balance of such guarantees at the			0

the Reporting Period (A3)			end of the Reporting Period (A4)					
Guarantees provided by the Company for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Hefei Midea Washing Machine Co., Ltd.	9 March 2017	125,000	19 April 2017	29.5	Joint-liability	10 months	Yes	No
	9 March 2017	125,000	19 April 2017	28.12	Joint-liability	10 months	Yes	No
	9 March 2017	125,000	21 April 2017	275.09	Joint-liability	10 months	Yes	No
	9 March 2017	125,000	26 July 2017	12,010.46	Joint-liability	Half year	Yes	No
	9 March 2017	125,000	28 November 2017	10,897.83	Joint-liability	Half year	Yes	No
	9 March 2017	125,000	29 November 2017	1,090.72	Joint-liability	Half year	Yes	No
	13 March 2018	130,000	22 January 2018	25.73	Joint-liability	1 month	Yes	No
	13 March 2018	130,000	12 March 2018	72.73	Joint-liability	2 months	Yes	No
	13 March 2018	130,000	13 April 2018	274.61	Joint-liability	3 months	Yes	No
	13 March 2018	130,000	13 April 2018	173.73	Joint-liability	2 months	Yes	No
	13 March 2018	130,000	15 January 2018	80.33	Joint-liability	14 months	No	No
	13 March 2018	130,000	28 March 2018	268.08	Joint-liability	1 year	No	No
	13 March 2018	130,000	17 April 2018	175.45	Joint-liability	1 year	No	No
Total approved line for such guarantees in the Reporting Period (B1)			130,000	Total actual amount of such guarantees in the Reporting Period (B2)				25,402.38
Total approved line for such guarantees at the end of the Reporting Period (B3)			130,000	Total actual balance of such guarantees at the end of the Reporting Period (B4)				523.86
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Total approved line for such guarantees in the Reporting Period (C1)			0	Total actual amount of such guarantees in the Reporting Period (C2)				0
Total approved line for such guarantees at the end of the Reporting Period (C3)			0	Total actual balance of such guarantees at the end of the Reporting Period (C4)				0
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)			130,000	Total actual guarantee amount in 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
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets							0.06%	

Of which:	
Balance of guarantees provided for shareholders, actual controller and their related parties (D)	0
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)	0
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	0
Total of the three amounts 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

## (2) Irregularities in Provision of Guarantees

Applicable  Not applicable

No such cases in the Reporting Period.

## 3. Cash Entrusted to Other Entities for Management

### (1) Cash Entrusted for Wealth Management

Unit: RMB'00,000,000

Type	Capital resources	Amount incurred	Outstanding balance	Overdue unrevoked amount
Trust financial products	Self-owned funds	12.5	0	0
Bank financial products	Self-owned funds	24.85	0	0
Total		37.35	0	0

Particulars about high-risk cash entrusted for wealth management with significant single amount or low security low liquidity and not breakeven

Unit: RMB'00,000,000

Name of trustee institution (or name of trustee)	Type of trustee institution (or name of trustee)	Type of products	Amount	Capital resources	Commencement date	Termination date	Funds allocation	Method of remuneration	Annual yield for reference	Expected earnings (if any)	The actual loss/gain amounts in the Reporting Period	The actual withdrawal of loss/gain in the Reporting Period	Amount of provisions for impairment	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any)
Bank	Bank	Trust plan	12.50	Self-owned funds	11 January 2017	8 June 2018	Subject to contract	Annual yield for reference subject to	4.20%	0.60	0.18	Received as per contract		Yes	Yes	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
		Common	24.85	Self-owned	12 April	27 July			4.80%							

	wealth manag ement	funds	2017	2018		contract	5.00%								ent No.: 2018-0 7)
Total	37.35	--	--	--	--	--	--	1.49	0.61	--		--	--	--	

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

Applicable  Not applicable

## (2) Entrusted Loans

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Other Major Contracts

Applicable  Not applicable

No such cases in the Reporting Period.

## XVIII Corporate Social Responsibility (CSR)

### 1. Measures Taken to Fulfill CSR Commitment

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

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

**(2) Offering Generous Returns to Shareholders.** The Company constructed a more perfect corporate governance structure and formulated a corresponding management system for ensure the shareholders to fully enjoy each legal interests stipulated by the laws and regulations. In line with the stipulation of the Articles of

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Association, the Company realized the allocable profit positive, and there were no significant investment plan or significant cash expenditure events (excluding raise funds investment events). Any within three consecutive years, the Company allocated the profits in cash accumulatively no less than 30% of the average distributive profits realized in recent three years. The Company attached great importance to the retribution and had been executing the cash dividends for recent years.

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

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

**(5) Promoting Energy Saving and Environmental Protection.** In strict compliance with the country’s laws and regulations for environment protection, the Company carried out and promoted the energy conservation and emission reduction and executed the social responsibility under the low-carbon time through innovation in management, technology and products. During the progress of produce, the Company realized 100% of the recycle and the reuse of the industrial water consumption; the Company explored the Accurate Automatic Launch Detergent Technology, which gained the authentication of the international authority-UK Intertek, and at the same time received the green leave label of Carbon Footprint that meant the Company be the first enterprise that received that label in the domestic washing machine industry.

## **2. Measures Taken for Targeted Poverty Alleviation**

Applicable  Not applicable

The Company did not engage in targeted poverty alleviation activities during the Reporting Period, nor has it any such plans for the time being.

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### 3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

Yes  Not

No such cases in the Reporting Period.

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.

### XIX Other Significant Events

On 24 October 2018, the Company announced the major assets restructuring plan. Midea Group intends to issue A-shares to absorb the Company, which means Midea Group issues shares to all shareholders of the Company excluding Midea Group and TITONI to exchange all A-shares and B-shares held by those shareholders. The A-shares and B-shares held by Midea Group and TITONI are not involved in the conversion and these shares will

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be cancelled after the merger by share swap.

After the completion of the merger by share swap, the Company will terminate the listing and cancel the legal person qualification. Midea Group or its wholly-owned subsidiaries will inherit and undertake all assets, liabilities, business, personnel, contracts and all other rights and obligations of the Company. Midea Group will apply for listing on the main board of the Shenzhen Stock Exchange for all additional A-shares due to the merger by share swap

The above-mentioned major assets restructuring was reviewed and approved on general meetings of both sides on 21 December 2018 and unconditionally passed by the China Securities Regulatory Commission (CSRC) on 20 February 2019 and examined and approved by CSRC on 12 March 2019. At present, the restructuring is in the progress (see [www.cninfo.com.cn](http://www.cninfo.com.cn) for details). Investors are advised to pay attention to the investment risks.

## **XX Significant Events of Subsidiaries**

Applicable  Not applicable

## Part VI Share Changes and Shareholder Information

### I. Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	2,087,745	0.33%				17,025	17,025	2,104,770	0.33%
1.3 Shares held by other domestic investors	2,087,745	0.33%				17,025	17,025	2,104,770	0.33%
Among which: Shares held by domestic legal persons	2,052,720	0.32%						2,052,720	0.32%
Shares held by domestic natural persons	35,025	0.01%				17,025	17,025	52,050	0.01%
2. Non-restricted shares	630,400,019	99.67%				-17,025	-17,025	630,382,994	99.67%
2.1 RMB ordinary shares	439,364,147	69.47%				-17,025	-17,025	439,347,122	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%				0	0	632,487,764	100.00%

Reasons for share changes:

Reason for changes in shares held by domestic natural persons: based on the confidence in the Company, Mr. Lu Jianfeng, the Director and General Manager of the Company, purchased 22,700 shares of the Company on 5 July 2018 and accumulatively holds 69,400 shares of the Company. In line with the No.141 regulation stipulated in the Corporate Law, the amount of shares transferred annually shall not exceed 25% of total shares held of the Company. Thus the 17,025 shares of increased 22,700 shares were transferred as restricted shares.

Approval of share changes:

Applicable  Not applicable

Transfer of share ownership:

Applicable  Not applicable

Progress on any share repurchase:

Applicable  Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable  Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable  Not applicable

## 2. Changes in Restricted Shares

Unit: share

Name of shareholder	Amount of restricted shares at the Period-begin	Amount of restricted shares relieved during the Reporting Period	Amount of restricted shares increased during the Reporting Period	Amount of restricted shares at the Period-end	Reason for restriction	Date of dissolution
Lu Jianfeng	35,025	0	17,025	52,050	Locked by senior management	Adjust restricted shares and negotiable shares yearly in accordance with regulations stipulated in Corporation Law.
Total	35,025	0	17,025	52,050	--	--

## II. Issuance and Listing of Securities

### 1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable  Not applicable

### 2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable  Not applicable

### 3. Existing Staff-Held Shares

Applicable  Not applicable

## III Shareholders and Actual Controller

### 1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	22,531	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	19,710	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Shares in pledge or frozen	
							Status	Shares
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		
HONGKONG SECURITIES CLEANING CO., LTD	Foreign legal person	6.61%	41,830,505	27,638,807		41,830,505		
GAOLING FUND,L.P.	Foreign legal person	3.74%	23,664,125	0		23,664,125		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	2.59%	16,371,559	-1,415,509		16,371,559		
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK INVESTMENT FUND	Domestic non-state-owned legal person	1.72%	10,876,259	3,737,924		10,876,259		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.61%	10,156,300	0		10,156,300		
BILL & MELINDA GATES FOUNDATION TRUST	Foreign legal person	1.28%	8,070,506	1,531,732		8,070,506		
FINANCE BUREAU OF WUXI	State-owned legal person	1.21%	7,652,203	-9,401,868		7,652,203		
NATIONAL SOCIAL SECURITY	Domestic	1.18%	7,470,973	7,470,973		7,470,973		

FUND PORTFOLIO 406	non-state-owned legal person							
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)		None						
Related or acting-in-concert parties among the shareholders above		Midea Group and TITONI Investments Development Ltd. are parties acting in concert.						
Top 10 non-restricted shareholders								
Name of shareholder	Non-restricted shares at the period-end	Shares by type						
		Type	Shares					
MIDEA GROUP CO., LTD.	238,948,117	RMB ordinary share	238,948,117					
TITONI INVESTMENTS DEVELOPMENT LTD.	94,204,942	Domestically listed foreign stock	94,204,942					
HONGKONG SECURITIES CLEANING CO., LTD	41,830,505	RMB ordinary share	41,830,505					
GAOLING FUND,L.P.	23,664,125	Domestically listed foreign stock	23,664,125					
GREENWOODS CHINA ALPHA MASTER FUND	16,371,559	Domestically listed foreign stock	16,371,559					
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK INVESTMENT FUND	10,876,259	RMB ordinary share	10,876,259					
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	10,156,300	RMB ordinary share	10,156,300					
BILL & MELINDA GATES FOUNDATION TRUST	8,070,506	RMB ordinary share	8,070,506					
FINANCE BUREAU OF WUXI	7,652,203	RMB ordinary share	7,652,203					
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 406	7,470,973	RMB ordinary share	7,470,973					
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders		Midea Group and TITONI Investments Development Ltd. are parties acting in concert.						
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)		None						

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea  No

No such cases in the Reporting Period.

## 2. Controlling Shareholder

Name of controlling shareholder	Legal representative/pers	Date of establishment	Unified social credit code	Principal activity
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	on in charge			
Midea Group Co., Ltd.	Fang Hongbo	7 April 2000	91440606722473344C	Consumer appliances and heating ventilation air conditioner, robots and automatic systems, and etc.
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	The Company's controlling shareholder is Midea Group Co., Ltd. with the securities code of 000333, refer to information disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> for details about other listed companies at home or abroad controlled and shared by the Company in the Reporting Period			

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

### 3. Actual Controller and Its Acting-in-Concert Parties

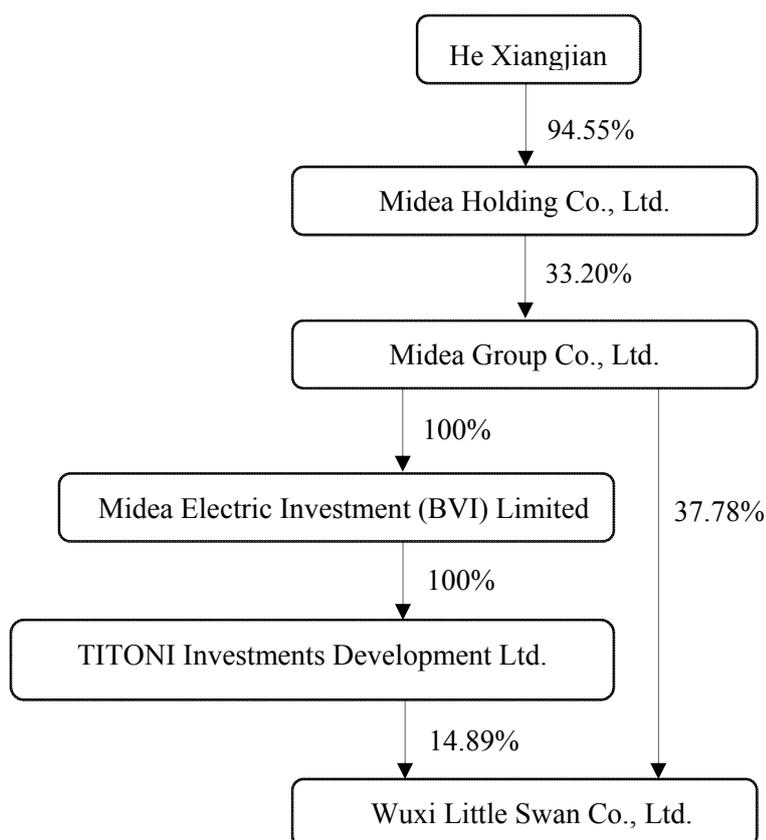
Name of actual controller	Relationship with actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Self	the People's Republic of China	No
Main occupation and duty	Current board chairman of Midea Holding and former board chairman of Midea Group		
Used-to-be-holding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

Change of the actual controller during the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



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

Applicable  Not applicable

#### 4. Other 10% or Greater Corporate Shareholders

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Business scope
TITONI	Xiao Mingguang	7 February 2007	USD50,000	Holding equity interests in Little Swan

#### 5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable  Not applicable

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## Part VII Preferred Shares

Applicable  Not applicable

No preferred shares in the Reporting Period.

## Part VIII Directors, Supervisors, Senior Management and Staff

### I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent /Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Fang Hongbo	Chairman of the Board	Incumbent	Male	51	9 May 2008	24 August 2021	0	0	0	0	0
Lu Jianfeng	General Manager	Incumbent	Male	45	14 December 2016	24 August 2021	46,700	22,700	0	0	69,400
	Director	Incumbent	Male	45	11 April 2017	24 August 2021	0	0	0	0	0
Xiao Mingguang	Director	Incumbent	Male	47	12 January 2010	24 August 2021	0	0	0	0	0
Jiang Peng	Director	Incumbent	Male	45	11 April 2017	24 August 2021	0	0	0	0	0
Zhou Sixiu	Secretary of the Board	Incumbent	Female	45	10 January 2007	24 August 2021	0	0	0	0	0
	Director	Incumbent	Female	45	21 August 2012	24 August 2021	0	0	0	0	0
Sun Yunan	CFO	Incumbent	Male	40	24 November 2014	24 August 2021	0	0	0	0	0
	Director	Incumbent	Male	40	26 August 2015	24 August 2021	0	0	0	0	0
Jiang Qingyun	Independent director	Incumbent	Male	54	22 August 2014	24 August 2021	0	0	0	0	0
Tao Xiangnan	Independent director	Incumbent	Male	52	20 April 2015	24 August 2021	0	0	0	0	0
Zhu Heping	Independent director	Incumbent	Male	54	26 August 2015	24 August 2021	0	0	0	0	0
Liu Di	Chairman of Supervisory Committee	Incumbent	Male	36	11 April 2018	24 August 2021	0	0	0	0	0
Wang Shouhu	Supervisor	Incumbent	Male	37	22 August 2014	24 August 2021	0	0	0	0	0
Xu Pengcheng	Staff representative supervisor	Incumbent	Male	49	5 August 2014	24 August 2021	0	0	0	0	0
Liang Pengfei	Chairman of Supervisory Committee	Left	Male	41	22 August 2014	11 April 2018	0	0	0	0	0
Total	--	--	--	--	--	--	46,700	22,700	0	0	69,400

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## II Change of Directors, Supervisors and Senior Management

Name	Office title	Type of change	Date of change	Reason for change
Liang Pengfei	Chairman of Supervisory Committee	Left	11 April 2018	Job change

## III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

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

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

(3) Mr. Xiao Mingguang, born in 1970, is a master's degree holder. He now serves as a Director of the Company and a Vice President of Midea Group. He once was the Deputy Director of the Financial Management Department and the Director of the Operational Management Department of Midea Group, the Director of the Audit and Supervision Department of GD Midea Holding Co., Ltd., as well as the Chief Financial Officer of Midea Group, among others.

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

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

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

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

(8) Tao Xiangnan was born in 1966, doctor degree. He now serves as Independent Director of the Company,

Professor of Business School of MUST.

(9) Zhu Heping was born in 1964, doctor degree. He now serves as Independent Director of the Company, Accounting Professor of school of business of Jiangnan University, non-professional member of CICPA and Independent Director of Jiangsu Asia-Pacific Light Alloy Technology Co., Ltd., Jiangsu Baichuan High-tech New Materials Co., Ltd. and Jiangsu Pengyao Environment Protection Co., Ltd.

(10) Liu Di was born in 1982, bachelor degree. He now serves as the Supervisor, Director of Operations & Human Resources in the Company. He once worked as the management manager of Midea Group and management manager of Central Air-conditioning Division in Midea Group.

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

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

Offices held concurrently in shareholding entities:

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Fang Hongbo	Midea Group	Chairman of the Board	25 August 2012	26 September 2021	Yes
	Midea Group	President	15 October 2013	26 September 2021	Yes
Xiao Mingguang	Midea Group	Vice President	2 December 2015	26 September 2021	Yes
	TITONI	Director	23 December 2013		No
Notes	N/A				

Offices held concurrently in other entities:

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Jiang Qingyun	School of Management Fudan University	Professor and Marketing Director	1 August 1998		Yes
Tao Xiangnan	MUST	Professor	10 January 2018		Yes
Zhu Heping	School of Business of Jiangnan University	Professor	1 September 2007		Yes
Notes	N/A				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable  Not applicable

#### IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

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

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

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

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Fang Hongbo	Chairman of the Board	Male	51	Incumbent		Yes

Lu Jianfeng	Director & General Manager	Male	45	Incumbent	375.67	
Xiao Mingguang	Director	Male	48	Incumbent	0	Yes
Jiang Peng	Director	Male	45	Incumbent	0	Yes
Zhou Sixiu	Director & Board Secretary	Female	45	Incumbent	174.98	
Sun Yunan	Director & CFO	Male	40	Incumbent	326.06	
Jiang Qingyun	Independent Director	Male	54	Incumbent	10	
Tao Xiangnan	Independent director	Male	52	Incumbent	10	
Zhu Heping	Independent director	Male	54	Incumbent	10	
Liu Di	Chairman of Supervisory Committee	Male	36	Incumbent	207.13	
Wang Shouhu	Supervisor	Male	37	Incumbent	63.22	
Xu Pengcheng	Staff representative supervisor	Male	49	Incumbent	301.32	
Liang Pengfei	Chairman of Supervisory Committee	Male	41	Left	16	Yes
Total	--	--	--	--	1,494.39	--

Equity incentives for directors, supervisors and senior management in the Reporting Period:

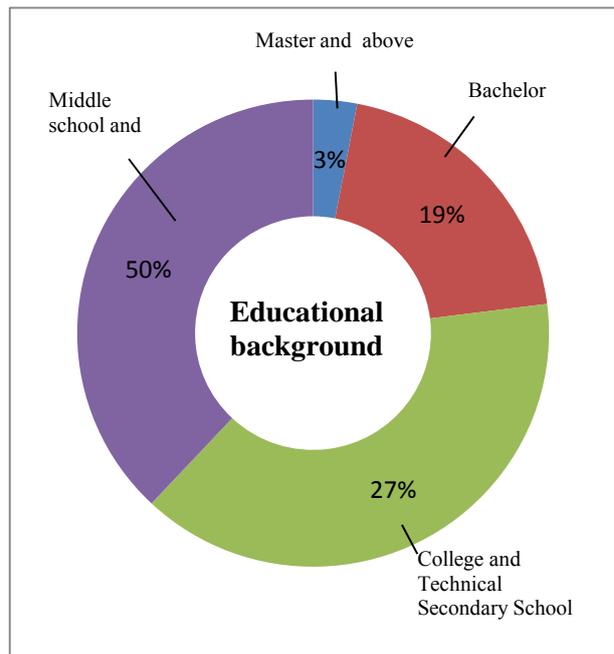
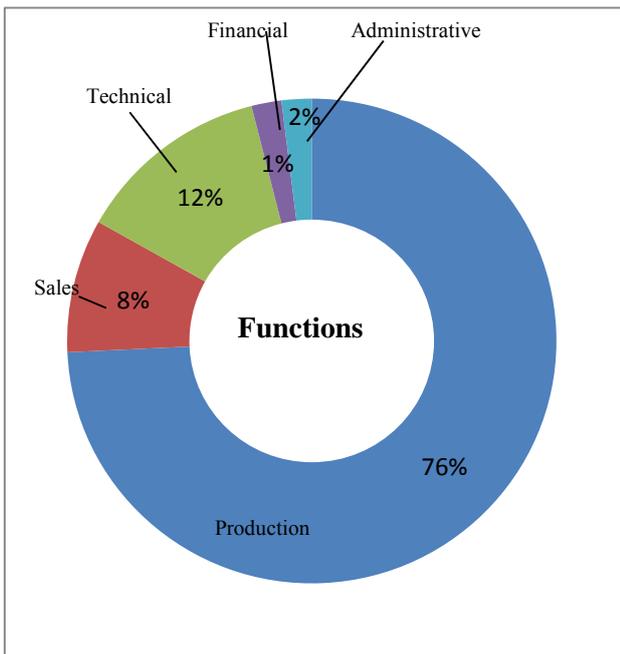
Applicable  Not applicable

## V Employees

### 1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	6,535
Number of in-service employees of major subsidiaries	4,924
Total number of in-service employees	11,459
Total number of paid employees in the Reporting Period	13,193
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	423
Functions	
Function	Employees
Production	8,741
Sales	907
Technical	1,423
Financial	165
Administrative	223
Total	11,459

Educational backgrounds	
Educational background	Employees
Master's degree and above	332
Bachelor's degree	2,203
College and Technical secondary school	3,150
Middle school and below	5,774
Total	11,459



## 2. Employee Remuneration Policy

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

## 3. Employee Training Plans

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

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#### 4. Labor Outsourcing

Applicable  Not applicable

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## Part IX Corporate Governance

### I General Information of Corporate Governance

The Company continuously perfected its corporate governance; promote the improvement of its operation and formulate the corresponding internal control system, prevented and controlled risks and safeguarded the legitimate rights and interests of the Company and the shareholders in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law issued by CSRC. The actual situation of the Company's corporate governance is in accordance with the requirements of Administrative Rule for Listed Companies issued by CSRC. For better governance, the Company has formulated the Rules of Procedure for the Board of Directors, the Supervisory Board, shareholders' meetings and the specialized committees under the Board of Directors, as well as the Disclosure of Information Management System, Raise Money Management System, Related Transaction Management System, Information Source Insider Registration Management System, Internal Report System for the Major Issues, System of Accountability for Management, the Preliminary Plan Regarding Risk Handling in Financial Services (Accepting Deposits and Lending) Provided by Midea Group Finance Co., Ltd, etc. During the Reporting Period, according to applicable laws and regulations and the need arising from its actual operations, the Company held the 2017 Annual General Meeting on 11 April 2018, at which the Articles of Association had been revised, further improving its corporate governance mechanism.

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

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development of the Company.

Indicate by tick mark whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

Yes  No

## **II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs**

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

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

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

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

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

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

## **III Horizontal Competition**

Applicable  Not applicable

## IV Annual and Extraordinary General Meetings Convened during the Reporting Period

### 1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	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 disclosed on www.cninfo.com.cn
The 1 <sup>st</sup> Extraordinary General Meeting of 2018	Extraordinary General Meeting	63.58%	24 August 2018	25 August 2018	Announcement No. 2018-30 disclosed on www.cninfo.com.cn
The 2 <sup>nd</sup> Extraordinary General Meeting of 2018	Extraordinary General Meeting	22.34%	21 December 2018	22 December 2018	Announcement No. 2018-58 disclosed on www.cninfo.com.cn

### 2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable  Not applicable

## V Performance of Duty by Independent Directors in the Reporting Period

### 1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Jiang Qingyun	7	2	5	0	0	No	3
Tao Xiangnan	7	2	5	0	0	No	2
Zhu Heping	7	2	5	0	0	No	3

### 2. Objections Raised by Independent Directors on Matters of the Company

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

Yes  No

### 3. Other Information about the Performance of Duty by Independent Directors

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

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Yes  No

Suggestions from independent directors adopted or not adopted by the Company:

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

## **VI Performance of Duty by Specialized Committees under the Board in the Reporting Period**

During the Reporting Period, the performance of the specialized committees under the Board for 2018 in accordance with the Company Law, Guidelines for Governance of Listed Companies, Articles of Association and Rules of Procedures for the specialized committees under the Board was as follows:

1. The Audit Committee under the Board convened four meetings, at which reviewed and approved the Annual Financial Statement Report 2017, Annual Report and Its Abstract 2017, Summary Report of the Audit Committee on the 2017 Annual Audit Work, Proposal on Engaging the Audit Firm for 2018, First Quarter Report 2018, Semi-annual Report 2018 and Third Quarter Report 2018.
2. The strategy Committee under the Board convened one meeting, at which reviewed and approved the proposal on Mid-term Development Plan of the Company (2018-2020);
3. The Remuneration and Appraisal Committee under the Board convened one meeting, at which reviewed and approved the Proposal on Paying the 2017 Annual Remuneration to the Senior Management;
4. The Nomination Committee under the Board convened two meetings, at which reviewed and approved the Proposal on General Election of the Board and Nomination of Candidates for Non-independent Directors, the Proposal on General Election of the Board and Nomination of Candidates for Independent Directors, the Proposal on Appointment of General Managers, the Proposal on Appointment of CFO and the Proposal on Appointment of Secretary of the Board.

## **VII Performance of Duty by the Supervisory Committee**

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes  No

## VIII Appraisal of and Incentive for Senior Management

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

## IX Internal Control

### 1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes  No

### 2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	30 March 2019	
Index to the disclosed internal control self-evaluation report	For details about the Internal Control Self-Evaluation Report 2018, see <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> , the website designated by the Shenzhen Stock Exchange for information disclosure.	
Evaluated entities' combined assets as % of consolidated total assets	100.00%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	100.00%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Part III of the Internal Control Self-Evaluation Report 2018 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 30 March 2019.	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Part III of the Internal Control Self-Evaluation Report 2018 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 30 March 2019.
Quantitative standard	For details, please refer to “(III) Basis for	For details, please refer to “(III) Basis for

	internal control appraisal and identification standards for internal control defects” in Part III of the Internal Control Self-Evaluation Report 2018 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 30 March 2019.	internal control appraisal and identification standards for internal control defects” in Part III of the Internal Control Self-Evaluation Report 2018 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 30 March 2019.
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

## X Independent Auditor’s Report on Internal Control

Opinion paragraph in the independent auditor’s report on internal control	
The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on 31 December 2018 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations.	
Independent auditor’s report on internal control disclosed or not	Disclosed
Disclosure date	30 March 2019
Index to such report disclosed	For details about the Auditor’s Report on Internal Control 2018, see <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> , the website designated by the Shenzhen Stock Exchange for information disclosure.
Type of the auditor’s opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor’s report on the Company’s internal control.

Yes  No

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

Yes  No

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## Part X Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

Yes  No

# Part XI Financial Report

[English Translation for Reference Only]

## Auditor's Report

PwC ZT Shen Zi (2019) No. 10082  
(Page 1 of 5)

To the Shareholders of Wuxi Little Swan Company Limited,

### Opinion

#### *What we have audited*

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

- the consolidated and company balance sheets as at 31 December 2018;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

#### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

### Basis for Opinion

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

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

### Key Audit Matters

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

**Key Audit Matters (cont'd)**

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

<b>Key Audit Matter – Revenue recognition for sales of goods</b>	<b>How our audit addressed the key audit matter</b>
<p>Revenue recognition for sales of goods</p> <p>Refer to Note V(23) and Note VII(32).</p> <p>The Company and its subsidiaries recognise revenue when it is probable that future economic benefits will flow to the entity; when the amount of revenue can be reliably measured; and when specific criterias have been met for each of the activities. In 2018, the consolidated revenue of the Company amounted to RMB 23,636,929 thousands of which 99.62% are revenue from sales of goods.</p> <p>We focus on the revenue recognition for sales of goods.</p> <p>Our focus on the revenue recognition for sales of goods is mainly due to a large number of goods of Little Swan are sold to large amount of customers in different sals channels domesticly and abroad.</p>	<p>We performed the following procedures for sales of goods:</p> <p>We discussed with management of business departments and financial department of the Company for the process of sales of goods in different sales channels. We understood and evaluated the relevant internal controls and performed testing on the operating effectiveness of key controls.</p> <p>We examined samples of sales agreements with customers of different sales channels of the Company. Based on our discussion with management, our understanding and audit experience of the sales transactions, we assessed the accounting policy for revenue recognition for sales of goods.</p> <p>We performed the following procedures for sales of goods through different sales channels:</p> <ul style="list-style-type: none"> <li>•Performed risk assessment procedures including analysis on the fluctuations of monthly sales amounts and gross margin;</li> <li>•Examined supporting documents related to the sales of goods on sample basis, including sales agreements, sales orders, sales invoices, transportation documents , receipt notes and settlement notes from customers;</li> <li>•Checked supporting documents including receipt notes or settlement notes from customers for sales of goods recognised before or after the balance sheet date, so as to evaluate whether the sales of goods was recorded in the correct period.</li> </ul> <p>Based on the audit procedures performed, we found that the revenue recognition for sales of goods was consistent with the accounting policy of the Company.</p>

## **Other Information**

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2018 annual report of the Company other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

Signing CPA Huang Meimei  
(Engagement Partner)

28 March 2019

Signing CPA Zhang Xiaoying

**WUXI LITTLE SWAN CO., LTD.**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	31 December 2018 Consolidated	31 December 2017 Consolidated
<b>Current Assets:</b>			
Cash at bank and on hand	VII(1)	1,926,938,134.40	1,588,264,516.05
Financial assets at fair value through profit or loss	VII(2)	-	5,270,238.03
Notes and accounts receivables	VII(3)	3,019,035,979.14	3,019,917,180.38
Advances to suppliers	VII(4)	87,926,863.95	84,346,792.38
Other receivables	VII(5)	233,956,205.26	108,168,362.07
Inventories	VII(6)	1,754,597,149.53	1,980,766,196.14
Other current assets	VII(7)	14,670,897,092.07	12,778,240,745.22
<b>Total current assets</b>		21,693,351,424.35	19,564,974,030.27
<b>Non-current assets:</b>			
Available-for-sale financial assets	VII(8)	200,000.00	200,000.00
Investment properties	VII(9)	54,776,877.23	61,695,825.00
Fixed assets	VII(10)	1,121,036,700.25	1,029,668,355.84
Construction in progress	VII(11)	15,486,834.37	37,972,252.60
Intangible assets	VII(12)	181,939,282.79	187,045,347.27
Long-term prepaid expenses	VII(13)	25,540,285.92	22,382,020.52
Deferred tax assets	VII(14)	427,278,679.21	407,151,474.64
Other non-current assets	VII(15)	42,289,041.73	27,331,937.53
<b>Total non-current assets</b>		1,868,547,701.50	1,773,447,213.40
<b>Total assets</b>		23,561,899,125.85	21,338,421,243.67

**WUXI LITTLE SWAN CO., LTD.**  
**CONSOLIDATED BALANCE SHEET(continued)**  
**AS AT 31 DECEMBER 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2018 Consolidated	31 December 2017 Consolidated
<b>Current liabilities:</b>			
Short-term borrowings	VII(16)	117,603,683.89	81,393,672.34
Financial liabilities at fair value through profit or loss	VII(17)	3,078,878.95	-
Notes and accounts payables	VII(18)	7,979,727,116.02	6,632,830,300.51
Advances from customers	VII(19)	2,024,945,754.25	3,065,815,801.93
Employee benefits payable	VII(20)	393,998,052.46	349,483,844.76
Taxes payable	VII(21)	559,619,230.00	638,017,523.31
Other payables	VII(22)	175,263,267.57	228,117,647.54
Other current liabilities	VII(23)	2,507,883,253.19	2,107,700,604.61
<b>Total current liabilities</b>		13,762,119,236.33	13,103,359,395.00
<b>Non-current liabilities:</b>			
Long-term employee benefits payable	VII(24)	9,888,772.71	12,021,620.17
Provisions	VII(25)	1,853,074.62	2,253,082.25
Deferred income	VII(26)	39,475,933.17	2,489,133.21
<b>Total non-current liabilities</b>		51,217,780.50	16,763,835.63
<b>Total liabilities</b>		13,813,337,016.83	13,120,123,230.63
<b>Owners' equity:</b>			
Share capital	VII(27)	632,487,764.00	632,487,764.00
Capital surplus	VII(28)	1,330,650,826.13	1,252,947,546.80
Other comprehensive income	VII(29)	-2,206,100.21	40,496,366.85
Surplus reserve	VII(30)	332,594,722.29	332,594,722.29
Retained earnings	VII(31)	6,018,535,295.32	4,788,564,401.03
<b>Equity attributable to the owners of the Company</b>		8,312,062,507.53	7,047,090,800.97
<b>Minority interests</b>		1,436,499,601.49	1,171,207,212.07
<b>Total owners' equity</b>		9,748,562,109.02	8,218,298,013.04
<b>Total liabilities and owners' equity</b>		23,561,899,125.85	21,338,421,243.67

**WUXI LITTLE SWAN CO., LTD.**  
**BALANCE SHEET OF THE COMPANY**  
**AS AT 31 DECEMBER 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	31 December 2018 Company	31 December 2017 Company
<b>Current Assets:</b>			
Cash at bank and on hand		1,054,092,494.27	1,030,061,384.78
Financial assets at fair value through profit or loss		-	3,724,810.47
Notes and accounts receivables	XVIII(1)	2,612,181,833.04	3,743,536,948.22
Advances to suppliers		61,976,396.93	67,278,861.92
Other receivables	XVIII(2)	147,971,734.02	61,886,256.59
Inventories		1,012,418,438.83	1,206,334,183.68
Other current assets		9,410,921,667.01	7,259,605,039.27
<b>Total current assets</b>		14,299,562,564.10	13,372,427,484.93
<b>Non-current assets:</b>			
Available-for-sale financial assets		150,000.00	150,000.00
Long-term equity investments	XVIII(3)	958,235,041.57	958,235,041.57
Investment properties		4,458,055.96	7,882,440.32
Fixed assets		615,882,736.87	532,803,209.18
Construction in progress		61,980.58	37,321,733.68
Intangible assets		87,210,567.00	89,900,867.32
Long-term prepaid expenses		8,812,163.74	5,905,684.35
Deferred tax assets		264,335,974.30	225,186,332.58
Other non-current assets		28,091,110.19	17,138,349.61
<b>Total non-current assets</b>		1,967,237,630.21	1,874,523,658.61
<b>Total assets</b>		16,266,800,194.31	15,246,951,143.54

**WUXI LITTLE SWAN CO., LTD.**  
**BALANCE SHEET OF THE COMPANY (continued)**  
**AS AT 31 DECEMBER 2018**  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>31 December 2018 Company</b>	<b>31 December 2017 Company</b>
<b>Current liabilities:</b>			
Short-term borrowings		43,362,419.45	16,806,882.34
Financial liabilities at fair value through profit or loss		1,597,534.54	-
Notes and accounts payables		7,020,284,546.83	6,073,907,942.42
Advances from customers		1,198,597,569.21	1,862,974,982.38
Employee benefits payable		302,942,210.91	268,065,495.23
Taxes payable		347,233,227.80	353,920,883.93
Other payables		124,362,696.11	153,979,505.69
Other current liabilities		1,536,311,047.76	1,336,384,942.60
<b>Total current liabilities</b>		<b>10,574,691,252.61</b>	<b>10,066,040,634.59</b>
<b>Non-current liabilities:</b>			
Deferred income		30,000,000.00	-
<b>Total non-current liabilities</b>		<b>30,000,000.00</b>	<b>-</b>
<b>Total liabilities</b>		<b>10,604,691,252.61</b>	<b>10,066,040,634.59</b>
<b>Owners' equity:</b>			
Share capital		632,487,764.00	632,487,764.00
Capital surplus		1,473,906,707.63	1,405,575,239.68
Other comprehensive income		-	27,970,054.39
Surplus reserve		319,944,578.39	319,944,578.39
Retained earnings		3,235,769,891.68	2,794,932,872.49
<b>Total owners' equity</b>		<b>5,662,108,941.70</b>	<b>5,180,910,508.95</b>
<b>Total liabilities and owners' equity</b>		<b>16,266,800,194.31</b>	<b>15,246,951,143.54</b>

**WUXI LITTLE SWAN CO., LTD.**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2018 Consolidated	2017 Consolidated
<b>Revenues</b>	VII(32), VII(33)	23,636,929,478.33	21,384,699,076.65
Less: Cost of sales	VII(32), VII(33)	-17,444,047,983.81	-15,982,893,658.84
Taxes and surcharges	VII(34)	-131,688,531.67	-131,791,477.12
Selling and distribution expenses	VII(35)	-3,351,676,000.52	-2,872,849,586.14
General and administrative expenses	VII(36)	-181,699,829.11	-728,323,077.71
Research and development expenses	VII(37)	-733,045,215.90	-550,779,796.27
Finance income – net	VII(38)	531,729,710.86	71,808,982.80
Including: Interest expenses		-82,896,711.16	-43,471,999.43
Interest income		559,310,635.71	195,433,894.48
Asset impairment losses	VII(39)	-50,403,477.17	-70,595,875.65
Add: Othe income	VII(43)	60,261,970.48	53,894,074.25
Investment income	VII(41)	119,819,109.77	320,623,463.23
Profit or loss arising from changes in fair value	VII(40)	-8,349,116.98	5,270,238.03
Gain or loss on disposal of assets	VII(42)	13,137,087.29	-975,423.00
<b>Operating profit</b>		2,460,967,201.57	2,048,866,736.50
Add: Non-operating income	VII(44)	20,434,056.10	17,448,715.84
Less: Non-operating expenses	VII(45)	-2,243,270.24	-1,620,508.98
<b>Total profit</b>		2,479,157,987.43	2,064,694,943.36
Less: Income tax expenses	VII(46)	-348,163,057.33	-356,274,657.61
<b>Net profit</b>		2,130,994,930.10	1,708,420,285.75
Classified by continuity of operations			
Net profit from continuing operations		2,130,994,930.10	1,708,420,285.75
Classified by ownership of the equity			
Attributable to owners of the Company		1,862,458,658.29	1,506,412,505.22
Minority interests		268,536,271.81	202,007,780.53

**WUXI LITTLE SWAN CO., LTD.**  
**CONSOLIDATED INCOME STATEMENT (continued)**  
**FOR THE YEAR ENDED 31 December 2018**  
 (All amounts in Renminbi yuan unless otherwise stated)  
 [English Translation for Reference Only]

Items	Note	2018 Consolidated	2017 Consolidated
<b>Other comprehensive income, net of tax</b>		-49,181,048.69	-39,345,928.61
Attributable to owners of the Company		-42,702,467.06	-30,261,157.76
Other comprehensive income that will be subsequently reclassified to profit or loss		-42,702,467.06	-30,261,157.76
Including: Changes in fair value of available-for-sale financial assets		-42,711,851.32	-30,246,066.76
Foreign-currency financial statement translation difference		9,384.26	-15,091.00
Attributable to minority interests		-6,478,581.63	-9,084,770.85
<b>Total comprehensive incomes</b>		2,081,813,881.41	1,669,074,357.14
Attributable to owners of the Company		1,819,756,191.23	1,476,151,347.46
Attributable to minority interests		262,057,690.18	192,923,009.68
<b>Earnings per share</b>	VII(47)		
Basic earnings per share		2.94	2.38
Diluted earnings per share		2.94	2.38

Notes thereon are parts of this financial report.

**WUXI LITTLE SWAN CO., LTD.**  
**INCOME STATEMENT OF THE COMPANY**  
**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Notes	2018 Company	2017 Company
<b>Revenues</b>	XVIII(4)	16,944,395,616.24	16,227,944,922.59
Less: Cost of sales	XVIII(4)	-13,121,978,095.02	-12,576,166,337.97
Taxes and surcharges		-81,402,613.76	-87,954,972.46
Selling and distribution expenses		-2,226,329,070.34	-1,936,954,187.36
General and administrative expenses		-158,402,076.19	-137,576,685.03
Research and development expenses		-527,450,385.05	-422,811,623.35
Finance income – net		329,304,681.68	47,870,144.26
Including: Interest expenses		-45,997,552.93	-31,346,319.38
Interest income		344,593,418.75	121,741,886.89
Asset impairment losses		-21,707,777.96	-464,901,476.21
Add: Other income		16,608,877.54	17,697,350.94
Investment income	XVIII(5)	67,510,581.99	169,205,446.47
Profit or loss arising from changes in fair value		-5,322,345.01	3,724,810.47
Gain or loss on disposal of assets		11,315,132.66	433,848.54
<b>Operating profit</b>		1,226,542,526.78	840,511,240.89
Add: Non-operating income		15,916,328.26	8,471,093.21
Less: Non-operating expenses		-1,794,344.87	-1,289,079.79
<b>Total profit</b>		1,240,664,510.17	847,693,254.31
Less: Income tax expenses		-167,339,726.98	-186,758,620.94

**WUXI LITTLE SWAN CO., LTD.****INCOME STATEMENT OF THE COMPANY (continued)****FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>Items</b>	<b>Notes</b>	<b>2018 Company</b>	<b>2017 Company</b>
<b>Net profit</b>		1,073,324,783.19	660,934,633.37
Classified by continuity of operations			
Net profit from continuing operations		1,073,324,783.19	660,934,633.37
<b>Other comprehensive income, net of tax</b>		-27,970,054.39	-9,545,289.45
Other comprehensive income that will be subsequently reclassified to profit or loss		-27,970,054.39	-9,545,289.45
Changes in fair value of available-for-sale financial assets		-27,970,054.39	-9,545,289.45
<b>Total comprehensive income</b>		1,045,354,728.80	651,389,343.92

**WUXI LITTLE SWAN CO., LTD.**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Note	2018 Consolidated	2017 Consolidated
<b>Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		20,859,207,120.69	17,558,217,913.33
Refund of taxes and surcharges		40,465,127.34	65,523,277.52
Cash received relating to other operating activities	VII(48)(a)	132,642,704.80	114,191,110.40
<b>Sub-total of cash inflows</b>		21,032,314,952.83	17,737,932,301.25
Cash paid for goods and services		-15,340,952,680.15	-13,209,347,707.13
Cash paid to and on behalf of employees		-1,539,248,887.07	-1,267,020,460.78
Payments of taxes and surcharges		-929,676,780.94	-721,750,460.90
Cash paid relating to other operating activities	VII(48)(b)	-597,543,783.54	-524,059,854.14
<b>Sub-total of cash outflows</b>		-18,407,422,131.70	-15,722,178,482.95
<b>Net cash flows from operating activities</b>	VII(49)(a)	2,624,892,821.13	2,015,753,818.30
<b>Cash flows from investing activities</b>			
Cash received from disposal of investments		16,538,983,636.67	11,100,000,000.00
Cash received from returns on investments		119,819,109.77	320,623,463.24
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		20,259,391.10	5,269,840.73
Cash received relating to other investing activities	VII(48)(c)	371,593,335.61	91,904,332.38
<b>Sub-total of cash inflows</b>		17,050,655,473.15	11,517,797,636.35
Cash paid to acquire fixed assets, intangible assets and other long-term assets		-279,510,384.29	-209,521,425.79
Cash paid to acquire investments		-18,500,000,000.00	-15,448,983,636.67
<b>Sub-total of cash outflows</b>		-18,779,510,384.29	-15,658,505,062.46
<b>Net cash flows from investing activities</b>		-1,728,854,911.14	-4,140,707,426.11

**WUXI LITTLE SWAN CO., LTD.****CONSOLIDATED CASH FLOW STATEMENT (continued)****FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>Items</b>	<b>Note</b>	<b>2018 Consolidated</b>	<b>2017 Consolidated</b>
<b>Cash flows from financing activities</b>			
Cash received from borrowings		117,603,683.89	680,166,782.34
<b>Sub-total of cash inflows</b>		117,603,683.89	680,166,782.34
Cash repayments of borrowings		-81,393,672.34	-782,586,174.12
Cash payments for distribution of dividends, profits or interest expenses		-632,727,537.52	-485,163,943.33
Cash payments relating to other financing activities		-	-
<b>Sub-total of cash outflows</b>		-714,121,209.86	-1,267,750,117.45
<b>Net cash flows from financing activities</b>		-596,517,525.97	-587,583,335.11
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		-3,775,498.34	-41,663,902.58
<b>Net increase/decrease in cash and cash equivalents</b>		295,744,885.68	-2,754,200,845.50
Add: Cash and cash equivalents at beginning of year		1,417,489,071.71	4,171,689,917.21
<b>Cash and cash equivalents at end of year</b>	VII(49)(b)	1,713,233,957.39	1,417,489,071.71

**WUXI LITTLE SWAN CO., LTD.****CASH FLOW STATEMENT OF THE COMPANY****FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>Items</b>	<b>2018 Company</b>	<b>2017 Company</b>
<b>Cash flows from operating activities</b>		
Cash received from sale of goods or rendering of service	14,829,613,631.03	13,498,207,711.94
Cash received relating to other operating activities	82,679,983.70	67,433,518.99
<b>Sub-total of cash inflows</b>	14,912,293,614.73	13,565,641,230.93
Cash paid for goods and services	-10,295,617,985.65	-10,552,165,814.20
Cash paid to and on behalf of employees	-1,081,444,267.99	-886,884,259.02
Payments of taxes and surcharges	-486,238,665.42	-422,322,982.87
Cash paid relating to other operating activities	-419,041,419.39	-403,566,550.55
<b>Sub-total of cash outflows</b>	-12,282,342,338.45	-12,264,939,606.64
<b>Net cash flows from operating activities</b>	2,629,951,276.28	1,300,701,624.29
<b>Cash flows from investing activities</b>		
Cash received from disposal of investments	9,138,160,815.54	6,440,000,000.00
Cash received from returns on investments	67,510,581.99	169,205,446.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,643,300.66	3,627,843.72
Cash received relating to other investing activities	223,766,691.78	66,127,555.36
<b>Sub-total of cash inflows</b>	9,447,081,389.97	6,678,960,845.55
Cash paid to acquire fixed assets, intangible assets and other long-term assets	-184,308,580.76	-106,969,634.65
Cash paid to acquire investments	-11,300,000,000.00	-8,678,160,815.54
Cash paid to relating to other investing activities	-	-
<b>Sub-total of cash outflows</b>	-11,484,308,580.76	-8,785,130,450.19
<b>Net cash flows from investing activities</b>	-2,037,227,190.79	-2,106,169,604.64
<b>Cash Flows from Financing Activities:</b>		

**WUXI LITTLE SWAN CO., LTD.****CASH FLOW STATEMENT OF THE COMPANY (continued)****FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>Items</b>	<b>2018 Company</b>	<b>2017 Company</b>
Cash received from borrowings	43,362,419.45	428,629,992.34
<b>Sub-total of cash inflows</b>	43,362,419.45	428,629,992.34
Cash repayments of borrowings	-16,806,882.34	-535,766,203.80
Cash payments for distribution of dividends, profits or interest expenses	-631,293,961.64	-480,899,391.48
<b>Sub-total of cash outflows</b>	-648,100,843.98	-1,016,665,595.28
<b>Net cash flows from financing activities</b>	-604,738,424.53	-588,035,602.94
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	-3,502,716.40	-14,445,909.84
<b>Net decrease in cash and cash equivalents</b>	-15,517,055.44	-1,407,949,493.13
Add: Cash and cash equivalents at beginning of year	945,759,061.62	2,353,708,554.75
<b>Cash and cash equivalents at end of year</b>	930,242,006.18	945,759,061.62

**WUXI LITTLE SWAN CO., LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Attributable to the owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
Note	VII(27)	VII(28)	VII(29)	VII(30)	VII(31)		
<b>Balance at 1 January 2018</b>	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
<b>Movements for the year ended 31 December 2018</b>	-	77,703,279.33	-42,702,467.06	-	1,229,970,894.29	265,292,389.42	1,530,264,095.98
Total comprehensive income	-	-	-42,702,467.06	-	1,862,458,658.29	262,057,690.18	2,081,813,881.41
-Net profit	-	-	-	-	1,862,458,658.29	268,536,271.81	2,130,994,930.10
-Other comprehensive income	-	-	-42,702,467.06	-	-	-6,478,581.63	-49,181,048.69
Capital contribution and withdrawal by owners	-	77,703,279.33	-	-	-	3,234,699.24	80,937,978.57
-Amount recorded in owners' equity arising from share-based payment arrangements	-	77,703,279.33	-	-	-	3,234,699.24	80,937,978.57
-Others	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	-632,487,764.00	-	-632,487,764.00
-Profit distribution to equity owners	-	-	-	-	-632,487,764.00	-	-632,487,764.00
<b>Balance at 31 December 2018</b>	632,487,764.00	1,330,650,826.13	-2,206,100.21	332,594,722.29	6,018,535,295.32	1,436,499,601.49	9,748,562,109.02

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 December 2018

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Attributable to the owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
Note	VII(27)	VII(28)	VII(29)	VII(30)	VII(31)		
<b>Balance at 1 January 2017</b>	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
<b>Movements for the years ended 31 December 2017</b>	-	61,457,413.79	-30,261,157.76	-	1,032,046,682.22	195,960,007.39	1,259,202,945.64
Total comprehensive income	-	-	-30,261,157.76	-	1,506,412,505.22	192,923,009.68	1,669,074,357.14
-Net profit	-	-	-	-	1,506,412,505.22	202,007,780.53	1,708,420,285.75
-Other comprehensive income	-	-	-30,261,157.76	-	-	-9,084,770.85	-39,345,928.61
Capital contribution and withdrawal by owners	-	61,457,413.79	-	-	-	3,036,997.71	64,494,411.50
-Amount recorded in owners' equity arising from share-based payment arrangements	-	61,953,091.84	-	-	-	2,541,319.66	64,494,411.50
-Others	-	-495,678.05	-	-	-	495,678.05	-
Profit distribution	-	-	-	-	-474,365,823.00	-	-474,365,823.00
-Profit distribution to equity owners	-	-	-	-	-474,365,823.00	-	-474,365,823.00
<b>Balance at 31 December 2017</b>	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

**WUXI LITTLE SWAN CO., LTD.**

**STATEMENT OF CHANGES IN EQUITY OF THE COMPANY**

**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
<b>Balance at 1 January 2018</b>	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
<b>Movements for the year ended 31 December 2018</b>	-	68,331,467.95	-27,970,054.39	-	440,837,019.19	481,198,432.75
Total comprehensive income	-	-	-27,970,054.39	-	1,073,324,783.19	1,045,354,728.80
- Net profit	-	-	-	-	1,073,324,783.19	1,073,324,783.19
- Other comprehensive income	-	-	-27,970,054.39	-	-	-27,970,054.39
Capital contribution and withdrawal by owners	-	68,331,467.95	-	-	-	68,331,467.95
- Amount recorded in owners' equity arising from share-based payment arrangements	-	68,331,467.95	-	-	-	68,331,467.95
Profit distribution	-	-	-	-	-632,487,764.00	-632,487,764.00
- Profit distribution to equity owners	-	-	-	-	-632,487,764.00	-632,487,764.00
<b>Balance at 31 December 2018</b>	632,487,764.00	1,473,906,707.63	-	319,944,578.39	3,235,769,891.68	5,662,108,941.70

**WUXI LITTLE SWAN CO., LTD.**

**STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)**

**FOR THE YEAR ENDED 31 December 2018**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

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### III. Company profile

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

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

On 20 July 2006, the Company’s proposal on reformation of segregated stocks was approved by relevant shareholders’ meeting. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of 4 August 2006, the Company issued bonus shares on 7 August 2006 at the ratio of 2.5 shares to every 10 A-shares to liquidated A-share holders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of share holdings.

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

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

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A share, the Company's capital share increased by RMB 84,832,000.

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

As of 31 December 2018, the total share capital of the Company amounted to 632,487,764, 0.33% of which are 2,087,745 A shares with restriction of trading, 69.47% of which are 439,364,147 A shares without restriction of trading, and 30.20% of which are 191,035,872 B shares without restriction of trading.

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

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

The financial statements were authorized for issue by the board of directors of the Company on 28 March 2019.

Subsidiaries included in the scope of consolidation are listed in Note IX.

#### **IV. Basis for the preparation of financial statements**

##### **(1) Basis of preparation**

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

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## **(2) Going concern**

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

## **V. Summary of significant accounting policies and accounting estimates**

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

The critical judgements of the Company and its subsidiaries in determining the critical accounting policies are stated in note V (28).

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

The financial statements of the Company for the year ended 31 December 2018 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and its subsidiaries and the Company as of 31 December 2018 and the operating results, cash flows and other information of the Company and its subsidiaries and the Company for the year then ended.

### **(2) Accounting year**

The Company's accounting year starts on 1st January and ends on 31st December.

### **(3) Operating Cycle**

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

### **(4) Recording currency**

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

### **(5) Business combinations**

#### **(a) Business combinations involving enterprises under common control**

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount, or, at the carrying amount of obtained assets and liabilities (including goodwill arising from combination of the ultimate controlling party and its absorbed entity) on consolidated financial statements wherein the absorbed party has been acquired by the ultimate controlling party from a third party in previous period. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining

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balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

**(b) Business combinations involving enterprises not under common control**

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

**(6) Basis for preparation of consolidated financial statements**

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits, losses and comprehensive income for the period not attributable to the Company are recognised as minority interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive

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income respectively. Unrealised gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the Company. Unrealised gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the Company and the subsidiary. Unrealised gain or loss from transaction between subsidiaries offsets the net income attributable to equity holders of the Company and attributable to the minority interest by the distribution proportion regarding the Company and the selling side of the subsidiaries.

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

#### **(7) Cash and cash equivalents**

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

#### **(8) Foreign currency**

##### **(a) Foreign currency transaction**

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

On the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

##### **(b) Foreign currency financial statements translations**

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

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exchange rate at the date of the cash in or cash out. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## **(9) Financial instruments**

### **(a) Financial assets**

#### **(i) Classification**

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

Financial assets at fair value through profit or loss

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

Loan and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated to be available for sale upon initial recognition and financial assets not classified in any other categories. Available-for-sale financial assets are included in other current assets if they are intended to be disposed by management within 1 year (including 1 year) from balance sheet date.

#### **(ii) Recognition and measurement**

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

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

Gains or losses arising from change in fair value of financial assets at fair value through profit or loss are recognized in profit and loss of the current period as profit or loss from changes in fair value. Interests or cash

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dividends yield during asset holding period and gains and losses arising from asset disposal are recognized in the current period profit and loss.

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

### **(iii) Impairment of financial assets**

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

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

The objective evidence, of which provided for available-for-sale equity instruments being impaired, includes an investment in an equity instrument with serious or prolonged decline. The Company and its subsidiaries assesses available-for-sale equity instruments at each balance sheet date. If the fair value of equity instruments is lower than its initial investment cost of more than 50% (including 50%), or lower than its initial investment costs and the duration of such circumstances lasts for more than 1 year ( including 1 year), it indicates that the equity instruments are impaired. If the fair value of equity instruments is less than its initial investment cost of more than 20% (including 20%) to 50% (not including 50%), the Company and its subsidiaries will consider other relevant factors such as ratios of price fluctuation to judge that whether equity instruments are impaired. The Company and its subsidiaries measured the initial investment cost of available-for-sale equity instruments using the weighted average method.

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

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was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profits or losses.

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

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

#### **(iv) Derecognition of financial assets**

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

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

#### **(b) Financial liabilities**

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

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

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

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

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

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

**(10) Receivables**

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

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

Criteria for recognition of individually significant receivables	The amount of account receivable individually accounts for over 10% (including 10%) of total amount of accounts receivable on balance sheet date or is individually more than RMB 10,000,000 (including RMB 10,000,000); the amount of other receivable individually accounts for over 10% (including 10%) of total amount of other receivable on balance sheet date or is individually more than RMB 5,000,000 (including RMB 5,000,000).
Accrual for receivables with amounts that are individually significant are subject to separate assessment for impairment	Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company and its subsidiaries will not be able to collect the amount under the

	<p>original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of estimated future cash flows.</p> <p>The provision for impairment of the receivables that are individually significant is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.</p>
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**(b) Receivables that are subject to provision for bad debts on the grouping basis**

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

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

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

Notes receivables of the Company and its subsidiaries are all bank's acceptance bills. The Company regard these acceptance bills from banks are at low credit risk level, thus no bad debt provision is necessary to be accrued.

Interest receivables of the Company and its subsidiaries are all interest from bank deposits with low credit risk level, thus no bad debt provision on the grouping basis is necessary to be accrued.

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

Recognition criteria	Receivables that are not individually significant are subject to separate impairment assessment if there is objective evidence that the Company and its subsidiaries will not be able to collect the full amounts according to the original terms.
Recognition method	The provision for impairment of the receivables is established at the difference between

	the carrying amount of the receivables and the present value of estimated future cash flows.
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**(11) Inventory**

(a) Classification

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

(b) Determination of cost

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

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

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

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

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

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

**(12) Long-term equity investments**

Long-term equity investments include the Company’s long-term equity investments in its subsidiaries.

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

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

**(a) Determination of investment cost**

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

For long-term equity investments acquired not through a business combination: for long-term equity investment

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acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities.

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

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

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

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

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

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

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

**(d) Impairment of long-term equity investments**

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

**(13) Investment properties**

Investment properties, including land use rights that have already been leased out and buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and its subsidiaries and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

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

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

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

The investment property’s estimated useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at each year-end. An investment property is derecognised on disposal or

when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

#### **(14) Fixed assets**

##### **(a) Recognition and initial measurement of fixed assets**

Fixed assets comprise buildings, machinery and equipment, motor vehicles and office equipment, etc. Fixed assets are recognized when it is probable that the related economic benefits will flow to the Company and its subsidiaries and the costs can be reliably measured. Fixed assets purchased or constructed by the Company and its subsidiaries are initially measured at cost at the acquisition date. Subsequent expenditures incurred for fixed assets are included in the cost of the fixed assets when it is probable that the associated economic benefits will flow to the Company and its subsidiaries and the related costs can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

##### **(b) Depreciation method**

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

		Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	Straight-line method	20-35 years	5.00%	2.71%-4.75%
Machinery and equipment	Straight-line method	10-15 years	5.00%	6.33%-9.50%
Motor vehicles	Straight-line method	5 years	5.00%	19.00%
Office equipment	Straight-line method	3-5 years	5.00%	19.00%-31.67%

The estimated useful life, estimated residual value and depreciation method of fixed assets are reviewed at the end of each year and adjusted appropriately.

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

##### **(d) Disposal**

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or

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disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss.

**(15) Construction in progress**

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

**(16) Intangible assets**

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

**(a) Land use rights**

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

**(b) Non-patented technology**

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

**(c) Computer softwares**

Computer softwares purchased by the Company and its subsidiaries are initially measured at cost, which are amortized on the straight-line over their approved useful period of 3-5 years.

**(d) Periodical review of useful life and amortisation method**

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

**(e) Research and development**

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

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

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

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

**(f) Impairment of intangible assets**

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

**(17) Long-term prepaid expenses**

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

**(18) Impairment of long-term assets**

Fixed assets, intangible assets with finite useful lives, investment properties measured using the cost model, long-term prepaid expense, other non-current assets and long-term equity investments in subsidiaries are tested for impairment if there is any indication that an asset may be impaired at the balance date. Intangible assets which are not yet ready to use should be tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised

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for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest identifiable group of assets that is able to generate independent cash inflows.

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

## **(19) Employee benefits**

### **(a) Short-term employee benefits**

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

### **(b) Pension obligations**

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

#### Pension insurance

Employees of the Company and its subsidiaries participate in the social pension insurance organized by the local

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

**(c) Termination benefits**

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

**(d) Retirement benefits**

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

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

**(20) Dividend distribution**

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

**(21) Provisions**

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

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

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

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

## **(22) Share-based payment**

### **(a) Type of share-based payment**

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

### **(b) Determination of the fair value of equity instruments**

The Company and its subsidiaries determines the fair value of stock options using option pricing model, which is Black - Scholes option pricing model.

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

At the end of each reporting period, the Company and its subsidiaries revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. On the

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exercise date, the final number of estimated exercisable equity instruments is consistent with the number of exercised equity instruments.

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

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

**(23) Revenue**

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

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

**(a) Sales of goods**

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

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

The Company and its subsidiaries is engaged in sales of materials. Revenue from sales of materials is recognized when the materials are delivered, significant risks and rewards of ownership of the materials are

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transferred to the customers, the Company and its subsidiaries retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the materials sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

**(b) Transfer of assets use rights**

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

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

**(24) Government Grants**

Government grants are the monetary asset or non-monetary asset that the Company and its subsidiaries receives from the government for free, including tax refund, financial subsidies, etc.

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

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

The government grants related to assets are referred to as government grants that are obtained and utilized by the Company and its subsidiaries for the procurement, construction, or establishment of long-term assets in other manners. The government grants related to assets are recognized as deferred income and amortize them in profit or loss in a reasonable and systematic manner within the useful lives of related assets.

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

Government grants related to income are government grants not related to assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period.

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

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

#### **(25) Deferred tax assets and deferred tax liabilities**

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

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

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

Deferred tax assets and liabilities are offset when:

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

#### **(26) Leases**

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

An operating lease is a lease other than a finance lease.

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

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

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## **(27) Segment information**

The Company and its subsidiaries identify operating segments based on the internal organisation structure, management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

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

- (a) the component is able to earn revenues and incur expenses from its ordinary activities.
- (b) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.
- (c) for which the information on financial position, operating results and cash flows is available to the Group.

If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

## **(28) Critical accounting estimates and judgements**

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

### **Income taxes**

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

## **(29) Significant changes in accounting policies**

In 2018, the Ministry of Finance issued the Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2018 (Cai Kuai [2018] 15). The financial statements are prepared in accordance with the above circular with restating comparative figures of 2017 and impacts are as follows:

### **(a) The impact on the consolidated balance sheet and income statement**

The nature and the reasons of the changes in accounting	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Company and its subsidiaries grouped accounts receivable and notes receivable as notes and accounts receivables.	Notes receivable	Decrease 1,283,192,684.28	Decrease 1,297,609,202.29
	Accounts receivable	Decrease 1,736,724,496.10	Decrease 1,465,654,497.90
	Notes and accounts receivables	Increase 3,019,917,180.38	Increase 2,763,263,700.19
The Company and its subsidiaries grouped interests receivable and other receivables as other receivables.	Interests receivable	Decrease 60,943,907.98	Decrease 26,755,807.07
	Other receivables	Increase 60,943,907.98	Increase 26,755,807.07
The Company and its subsidiaries grouped notes payable and accounts payable as notes and accounts payables.	Notes payable	Decrease 2,805,804,600.41	Decrease 2,620,549,815.47
	Accounts payable	Decrease 3,827,025,700.10	Decrease 3,335,089,672.06
	Notes and accounts payables	Increase 6,632,830,300.51	Increase 5,955,639,487.53
The Company and its subsidiaries grouped dividends payable and other payables as other payables.	Dividends payable	Decrease 6,996,784.06	Decrease 7,150,684.06
	Other payables	Increase 6,996,784.06	Increase 7,150,684.06

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	
The Company and its subsidiaries separately listed research and development expenses in research and development which originally included in general and administrative expense.	General and administrative expenses	Decrease 550,779,796.27	
	Research and development expenses	Increase 550,779,796.27	

**(b) The impact on the Company balance sheet and income statement**

The content and caused of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Company grouped accounts receivable and notes receivable as accounts and notes receivables.	Notes receivable	Decrease 938,342,347.95	Decrease 1,088,559,252.21
	Accounts receivable	Decrease 2,805,194,600.27	Decrease 2,310,254,576.98
	Notes and accounts receivables	Increase 3,743,536,948.22	Increase 3,398,813,829.19
The Company grouped interests receivables and other receivables as	Interests receivable	Decrease 32,913,208.23	Decrease 18,798,031.69
	Other receivables	Increase 32,913,208.23	Increase 18,798,031.69

other receivables.			
The Company grouped accounts payable and notes payable as notes and accounts payables.	Notes payable	Decrease 1,678,546,630.26	Decrease 1,508,017,904.49
	Accounts payable	Decrease 4,395,361,312.16	Decrease 3,913,090,507.89
	Notes and accounts payables	Increase 6,073,907,942.42	Increase 5,421,108,412.38
The Company grouped dividends payable and other payables as other payables.	Dividends payable	Decrease 6,996,784.06	Decrease 7,150,684.06
	Other payables	Increase 6,996,784.06	Increase 7,150,684.06

The content and caused of the changes in accounting policies	The accounts affected	The amounts affected
		31 December 2017
The Company and its subsidiaries separately listed research and development expenses in research and development which originally included in general and administrative expenses.	General and administrative expenses	Decrease 422,811,623.35
	Research and development expenses	Increase 422,811,623.35

## VI. Taxation

(1) The main categories and rates of taxes applicable to the Company and its subsidiaries are set out belows:

category	Tax base	Tax rate
Value-added tax	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	17%, 16%, 11%, 10% or 5%
City maintenance and construction tax	The payment amount of VAT	7% or 5%
Enterprise income tax	Taxable income	15%, 17% or 25%

Pursuant to the 'Circular on Adjustment of Tax Rate of Value Added Tax' (Cai Shui [2018] 32) jointly issued by the Ministry of Finance and the State Administration of Taxation, the applicable tax rate of revenue arising from VAT taxable sales or imported goods of the Company and its subsidiaries, is 16% and 10% from 1 May 2018, while it was 17% and 11% before then.

### (2) Tax preferences

According to Enterprise income tax law of the People's Republic of China, Article 28, the Company and its three subsidiaries, Hefei Midea Washing Machine Limited, Wuxi Little Swan GE Limited and Wuxi Filin Electronics Limited, shall be subject to the corporate income tax at the reduced rate of 15% (2017: 25% subject

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to Hefei Midea Washing Machine Limited, and 15% subject to the Company, Wuxi Little Swan GE Limited and Wuxi Filin Electronics Limited).

In October 2018, the Company gained the certificate of ‘High-tech Enterprises’, which was issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201832001394. Term of validity for this Certificate is three years, from 2018 to 2021.

In October 2018, the Company’s subsidiary Wuxi Little Swan GE Limited gained the certificate of High-tech Enterprises, which was issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201832001100. Term of validity for this Certificate is three years, from 2018 to 2021.

In October 2018, the Company’s subsidiary Wuxi Filin Electronics Limited gained the certificate of ‘High-tech Enterprises’, which was issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201832001053. Term of validity for this Certificate is three years, from 2018 to 2021.

In July 2018, the Company’s subsidiary Hefei Midea Washing Machine Limited gained the certificate of High-tech Enterprises, which was issued by Anhui Science and Technology Department, Anhui Finance Department, Anhui State Administration of Taxation and Anhui Local Taxation Bureau. The Certificate Number is GR201834000882. Term of validity for this Certificate is three years, from 2018 to 2021.

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

Upon article 1 of the Notice of the Ministry of Finance and the State Administration on Value Added Tax Policies Applicable to Software Products (Cai Shui [2011] No.100), after levying a value-added-tax on the sale of self-developed software products and services of the Company’s subsidiary Wuxi Filin Electronics Co., Ltd. at the statutory tax rate of 17%, the tax rebate policy will be imposed on the part of the tax that exceeds 3% of the actual value-added-tax. Wuxi Filin Electronics Co., Ltd. recorded the VAT return obtained in 2018 in other income.

## **VII. Notes to the consolidated financial statements**

### **(1) Cash at bank and on hand**

	31 December 2018	31 December 2017
Cash at bank	1,713,233,957.39	1,417,489,071.71

Other cash balances	213,704,177.01	170,775,444.34
Total	1,926,938,134.40	1,588,264,516.05
Including: cash deposited overseas	473,362.45	503,115.69

As at 31 December 2018, the other cash balances comprises: deposit for bank acceptance bills of RMB 209,695,725.87 and deposit for letter of credit of RMB 4,008,451.14 (31 December 2017: deposit for bank acceptance bills of RMB 166,791,807.67 and deposit for forward foreign exchange agreement t of RMB 3,983,636.67).

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

	31 December 2018	31 December 2017
Forward foreign exchange contract	-	5,270,238.03

**(3) Notes and accounts receivables**

	31 December 2018	31 December 2017
Notes receivable(a)	1,061,452,503.99	1,283,192,684.28
Accounts receivable(b)	1,957,583,475.15	1,736,724,496.10
Total	3,019,035,979.14	3,019,917,180.38

**(4) Notes receivable**

**(5) Notes receivable classified by nature**

	31 December 2018	31 December 2017
Bank acceptance notes	1,061,452,503.99	1,283,192,684.28
Less: Provision for bad debts	-	-
	1,061,452,503.99	1,283,192,684.28

As at 31 December 2018 and 31 December 2017, there is no trade acceptance receivable. The Company and its subsidiaries do not recognize impairment risk of the bank acceptance notes, whereupon no bad debt provision is accrued.

As at 31 December 2018 and 31 December 2017, there is no pledged notes receivable.

**(i) As at 31 December 2018, notes receivable that have been endorsed or discounted but not yet expired are as follows:**

Items	31 December 2018		31 December 2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	2,120,713,069.32	117,603,683.89	1,971,348,872.35	81,393,672.34

**(a) Accounts receivable**

**(i) Accounts receivable classified by nature:**

Category	31 December 2018				
	Cost		Bad debt provision		Carrying amount
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	2,060,614,184.36	100.00%	103,030,709.21	5.00%	1,957,583,475.15
Category	31 December 2017				
	Cost		Bad debt provision		Carrying amount
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	1,828,131,048.42	100.00%	91,406,552.32	5.00%	1,736,724,496.10

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

Applicable  Not applicable

Accounts receivable adopting aging analysis method for bad debt provision:

Applicable  Not applicable

Aging	31 December 2018			
	Accounts receivable	Bad debt provision	% of provision	Carrying amount
Within 1 year	2,060,614,184.36	103,030,709.21	5.00%	1,957,583,475.15
Total	2,060,614,184.36	103,030,709.21	5.00%	1,957,583,475.15
Aging	31 December 2017			
	Accounts receivable	Bad debt provision	% of provision	Carrying amount
Within 1 year	1,828,131,048.42	91,406,552.32	5.00%	1,736,724,496.10
Total	1,828,131,048.42	91,406,552.32	5.00%	1,736,724,496.10

As at 31 December 2018 and 2017, there were no material accounts receivable which were past due.

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

During the year ended 31 December 2018, the net movement of provision for accounts receivable was RMB 11,624,156.89(2017: RMB 14,262,415.59). There were no provision or reverse of provision for individual significant accounts receivable.

**(iii) Accounts receivable written-off during the reporting period**

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

**(iv) Top 5 of accounts receivable by customers**

	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	1,363,473,357.41	68,173,667.87	66.17%

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

	Derecognised	Loss on derecognised
Accounts receivables transferred	1,774,993,166.61	39,049,849.67

For the year ended 31 December 2018, accounts receivable transferred to the financial institutions without recourse amounted to RMB 1,774,993,166.61(2017: RMB 1,396,967,895.11), of which loss on derecognised amounted to RMB 39,049,849.67 (2017: RMB 27,699,357.90).

**(6) Advances to Suppliers****(a) Aging analysis of advances to suppliers:**

Aging	31 December 2018		31 December 2017	
	Balance	% of total balance	Balance	% of total balance
Within 1 year	80,853,628.49	91.96%	79,671,655.89	94.46%
1 to 2 years	6,127,811.51	6.97%	4,675,136.49	5.54%
2 to 3 years	945,423.95	1.08%	-	0.00%
Total	87,926,863.95	100.00%	84,346,792.38	100.00%

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

As at 31 December 2018, the balance of advance to suppliers with aging over one year amounts to RMB 7,073,235.46 (31 December 2017: RMB 4,675,136.49, mainly comprising the prepayments for goods for which the standards stipulated by the contract has not yet been reached)

**(b) Top 5 prepayment by suppliers**

	31 December 2018	% of total balance
Total amount of the top 5 by suppliers	26,964,664.78	30.67%

**(7) Other receivables**

Item	31 December 2018	31 December 2017
Interests receivable(a)	213,514,910.10	60,943,907.98
Other receivables(b)	20,441,295.16	47,224,454.09
Total	233,956,205.26	108,168,362.07

**(a) Interests receivable**

	31 December 2018	31 December 2017
Structured deposit interest	212,259,520.55	60,096,246.58
Bank deposit interest	1,255,389.55	847,661.40
Total	213,514,910.10	60,943,907.98

**(b) Other receivables****(i) Other receivables by category:**

Category	31 December 2018				Carrying amount
	Cost		Bad debt provision		
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	22,751,048.67	100.00%	2,309,753.51	10.15%	20,441,295.16
Category	31 December 2017				Carrying amount
	Cost		Bad debt provision		
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	50,575,167.17	100.00%	3,350,713.08	6.63%	47,224,454.09

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

Applicable  Not applicable

Other receivable adopting aging analysis method for bad debt provision:

Applicable  Not applicable

Aging	31 December 2018			
	Other receivables	Bad debt provision	% of provision	Carrying amount
Within 1 year	19,629,757.67	981,487.87	5.00%	18,648,269.80
1 to 2 years	1,191,195.66	119,119.57	10.00%	1,072,076.09
2 to 3 years	594,008.00	178,202.40	30.00%	415,805.60
3 to 5 years	610,287.34	305,143.67	50.00%	305,143.67
Over 5 years	725,800.00	725,800.00	100.00%	-
Total	22,751,048.67	2,309,753.51	10.15%	20,441,295.16
Aging	31 December 2017			
	Other receivables	Bad debt provision	% of provision	Carrying amount
Within 1 year	47,645,755.48	2,381,754.37	5.00%	45,264,001.11
1 to 2 years	1,435,667.86	143,566.79	10.00%	1,292,101.07
2 to 3 years	721,400.00	216,420.00	30.00%	504,980.00
3 to 5 years	326,743.83	163,371.92	50.00%	163,371.91

Over 5 years	445,600.00	445,600.00	100.00%	-
Total	50,575,167.17	3,350,713.08	6.63%	47,224,454.09

As at 31 December 2018 and 31 December 2017, there were no material other receivables which were past due.

Other receivables adopting balance percentage method for bad debt provision:

Applicable  Not applicable

Other receivables adopting other method for bad debt provision:

Applicable  Not applicable

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

During the year ended 31 December 2018, provision for other receivables was RMB 0.00 (2017: RMB 1,737,268.30), reverse of provision for other receivables was RMB 1,040,959.57 (2017: RMB 0.00). There were no provision or reverse of provision for individual significant other receivables.

**(iii) Other receivables written-off during the reporting period**

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

**(iv) Other receivables classified by nature**

Nature of other receivables	31 December 2018	31 December 2017
Deposit in third-party payment service accounts	17,125,330.26	44,740,888.28
Loan to employees	1,945,069.60	2,875,802.98
Deposits	3,680,648.81	2,515,443.83
Others	-	443,032.08
Less: Bad debt provision	-2,309,753.51	-3,350,713.08
Total	20,441,295.16	47,224,454.09

**(v) Top 5 of other receivables by customers**

Name of the entities	Nature of other receivables	31 December 2018	Aging	% of total balance	Bad debt provision
Alipay (China) Network Technology Co., Ltd	Deposit in third-party payment service accounts	10,531,076.19	Within 1 year	46.29%	526,553.81
Shenzhen Midea Payment Technology Co., Ltd	Deposit in third-party payment service accounts	6,214,698.76	Within 1 year	27.32%	310,734.94
Wuxi China Resources Gas Co., Ltd.	Deposits	820,800.00	2 to 3 years and over 5 years	3.61%	754,300.00
Shanghai Fengsha Industrial Development Co., Ltd.	Deposits	601,161.48	Within 1 year	2.64%	30,058.07

Wuxi Hi-Tech Logistics Center Co., Ltd.	Deposits	461,700.00	1 to 2 years	2.03%	46,170.00
Total		18,629,436.43		81.89%	1,667,816.82

**(vi) Inventory**

**(vii) Category of inventory**

	31 December 2018			31 December 2017		
	Cost	Provision for decline in the value	Carrying amount	Cost	Provision for written-down	Carrying amount
Raw materials	34,069,010.35	1,345,523.57	32,723,486.78	35,127,847.81	570,442.41	34,557,405.40
Work in process	12,809,798.58	-	12,809,798.58	14,237,995.55	-	14,237,995.55
Finished goods	1,762,014,570.00	52,950,705.83	1,709,063,864.17	1,995,530,607.75	63,559,812.56	1,931,970,795.19
Total	1,808,893,378.93	54,296,229.40	1,754,597,149.53	2,044,896,451.11	64,130,254.97	1,980,766,196.14

**(viii) Provision for written-down of inventory**

	31 December 2017	Increase		Decrease		31 December 2018
		Withdrawal	Other	Reverse or written-off	Other	
Raw materials	570,442.41	775,081.16	-	-	-	1,345,523.57
Finished goods	63,559,812.56	38,210,901.92	-	48,820,008.65	-	52,950,705.83
Total	64,130,254.97	38,985,983.08	-	48,820,008.65	-	54,296,229.40

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

**(ix) Other current assets**

	31 December 2018	31 December 2017
Financial products	-	3,792,871,097.59
Structured deposits	14,350,000,000.00	8,650,000,000.00
Input tax to be authenticated or deducted	258,471,417.82	283,158,673.31
Others	62,425,674.25	52,210,974.32
Total	14,670,897,092.07	12,778,240,745.22

As at 31 December 2018, there were no carrying amount of financial products (As at 31 December 2017, the carrying value of financial products measured by fair value amounted to RMB 3,792,871,097.59, with principal amounted to RMB 3,735,000,000.00, and accumulated fair value changes recognised in other comprehensive income amounted to RMB 57,871,097.59).

**(8) Available-for-sale financial assets**

	31 December 2018			31 December 2017		
	Cost	Impairment	Carrying amount	Cost	Impairment	Carrying amount
Available-for-sale equity instruments:						
- measured at cost	300,300.00	-100,300.00	200,000.00	300,300.00	-100,300.00	200,000.00
Total	300,300.00	-100,300.00	200,000.00	300,300.00	-100,300.00	200,000.00

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

	Buildings	Land use rights	Total
<b>Cost</b>			
<b>31 December 2017</b>	88,189,256.96	22,949,959.07	111,139,216.03
Disposal	-	-5,637,235.60	-5,637,235.60
<b>31 December 2018</b>	88,189,256.96	17,312,723.47	105,501,980.43
<b>Accumulative depreciation and amortization</b>			
<b>31 December 2017</b>	29,852,095.86	7,015,229.88	36,867,325.74
Increase	3,496,869.71	355,238.27	3,852,107.98
Decrease	-	-2,570,395.81	-2,570,395.81
<b>31 December 2018</b>	33,348,965.57	4,800,072.34	38,149,037.91
<b>Impairment</b>			
<b>31 December 2017</b>	12,576,065.29	-	12,576,065.29
<b>31 December 2018</b>	12,576,065.29	-	12,576,065.29
<b>Carrying amount</b>			
<b>31 December 2018</b>	42,264,226.10	12,512,651.13	54,776,877.23
<b>31 December 2017</b>	45,761,095.81	15,934,729.19	61,695,825.00

Depreciation and amortization charge for 2018 amounted to RMB 3,852,107.98(2017: RMB 3,159,078.25).

**(10) Fixed assets**

Item	31 December 2018	31 December 2017
Fixed assets	1,121,036,700.25	1,029,668,355.84
Total	1,121,036,700.25	1,029,668,355.84

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and fixtures	Total

<b>Cost</b>					
<b>31 December 2017</b>	735,906,249.69	1,053,086,342.85	28,536,914.16	139,927,818.59	1,957,457,325.29
Add: Purchase	1,430,047.57	119,414,858.09	3,765,661.04	70,498,700.80	195,109,267.50
Transferred from construction in progress	-	56,308,998.02	-	-	56,308,998.02
Disposal or Scrap	-1,008,386.77	-27,113,119.16	-1,116,017.58	-4,181,305.68	-33,418,829.19
<b>31 December 2018</b>	736,327,910.49	1,201,697,079.80	31,186,557.62	206,245,213.71	2,175,456,761.62
<b>Accumulative depreciation</b>					
<b>31 December 2017</b>	227,391,811.31	556,756,002.40	23,111,726.15	99,321,819.31	906,581,359.17
Withdrawal	31,236,631.09	93,294,070.63	1,457,899.56	29,171,559.04	155,160,160.32
Disposal or Scrap	-714,568.61	-19,058,117.52	-998,555.80	-3,884,873.39	-24,656,115.32
<b>31 December 2018</b>	257,913,873.79	630,991,955.51	23,571,069.91	124,608,504.96	1,037,085,404.17
<b>Depreciation reverses</b>					
<b>31 December 2017</b>	3,918,452.47	17,168,643.32	30,622.40	89,892.09	21,207,610.28
Increase	-	834,296.77	-	-	834,296.77
Decrease	-	-4,659,934.69	-19,389.79	-27,925.37	-4,707,249.85
<b>31 December 2018</b>	3,918,452.47	13,343,005.40	11,232.61	61,966.72	17,334,657.20
<b>Carrying amount</b>					
<b>31 December 2018</b>	474,495,584.23	557,362,118.89	7,604,255.10	81,574,742.03	1,121,036,700.25
<b>31 December 2017</b>	504,595,985.91	479,161,697.13	5,394,565.61	40,516,107.19	1,029,668,355.84

Depreciation charges for 2018 amounted to RMB 155,160,160.32 (2017: RMB 129,563,779.26). The amount of depreciation recognized in cost of sales, selling and distribution expenses, general and administrative expenses, research and development expense are RMB 128,757,777.56, RMB 651,154.64, RMB 17,680,722.02 and RMB 8,070,506.10 respectively. (2017: The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 107,567,993.75, RMB 686,769.30, RMB 16,099,405.48 and RMB 5,209,610.73 respectively).

#### (11) Construction in progress

	31 December 2018			31 December 2017		
	Cost	Provision for impairment loss	Carrying amount	Cost	Provision for impairment loss	Carrying amount
Automatic-stamping drum cabinet rivet line	-	-	-	37,167,679.63	-	37,167,679.63
Filin's research and	15,424,853.79	-	15,424,853.79	-	-	-

development workshop						
Others	61,980.58	-	61,980.58	804,572.97	-	804,572.97
Total	15,486,834.37	-	15,486,834.37	37,972,252.60	-	37,972,252.60

**(a) Changes in major construction-in-progress**

Project	Budget	31 December 2017	Addition	Transferred into fixed assets	Other decrease	31 December 2018	% of total budget	Completed progress	Funding sources
Automatic -stamping drum cabinet rivet line	40,331,385.00	37,167,679.63	3,163,705.45	-40,331,385.08	-	-	100.00%	100.00%	Equity fund
Filin's research and development workshop	42,978,000.00	-	15,424,853.79	-	-	15,424,853.79	35.89%	35.89%	Equity fund
Others	1,285,600.00	804,572.97	15,235,020.55	-15,977,612.94	-	61,980.58	4.82%	4.82%	Equity fund
Total	84,594,985.00	37,972,252.60	33,823,579.79	-56,308,998.02	-	15,486,834.37			

## (12) Intangible assets

	Land use right	Non-patented technology	Others	Total
<b>Cost</b>				
<b>31 December 2017</b>	242,666,890.39	-	1,395,014.56	244,061,904.95
Addition	134,462.17	-	-	134,462.17
<b>31 December 2018</b>	242,801,352.56	-	1,395,014.56	244,196,367.12
<b>Accumulated amortization</b>				
<b>31 December 2017</b>	55,621,543.12	-	1,395,014.56	57,016,557.68
Addition	5,240,526.65	-	-	5,240,526.65
<b>31 December 2018</b>	60,862,069.77	-	1,395,014.56	62,257,084.33
<b>Depreciation reverses</b>				
<b>31 December 2017</b>	-	-	-	-
<b>31 December 2018</b>	-	-	-	-
<b>Carrying amount</b>				
<b>31 December 2018</b>	181,939,282.79	-	-	181,939,282.79
<b>31 December 2017</b>	187,045,347.27	-	-	187,045,347.27

In 2018, the amortization of intangible assets amounted to RMB 5,240,526.65 (2017: RMB 5,238,138.88).

## (13) Long-term prepaid expenses

Item	31 December 2017	Addition	Amortization	Other decrease	31 December 2018
Leasehold improvement cost	21,318,606.65	13,830,928.17	-10,681,425.73	-	24,468,109.09
Others	1,063,413.87	681,886.78	-673,123.82	-	1,072,176.83
Total	22,382,020.52	14,512,814.95	-11,354,549.55	-	25,540,285.92

## (14) Deferred income tax assets and deferred income tax liabilities

### (a) Deferred income tax assets without taking into consideration of the offsetting of balances

Item	31 December 2018		31 December 2017	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	168,756,876.40	25,313,531.46	171,883,829.48	25,782,574.43
Unrealized profit of inter-group transaction	108,282,747.85	16,242,412.18	107,345,624.86	16,101,843.74
Other current liabilities	2,507,882,899.91	376,182,434.99	2,107,686,604.61	370,746,106.98
Others	63,602,003.32	9,540,300.58	26,614,332.30	3,992,149.84
Total	2,848,524,527.48	427,278,679.21	2,413,530,391.25	416,622,674.99

### Deferred income tax assets details

Item	31 December 2018	31 December 2017
Expected to reverse within 1 year (including 1 year)	418,531,140.33	412,971,858.44
Expected to reverse after 1 year	8,747,538.88	3,650,816.54
Total	427,278,679.21	416,622,674.98

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

Item	31 December 2018		31 December 2017	
	Taxable Temporary difference	Deferred tax liabilities	Taxable Temporary difference	Deferred tax liabilities
Fair value change of financial assets through profit or loss	-	-	5,270,238.03	790,535.70
Fair value change of available-for-sale financial assets	-	-	57,871,097.59	8,680,664.64
Total	-	-	63,141,335.62	9,471,200.34

### Deferred tax liabilities details

Item	31 December 2018	31 December 2017
Expected to reverse within 1 year (including 1 year)	-	9,471,200.34
Expected to reverse after 1 year	-	-
Total	-	9,471,200.34

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

Item	31 December 2018 Netting amount	31 December 2018 Deferred income tax assets or liabilities, net	31 December 2017 Netting amount	31 December 2017 Deferred income tax assets or liabilities, net
Deferred income tax assets	-	427,278,679.21	9,471,200.34	407,151,474.64
Deferred income tax liabilities	-	-	9,471,200.34	-

### (d) List of unrecognized deferred income tax assets

Item	31 December 2018	31 December 2017
Deductible temporary difference	27,143,434.02	27,153,908.99
Deductible tax losses	70,134,184.44	81,636,690.06
Total	97,277,618.46	108,790,599.05

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

Years	31 December 2018	31 December 2017
2018	-	16,300,604.68
2019	49,620,940.42	49,620,940.42
2020	9,576,983.63	9,576,983.63

2021	5,618,761.45	5,618,761.45
2022	519,399.88	519,399.88
2023	4,798,099.06	-
Total	70,134,184.44	81,636,690.06

**(15) Other non-current assets**

Item	31 December 2018	31 December 2017
Prepayment for equipment	42,289,041.73	27,331,937.53

**(16) Short-term borrowings**

Category	31 December 2018	31 December 2017
Discounted notes receivable financing	117,603,683.89	81,393,672.34
Factoring of accounts receivable	-	-
Total	117,603,683.89	81,393,672.34

**(17) Financial liabilities measured at fair value through profit or loss**

Category	31 December 2018	31 December 2017
Forward foreign exchange contract	3,078,878.95	-

**(18) Notes and accounts payables**

Item	31 December 2018	31 December 2017
Notes payable(a)	4,191,102,993.34	2,805,804,600.41
Accounts payable(b)	3,788,624,122.68	3,827,025,700.10
Total	7,979,727,116.02	6,632,830,300.51

**(a) Notes payable**

**(i) List of notes payable**

Item	31 December 2018	31 December 2017
Bank acceptance bill	4,191,102,993.34	2,805,804,600.41

At the end of the year, there was no balance of notes payable that had not been paid.

**(b) Accounts payable**

**(i) List of accounts payable**

Item	31 December 2018	31 December 2017
Material	3,764,255,584.19	3,803,318,504.56
Others	24,368,538.49	23,707,195.54
Total	3,788,624,122.68	3,827,025,700.10

(ii) Significant accounts payable over one year

Item	31 December 2018	Reason for over one year
Material	63,380,565.96	Contract expiration has not yet come

(19) Advances from customers

(a) List of advances from customers

Item	31 December 2018	31 December 2017
Advance from customers	2,024,945,754.25	3,065,815,801.93

(b) Significant advance from customers over one year

Item	31 December 2018	Unpaid/ Un-carry-over reason
Advances from customers	46,186,596.00	The project is under processing

(20) Payroll liabilities

(a) List of payroll liabilities

Item	31 December 2017	Increase	Decrease	31 December 2018
Short-term employee benefit payable	320,914,272.91	1,406,570,521.27	1,365,853,624.87	361,631,169.31
Defined contribution plans payable	25,775,609.10	157,623,201.37	155,289,142.90	28,109,667.57
Termination benefits payable	2,793,962.75	19,569,372.13	18,106,119.30	4,257,215.58
Total	349,483,844.76	1,583,763,094.77	1,539,248,887.07	393,998,052.46

(b) List of short-term employee benefit payable

Item	31 December 2017	Increase	Decrease	31 December 2018
1. Salary, bonus, allowance and subsidies	282,471,135.34	1,133,051,079.16	-1,103,115,048.01	312,407,166.49
2. Employee welfare	8,331,772.70	111,046,934.96	-102,603,405.22	16,775,302.44
3. Social insurance	12,297,766.43	79,830,229.04	-79,069,435.09	13,058,560.38
-Medical insurance	9,960,643.80	64,608,271.86	-63,686,148.12	10,882,767.54
-Employment injury insurance	1,540,246.23	9,755,337.33	-10,047,203.66	1,248,379.90
-Maternity insurance	796,876.40	5,466,619.85	-5,336,083.31	927,412.94
4. Housing fund	8,897,498.05	58,896,031.56	-57,798,721.93	9,994,807.68
5. Labor union funds and employee education fee	8,916,100.39	23,746,246.55	-23,267,014.62	9,395,332.32
Total	320,914,272.91	1,406,570,521.27	-1,365,853,624.87	361,631,169.31

As at 31 December 2018, there were no overdue balance. The balance will be settled in 2019.

(c) Defined contribution plans

Item	31 December 2017	Increase	Decrease	31 December 2018
Pension	24,835,787.74	153,613,574.46	-151,247,819.45	27,201,542.75

Unemployment insurance	939,821.36	4,009,626.91	-4,041,323.45	908,124.82
Total	25,775,609.10	157,623,201.37	-155,289,142.90	28,109,667.57

**(d) Termination benefits payable**

Item	31 December 2018	31 December 2017
Early retirement benefits payable	1,972,215.58	2,793,962.75
Other termination benefits (i)	2,285,000.00	-
Total	4,257,215.58	2,793,962.75

**(21) Taxes payable**

Item	31 December 2018	31 December 2017
Corporate income tax	480,480,551.80	538,655,891.42
VAT	19,278,303.67	43,514,198.41
City maintenance and construction tax	5,060,335.36	10,431,895.61
Education surcharge	3,924,525.26	7,895,593.79
Others	50,875,513.91	37,519,944.08
Total	559,619,230.00	638,017,523.31

**(22) Other payables**

Item	31 December 2018	31 December 2017
Dividends payable(a)	9,049,503.92	6,996,784.06
Other payables(b)	166,213,763.65	221,120,863.48
Total	175,263,267.57	228,117,647.54

**(a) Dividends payable**

Item	31 December 2018	31 December 2017
Dividends to ordinary shareholders	9,049,503.92	6,996,784.06
Total	9,049,503.92	6,996,784.06

**(b) Other payables**

**(i) Other payables listed by nature**

Item	31 December 2018	31 December 2017
Payment for equipment	71,641,381.04	119,000,776.50
Payment for moulds	36,862,309.04	66,898,435.10
Energy efficiency rebate	-	6,140,000.00
Collection	7,145,046.77	5,278,489.39
Advances	1,928,571.35	3,831,550.67
Deposits	28,032,371.55	3,027,766.49

Others	20,604,083.90	16,943,845.33
Total	166,213,763.65	221,120,863.48

**(ii) Significant other payables over one year**

Item	31 December 2018	Unpaid/ Un-carry-over reason
Payment for equipment	21,250,955.36	Contracts expiration has not yet come
Payment for moulds	19,631,685.97	Contracts expiration has not yet come
Total	40,882,641.33	--

**(23) Other current liabilities**

Item	31 December 2018	31 December 2017
Accrued sale rebate	1,328,293,712.38	1,190,189,575.45
Accrued maintenance and installation costs	439,653,805.88	312,536,901.29
Accrued sales promotion fees	363,905,275.39	276,458,030.09
Accrued transportation fee	209,300,910.12	169,965,392.33
Accrued household electrical appliances recycling fund	-	15,637,977.00
Accrued trademark royalty charges	2,804,104.70	-
Others	163,925,444.72	142,912,728.45
Total	2,507,883,253.19	2,107,700,604.61

**(24) Long-term employee benefits payable**

Item	31 December 2018	31 December 2017
Early retirement benefits payable	11,860,988.29	14,815,582.92
Less: Payable within one year	-1,972,215.58	-2,793,962.75
Total	9,888,772.71	12,021,620.17

The employee benefits payable within one year are included in employee benefits payable.

**(25) Provisions**

Item	31 December 2018	31 December 2017	Causes
Quality guarantee deposits	1,853,074.62	2,253,082.25	Quality guarantee deposits
Total	1,853,074.62	2,253,082.25	--

**(26) Deferred income**

Item	31 December 2017	Addition	Decrease	31 December 2018	Causes
Deferred income-related to assets/income	2,489,133.21	37,640,000.00	653,200.04	39,475,933.17	Related to assets/income
Total	2,489,133.21	37,640,000.00	653,200.04	39,475,933.17	--

**(27) Share capital**

	31 December 2017	Increase/decrease (+/-)					31 December 2018
		New shares issued	Bonus shares	Shares transferred from capital surplus	Others	Subtotal	
The sum of shares	632,487,764.00	-	-	-	-	-	632,487,764.00

**(28) Capital surplus**

Item	31 December 2017	Increase	Decrease	31 December 2018
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	197,764,828.23	77,703,279.33	-	275,468,107.56
-Share options (a)	163,325,332.37	77,703,279.33	-	241,028,611.70
-Others	34,439,495.86	-	-	34,439,495.86
Total	1,252,947,546.80	77,703,279.33	-	1,330,650,826.13

Item	31 December 2016	Increase	Decrease	31 December 2017
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	136,307,414.44	61,953,091.84	-495,678.05	197,764,828.23
-Share options (a)	101,372,240.53	61,953,091.84	-	163,325,332.37
-Others (b)	34,935,173.91	-	-495,678.05	34,439,495.86
Total	1,191,490,133.01	61,953,091.84	-495,678.05	1,252,947,546.80

(a) In 2018, the equity incentive increased the capital reserve of RMB 77,703,279.33 (2017: RMB 61,953,091.84 ), which is the corresponding capital reserve of the Midea Group granted to the employees of the Company and its subsidiaries.

**(29) Other comprehensive income**

Item	31 December 2017	Increase/decrease in the year					31 December 2018
		Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to profit or loss this year	Less: Income tax expense	Attributable to the Company's owners after tax	Attributable to the minority interest after tax	
Items that may be subsequently reclassified into profits or losses	40,496,366.85	-	-57,871,097.59	8,680,664.64	-42,702,467.06	-6,478,581.63	-2,206,100.21
-change in fair value of available-for-sale	42,711,851.32	-	-57,871,097.59	8,680,664.64	-42,711,851.32	-6,478,581.63	-

financial assets							
-currency translation differences	-2,215,484.47	-	-	-	9,384.26	-	-2,206,100.21
Total	40,496,366.85	-	-57,871,097.59	8,680,664.64	-42,702,467.06	-6,478,581.63	-2,206,100.21

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

### (30) Surplus reserve

Item	31 December 2017	Increase	Decrease	31 December 2018
Statutory surplus reserves	332,594,722.29	-	-	332,594,722.29

In accordance with the Company Law of the PRC, the Company's Articles of Association, 10% of net profit should be made to the statutory surplus reserve, after offsetting accumulated losses from prior years, unless the accumulated statutory surplus reserve reaches 50% of the share capital. Statutory surplus reserve can be used to make up losses or to increase share capital. At the end of 2018 and 2017, there is no appropriation to the statutory surplus reserve as the Company's accumulated statutory surplus reserve has already reached 50% of the share capital.

### (31) Retained earnings

Item	Year ended 31 December 2018	Year ended 31 December 2017
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31 December 2017	4,788,564,401.03	3,756,517,718.81
Add: Profit distribution to equity owners	1,862,458,658.29	1,506,412,505.22
Less: Statutory surplus reserve	-	-
Dividends to ordinary shareholders	-632,487,764.00	-474,365,823.00
31 December 2018	6,018,535,295.32	4,788,564,401.03

Pursuant to the resolution of general meeting of shareholders on 11 April 2018, cash dividends of RMB 632,487,764.00 (RMB 1.00 per share) was paid based on the issued shares of 632,487,764.

Pursuant to the resolution of board of directors on 14 March 2019, proposal of paying cash dividends of RMB 2,529,951,056.00 (RMB 4.00 per share) based on the issued shares of 632,487,764 has been put forward and yet to be approved by the general meeting of shareholders. (Note XVII(1))

During the year ended 31 December 2018, statutory surplus reserve of RMB 42,182,749.72 was made from retained earnings of the Company's subsidiary Hefei Midea Washing Machine Co., Ltd (2017: RMB 29,747,735.36).

### (32) Revenue and cost of sales

Item	Year ended 31 December 2018		Year ended 31 December 2017	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	21,692,952,459.61	15,584,261,291.42	19,469,125,226.23	14,208,417,615.09
Other operations	1,943,977,018.72	1,859,786,692.39	1,915,573,850.42	1,774,476,043.75
Total	23,636,929,478.33	17,444,047,983.81	21,384,699,076.65	15,982,893,658.84

### (33) Other operating income and expenses

Item	Year ended 31 December 2018		Year ended 31 December 2017	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of materials	1,854,340,946.23	1,833,374,789.87	1,851,646,327.57	1,750,661,648.85
Others	89,636,072.49	26,411,902.52	63,927,522.85	23,814,394.90
Total	1,943,977,018.72	1,859,786,692.39	1,915,573,850.42	1,774,476,043.75

### (34) Taxes and surcharges

Item	Year ended 31 December 2018	Year ended 31 December 2017
City maintenance and construction tax	61,328,450.84	60,374,588.37
Education surcharge	47,779,483.67	46,074,508.07
Other	22,580,597.16	25,342,380.68
Total	131,688,531.67	131,791,477.12

**(35) Selling and distribution expenses**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Selling and distribution expenses	3,351,676,000.52	2,872,849,586.14

In 2018, selling and distribution expenses mainly include promotion expenses, transportation and storage expenses, employee wages and benefits, maintenance and installation expenses and after-sales service expenses, which accounts for over 90% of the total selling expenses (2017: over 90%).

**(36) General and administrative expenses**

Item	Year ended 31 December 2018	Year ended 31 December 2017
General and administrative expenses	181,699,829.11	177,543,281.44

In 2018, general and administrative expenses mainly include employee wages and benefits as well as depreciation and amortization costs, which account for over 80% of general and administrative expenses (2017: over 80%).

**(37) Research and development expenses**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Research and development expenses	733,045,215.90	550,779,796.27

**(38) Finance income - net**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Interest expenses	-82,506,900.84	-43,471,999.43
Interest income	559,310,635.71	195,433,894.48
Exchange gain/loss	65,268,526.38	-70,731,617.24
Other financial expenses	-10,342,550.39	-9,421,295.01
Total	531,729,710.86	71,808,982.80

**(39) Asset impairment losses**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Provision for bad debts	10,583,197.32	15,999,683.89
Provision for inventory	38,985,983.08	48,820,008.65
Provision for fixed assets	834,296.77	5,776,183.11
Total	50,403,477.17	70,595,875.65

**(40) Profit or loss arising from changes in fair value**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Forward foreign exchange contract	-8,349,116.98	5,270,238.03

**(41) Investment Income**

Item	Year ended 31 December 2018	Year ended 31 December 2017
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Income from available-for-sale financial assets	119,089,774.76	302,938,888.22
Income from disposal of financial assets at fair value through profit or loss	729,335.01	17,684,575.01
Total	119,819,109.77	320,623,463.23

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

#### (42) Gain or loss on disposal of assets

Item	Year ended 31 December 2018	Year ended 31 December 2017	Non-recurring gain or loss
Gain or loss on disposal of fixed assets	13,137,087.29	-975,423.00	13,137,087.29

#### (43) Other income

Item	Year ended 31 December 2018	Year ended 31 December 2017	Asset-related/Income-related
Other income related to assets/income	60,261,970.48	53,894,074.25	Asset-related/Income-related

#### (44) Non-operating income

Item	Year ended 31 December 2018	Year ended 31 December 2017	Non-recurring gain or loss
Non-operating income	20,434,056.10	17,448,715.84	20,434,056.10

#### (45) Non-operating expenses

Item	Year ended 31 December 2018	Year ended 31 December 2017	Non-recurring gain or loss
External donation	80,000.00	693,420.00	80,000.00
Others	2,163,270.24	927,088.98	2,163,270.24
Total	2,243,270.24	1,620,508.98	2,243,270.24

#### (46) Income tax expenses

##### (a) Income tax expenses

Item	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax	359,609,597.25	456,606,366.97
Deferred income tax	-11,446,539.92	-100,331,709.36
Total	348,163,057.33	356,274,657.61

##### (b) Reconciliation

Item	Year ended 31 December 2018	Year ended 31 December 2017
Total profit	2,479,157,987.43	2,064,694,943.36
Income tax expenses calculated at applicable tax rates	371,389,738.85	365,838,075.61

Adjusted income tax of prior year	2,283,020.72	1,708,054.23
Effect of change in the tax rates	-	-1,454,532.93
Costs, expenses and losses not deductible for tax purposes	12,686,245.00	10,783,709.89
Utilisation of previously unrecognised deductible temporary differences	-	-640.51
Item	Year ended 31 December 2018	Year ended 31 December 2017
Deductable temporary differences and tax losses for which no deferred tax asset was recognised	1,192,552.76	129,991.32
Plus deduction for research and development expenses	-39,388,500.00	-20,730,000.00
Income tax expense	348,163,057.33	356,274,657.61

#### (47) Earnings per share

##### (a) Basic earnings per share

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

Item	Year ended 31 December 2018	Year ended 31 December 2017
Consolidated net profit attributable to shareholders of the Company	1,862,458,658.29	1,506,412,505.22
Weighted average number of ordinary shares in issue	632,487,764.00	632,487,764.00
Basic earnings per share	2.94	2.38

##### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue. There were no dilutive potential ordinary shares in 2018 (2017: nil). Therefore, diluted earnings per share equal to basic earnings per share.

#### (48) Notes to consolidated cash flow statement

##### (a) Cash received relating to other operating activities

Item	Year ended 31 December 2018	Year ended 31 December 2017
Interest income	35,049,629.64	66,042,642.09
Others	97,593,075.16	48,148,468.31
Total	132,642,704.80	114,191,110.40

##### (b) Cash paid relating to other operating activities

Item	Year ended 31 December 2018	Year ended 31 December 2017
------	-----------------------------	-----------------------------

Expenses	471,126,854.52	405,943,801.31
Others	126,416,929.02	118,116,052.83
Total	597,543,783.54	524,059,854.14

**(c) Cash received relating to other investing activities**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Interest income of structured deposits	371,593,335.61	91,904,332.38

**(49) Supplementary information of cash flow statements**

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

	Year ended 31 December 2018	Year ended 31 December 2017
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,130,994,930.10	1,708,420,285.75
Add: Provision for asset impairment	50,403,477.17	70,595,875.65
Depreciation of fixed assets and amortization of investment properties	175,607,344.50	143,088,037.37
Gains/Losses on disposal of fixed assets, intangible assets and other long-term assets	-13,137,087.29	975,423.00
Gains/Losses on the changes in fair value	8,349,116.98	-5,270,238.03
Financial income, net	-517,679,233.62	-76,642,204.57
Investment income	-119,819,109.77	-320,623,463.23
Increase in deferred income tax assets	-11,446,539.92	-100,331,709.36
Amortization of deferred incomes	36,986,799.96	-453,200.04
Increase/Decrease of inventory	187,183,063.53	-304,748,260.10
Increase/Decrease in operating receivables	27,565,918.69	-339,961,965.35
Increase in operating payables	588,946,162.23	1,176,210,825.71
Share-based payments	80,937,978.57	64,494,411.50
Net cash flows from operating activities	2,624,892,821.13	2,015,753,818.30
2. Significant investing and financing activities that do not involve cash receipts and payments	-	-
3. Movement in cash and cash equivalents :		
Cash at the end of the year	1,713,233,957.39	1,417,489,071.71
Less: Cash at the beginning of the year	1,417,489,071.71	4,171,689,917.21
Net increase/decrease in cash and cash equivalents	295,744,885.68	-2,754,200,845.50

**(b) Cash and cash equivalents**

	31 December 2018	31 December 2017
Cash	1,713,233,957.39	1,417,489,071.71
Including: Cash at hand	-	-
Cash on bank	1,713,233,957.39	1,417,489,071.71
Ending balance of cash	1,713,233,957.39	1,417,489,071.71

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

Item	31 December 2018		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank & on hand			372,285,919.55
-USD	52,271,646.47	6.8632	358,750,764.05
-EUR	1,724,816.88	7.8473	13,535,155.50
Accounts receivable, notes receivable and other receivables			916,488,166.34
-USD	121,923,285.68	6.8632	836,783,894.27
-EUR	10,153,918.28	7.8473	79,680,842.92
-JPY	378,500.00	0.0619	23,429.15
Accounts payable, notes payable and other payables			14,479,409.75
-USD	1,159,427.84	6.8632	7,957,385.15
-EUR	803,295.34	7.8473	6,303,699.52
-JPY	3,527,061.00	0.0619	218,325.08

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

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

Applicable Not applicable

**VIII. Changes in consolidation scope**

In 2018, there is no change in the Group's consolidation scope.

## IX. Equity interests in other entities

### (1) Equity interests in subsidiaries

#### (a) Components of the Company and its subsidiaries

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

#### (b) Subsidiaries with significant minority interests

Name	% of shares held by minority shareholders	Minority interests in the year	Dividends declared to minority shareholders	Minority interests at 31 December 2017
Wuxi Filin Electronics Co., Ltd.	27.00%	83,155,625.65	-	356,622,343.58
Hefei Midea Washing Machine Co., Ltd.	30.53%	185,325,283.81	-	1,079,821,895.62

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

Name	31 December 2018						31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuxi Filin Electronics Co., Ltd.	1,954,812,978.39	82,881,486.70	2,037,694,465.09	716,818,370.34	52,600.00	716,870,970.34	1,596,854,617.31	64,932,264.88	1,661,786,882.19	654,497,661.11	155,800.00	654,653,461.11
Hefei Midea Washing Machine Limited.	8,189,539,097.62	734,162,005.26	8,923,701,102.88	5,368,318,150.59	18,280,895.39	5,386,599,045.98	7,918,309,471.76	742,917,514.76	8,661,226,986.52	5,702,514,412.64	13,146,938.82	5,715,661,351.46
Name	Year ended 31 December 2018				Year ended 31 December 2017							
	Sales	Net profit	Total comprehensive income	Net cash flow from operating activities	Sales	Net profit	Total comprehensive income	Net cash flow from operating activities				
Wuxi Filin Electronics Co., Ltd.	1,270,462,021.79	307,983,798.72	307,983,798.72	37,472,051.26	1,144,987,638.37	263,982,689.50	263,982,689.50	-12,535,534.97				
Hefei Midea Washing Machine Limited.	11,328,943,815.47	607,208,143.34	585,987,764.77	-57,117,295.99	9,379,833,276.67	428,209,807.98	400,076,520.10	750,894,134.08				

## (2) Interests in associate or joint ventures

There is no interests in associates or joint ventures occurred in the year ended of 2018.

## X. Segment reporting

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

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

### (a) Sales transactions

	31 December 2018	31 December 2017
China	18,739,863,208.93	17,114,743,424.78
Other countries	4,897,066,269.40	4,269,955,651.87
Total	23,636,929,478.33	21,384,699,076.65

### (b) Non-current assets

	31 December 2018	31 December 2017
China	1,441,069,022.29	1,366,095,738.76
Other countries	-	-
Total	1,441,069,022.29	1,366,095,738.76

## XI. Risk related to financial instruments

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

### (1) Market risk

#### (a) Foreign exchange risk

The Company and its subsidiaries' major operations are carried out in Mainland China and majority of its transactions are denominated in RMB. The Company and its subsidiaries' recognized assets and liabilities nominated in foreign currencies and future foreign currency transactions (mostly USD) are exposed to foreign

exchange risk. Financial department in the Group's headquarter is in charge of monitoring foreign currency transactions and the scale of foreign currency assets and liabilities of the Company and its subsidiaries, thus minimize the exposure to foreign exchange risk. Therefore, the Company and its subsidiaries may enter into foreign exchange agreement or currency swap contract to hedge foreign exchange risk. In the year ended 2018 and 2017, foreign exchange agreement was signed by the Company and its subsidiaries to hedge foreign exchange risk .

The following table presents the structure analysis of the Company and its subsidiaries' financial assets and financial liabilities by currencies as at 31 December 2018 and 31 December 2017:

Item	31 December 2018		
	USD	Other	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand	358,277,401.60	13,535,155.50	371,812,557.10
Accounts receivables and notes receivables	836,356,788.62	79,704,272.07	916,061,060.69
Other receivables	427,105.65	-	427,105.65
Total	1,195,061,295.87	93,239,427.57	1,288,300,723.44
Financial liabilities denominated in foreign currency	-	-	-
Accounts payables and notes payables	7,957,385.15	2,701,958.96	10,659,344.11
Other payables	-	3,820,065.64	3,820,065.64
Total	7,957,385.15	6,522,024.60	14,479,409.75

Item	31 December 2017		
	USD	Other	Total
Financial assets denominated in foreign currency			
Cash at bank and in hand	191,071,173.12	14,916,914.11	205,988,087.23
Accounts receivables and notes receivables	531,578,236.13	76,367,051.71	607,945,287.84
Total	722,649,409.25	91,283,965.82	813,933,375.07
Financial liabilities denominated in foreign currency			
Accounts payables and notes payables	36,668,878.79	6,033,971.28	42,702,850.07
Other payables	-	37,060,925.00	37,060,925.00
Total	36,668,878.79	43,094,896.28	79,763,775.07

As at 31 December 2018, if the RMB had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Company and its subsidiaries' net profit for the year would have been approximately RMB 50,470,000, (as at 31 December 2017: approximately RMB 29,150,000) lower/higher for various financial assets and liabilities denominated in USD.

**(b) Interest rate risk**

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As at 31 December 2018 and 31 December 2017, there is no any short-term or long-term interest bearing borrowings issued at floating rates in the Company and its subsidiaries. The Company and its subsidiaries expect that there is no significant interest rate risk.

## **(2) Credit risk**

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

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

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

In addition, the Company and its subsidiaries have policies to limit the credit exposure on accounts receivables, other receivables and notes receivables. The Company and its subsidiaries assess the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Company and its subsidiaries will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company and its subsidiaries is limited to a controllable extent. There are no significant expired receivables at 31 December 2018 (2017: Nil).

## **(3) Liquidity risk**

Cash flow forecasting is performed by the Company and its subsidiaries and aggregated by the Group's finance department in its headquarters. The Group's finance department in headquarter monitors rolling forecasts on the

Company and its subsidiaries' short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs.

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

Item	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	117,603,683.89	-	-	-	117,603,683.89
Notes and accounts payables	7,979,727,116.02	-	-	-	7,979,727,116.02
Other current liabilities	2,507,883,253.19	-	-	-	2,507,883,253.19
Other payables	175,263,267.57	-	-	-	175,263,267.57
Provisions	1,853,074.62	-	-	-	1,853,074.62
Total	10,782,330,395.29	-	-	-	10,782,330,395.29
Item	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	81,393,672.34	-	-	-	81,393,672.34
Notes and accounts payables	6,632,830,300.51	-	-	-	6,632,830,300.51
Other current liabilities	2,107,700,604.61	-	-	-	2,107,700,604.61
Other payables	228,117,647.54	-	-	-	228,117,647.54
Provisions	2,253,082.25	-	-	-	2,253,082.25
Total	9,052,295,307.25	-	-	-	9,052,295,307.25

## XII. Fair value disclosure

### (1) Closing balance of assets and liabilities measured at fair value

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

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

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

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

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

yield, etc.

Item	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis				
Financial liabilities at fair value through profit or loss – forward foreign exchange contract	-	-3,078,878.95	-	-3,078,878.95
Available-for-sale financial assets-financial products	-	-	-	-
Item	31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis				
Available-for-sale financial assets-financial products	-	5,270,238.03	-	5,270,238.03
Available-for-sale financial assets-financial products			3,792,871,097.59	3,792,871,097.59

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

As at 31 December 2018, the Company and its subsidiaries' financial assets measured at fair value by Level 2 are forward exchange agreement. The fair value is determined by observable forward exchange rate in current market.

As at 31 December 2018, the Company and its subsidiaries don't hold financial assets measured at fair value by Level 3. At 31 December 2017, the Company and its subsidiaries' financial assets measured at fair value by Level 3 are financial products of floating income and unprotected principles, which fair value is determined via valuation techniques by the Group.

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

The Company and its subsidiaries consider the date of events leading the conversion between different levels as the conversion recognizing date. In 2018, there was no conversion between Level 1 and Level 2.

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

Item	Financial product investments
1 January 2018	3,792,871,097.59
Purchase	-
Disposal	-3,735,000,000.00
Total gains in current year	-57,871,097.59
- attributable to profit or loss	-57,871,097.59
- attributable to other comprehensive income	-

31 December 2018	-
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Item	Financial product investments
1 January 2017	5,994,142,671.24
Purchase	4,745,000,000.00
Disposal	-6,900,000,000.00
Total gains in current year	-46,271,573.65
- attributable to profit or loss	-104,142,671.24
- attributable to other comprehensive income	57,871,097.59
31 December 2017	3,792,871,097.59

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

Item	Fair value at 31 December 2018	Valuation technique	Non-observable Input	Range	Relationship with fair value	Observable/unobservable
Available-for-sale financial assets						
- Financial products	-	Discount cash flow	Estimated annual yield	4.20%-5.25%	Moves in the same direction	unobservable

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

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

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

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

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value at 31 December 2018 and 31 December 2017.

### XIII. Capital management

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

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

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

Item	31 December 2018	31 December 2017
Gearing ratios	58.63%	61.49%

### XIV. Related parties and related party transactions

#### (1) Parent company of the Company

Name	Place of registration	Nature of business	Registered Capital	% of share holding	% of voting rights
Midea Group Co., Ltd.	Foshan, Guangdong	Manufacture and sales of household appliances and fittings, robot and robotization system, financial service, etc.	6,663,030,506.00	52.67%	52.67%

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

Name	31 December 2017	Increase	Decrease	31 December 2018
Midea Group Co., Ltd	6,561,053,319.00	103,679,021.00	1,701,834.00	6,663,030,506.00

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

Name	31 December 2018		31 December 2017	
	% of share holding	% of voting right	% of share holding	% of voting right
Midea Group Co., Ltd.	52.67%	52.67%	52.67%	52.67%

#### (4) Subsidiaries of the Company

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

## (5) Associates and joint ventures of the Company

Up to 31 December 2018, there is no associate or joint venture of the Company and its subsidiaries.

## (6) Other related parties

Name	Relationship with the Company and its subsidiaries
Ningbo Midea United Supply Limited	Controlled by controlling shareholders of the Company
Ningbo Meimei Garden Appliance service Limited	Controlled by controlling shareholders of the Company
Midea E-business Limited	Controlled by controlling shareholders of the Company
Zhejiang Meizhi Compressor Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Hicks Electronics Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Precision Mold Technology Co., Ltd.	Controlled by controlling shareholders of the Company
Midea Wisdom Household Technology Co., Ltd.	Controlled by controlling shareholders of the Company
Hefei Hualing Co., Ltd.	Controlled by controlling shareholders of the Company
Wuhu Midea Household Appliances Manufacture Limited	Controlled by controlling shareholders of the Company
Midea Appliance (Singapore)Trading Limited	Controlled by controlling shareholders of the Company
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Controlled by controlling shareholders of the Company
MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD	Controlled by controlling shareholders of the Company
PT. MIDEA PLANET INDONESIA	Controlled by controlling shareholders of the Company
ORIENT HOUSEHOLD APPLIANCCES LTD.	Controlled by controlling shareholders of the Company
Hefei Midea Materials Supply Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Controlled by controlling shareholders of the Company
Hubei Midea Refrigerator Limited	Controlled by controlling shareholders of the Company
Hefei Midea Refrigerator Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Environmental Equipment Limited	Controlled by controlling shareholders of the Company
Midea Group Finance Co., Ltd.	Controlled by controlling shareholders of the Company
Foshan Midea Micro Filter Equipment Manufacture Co., Ltd	Controlled by controlling shareholders of the Company
Ningbo Andhra Logistics Co., Ltd.	Controlled by controlling shareholders of the Company
Wuhu Midea Kitchen Electrical Appliance Manufacture Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea White Household Appliance Technology Innovation Center Co., Ltd.	Controlled by controlling shareholders of the Company
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company

Name	Relationship with the Company and its subsidiaries
Wuhu Welling Motor Sales Co., Ltd.	Controlled by controlling shareholders of the Company
Huai'an Weiling motor manufacture Limited	Controlled by controlling shareholders of the Company
Midea Welling Motor Technology (Shanghai) Co., Ltd	Controlled by controlling shareholders of the Company
Shenzhen Midea Payment Technology Co., Ltd	Controlled by controlling shareholders of the Company
Andhra Logistics Corporation	Controlled by controlling shareholders of the Company
TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION	Controlled by controlling shareholders of the Company
TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	Controlled by controlling shareholders of the Company
Midea Group Wuhan Refrigerator Equipment Manufacturing Co., Ltd	Controlled by controlling shareholders of the Company
MIDEA MIDDLE EAST	Controlled by controlling shareholders of the Company
Wuhu Midea Kitchen and Bath Appliances Manufacturing Co., Ltd	Controlled by controlling shareholders of the Company
Guangzhou Hualing Refrigeration Equipment Co., Ltd	Controlled by controlling shareholders of the Company
MIDEA AUSTRALIA PTY LTD	Controlled by controlling shareholders of the Company
CARRIER MIDEA INDIA PRIVATE LIMITED	Controlled by controlling shareholders of the Company
MIDEA ELECTRIC TRADING (THAILAND) CO., LTD.	Controlled by controlling shareholders of the Company
Guangdong Midea Logistics Corporation Household Technology Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Intelligent Robot Co., Ltd.	Controlled by controlling shareholders of the Company
Shenzhen Digital Intelligence Scene Location Technology Co., Ltd.	Controlled by controlling shareholders of the Company
Jiangsu Midea Cleaning Electrical Appliances Co., Ltd	Controlled by controlling shareholders of the Company
Guangdong Midea Kitchen Electrical Appliances Manufacture Co., Ltd	Controlled by controlling shareholders of the Company
Hefei Midea Intelligent Technology Co., Ltd	Controlled by controlling shareholders of the Company
Guangdong Midea HVAC Equipment Co., Ltd	Controlled by controlling shareholders of the Company
TOSHIBA THAILAND CO., LTD.	Controlled by controlling shareholders of the Company
Shenzhen Meiyun Zhishu Technology Co., Ltd	Controlled by controlling shareholders of the Company

## (7) Related party transactions

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

#### Purchase of goods and services received

Related parties	Nature of transaction	Year ended 31 December 2018	Approved amounts of transaction	If it exceeds the approved amounts	Year ended 31 December 2017
Ningbo Midea United Supply Limited	Materials purchase	2,243,834,039.35	2,900,000,000.00	No	1,920,029,601.88
Huai'an Weiling motor manufacture Limited /Wuhu Welling Motor Sales	Electric engines	1,178,655,099.43	1,410,000,000.00	No	1,098,835,770.95

Co., Ltd.	purchase				
Ningbo Andhra Logistics Co., Ltd./ Andhra Logistics Co., Ltd.	Storage & logistics	878,081,150.57	1,100,000,000.00	No	837,227,988.48
Ningbo Meimei Garden Appliance service Limited	After-sales service	379,003,539.88	395,000,000.00	No	293,939,774.67
Midea E-business Limited	Sales promotion services	75,565,262.80	125,000,000.00	No	61,748,388.77
TOSHIBA Household Appliances Manufacturing (Nanhai) Co., Ltd.	Finished goods & fittings purchase	59,805,391.38	280,000,000.00	No	70,704,350.52
Midea Group and its subsidiaries	Purchase of mould, equipment and services	34,381,517.25	35,000,000.00	No	15,799,723.28

Related parties	Nature of transaction	Year ended 31 December 2018	Approved amounts of transaction	If it exceeds the approved amounts	Year ended 31 December 2017
Zhejiang Meizhi Compressor Limited	Compressor and materials	24,285,999.42	25,000,000.00	No	15,491,263.90
Guangdong Midea Hicks Electronics Limited / Ningbo Midea United Supply Limited / Midea Wisdom Household Technology Co., Ltd.	Chip & Wifi Modules purchase	20,489,862.85	65,000,000.00.00	No	65,627,097.94
Guangdong Midea Precision Mold Technology Co., Ltd.	Mould purchase	13,296,082.41	25,000,000.00		-
Total		4,907,397,945.34	6,360,000,000.00		4,379,403,960.39

The pricing policies of related party transactions are agreed price.

Sales of goods and services provided

Related parties	Nature of transaction	Year ended 31 December 2018	Approved amounts of transaction	If it exceeds the approved amounts	Year ended 31 December 2017
Midea Appliance (Singapore) Trading Limited	Sales of washing machines and materials	3,460,780,406.39	4,250,000,000.00	No	3,116,834,684.53
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Sales of washing machines	83,452,679.45	100,000,000.00	No	62,099,832.07
PT. MIDEA PLANET INDONESIA	Sales of washing machines	59,709,719.09	60,000,000.00	No	26,916,420.25

TOSHIBA LIFESTYLE PRODUCTS&SERVICES CORPORATION./ Ningbo Andhra Logistics Co., Ltd./ Andhra Logistics Co. Ltd/ MIDEA MIDDLE EAST/ Midea E-business Limited/ Jiangsu Midea Cleaning Electrical Appliances Co., Ltd/ Hefei Midea Materials Supply Co., Ltd./ Hubei Midea Refrigerator Limited/ Guangdong Midea Kitchen Electrical Appliances Manufacture Co., Ltd./ Hefei Hualing Co., Ltd./ Guangdong Midea Refrigeration Equipment Limited/ Hefei Midea Refrigerator Co., Ltd.	Sales of washing machines, fittings and materials	25,615,644.98	30,000,000.00	No	55,957,699.37
Guangdong Midea Logistics Corporation Household Technology Co., Ltd.	Sales of washing machine	31,639,088.33	80,000,000.00	No	-
Ningbo Meimei Garden Appliance Service Limited	Sales of fittings	29,566,764.22	25,000,000.00	Yes	36,411,806.80
TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	Sales of materials	18,360,315.58	25,000,000.00	No	7,356,261.09
ORIENT HOUSEHOLD APPLIANCES LTD.	Sales of washing machines	17,224,629.81	40,000,000.00	No	25,439,421.52
MIDEA CONSUMER ELECTRIC (VIETNAM) CO., LTD.	Sales of materials	16,073,292.50	50,000,000.00	No	21,427,084.19
TOSHIBA THAILAND CO., LTD.	Sales of washing machines, fittings and materials	7,866,753.41	40,000,000.00	No	-
Midea Group Wuhan Refrigeration Equipment Co., Ltd	Sales of washing machines	-	N/A	N/A	223,179.49
Wuhu Midea Kitchen and Bath Appliances Manufacturing Co., Ltd	Sales of washing machines	-	N/A	N/A	123,307.69
Guangzhou Hualing Refrigeration Equipment Limited	Sales of washing machines	-	N/A	N/A	37,094.02
Midea Group Co., Ltd	Sales of materials	-	N/A	N/A	19,999.98
Ningbo Midea United Supply Limited	Sales of materials	-	N/A	N/A	15,250.64
MIDEA AUSTRALIA PTY LTD	Sales of washing machines	-	N/A	N/A	3,805.46
Total		3,750,289,293.76	4,700,000,000.00		3,352,865,847.10

The pricing policies of related party transactions are agreed price.

**(b) Lease**

Lessee	Type of assets	Rental income of 2018	Approved amounts of transaction	If it exceeds the approved amounts	Rental income of 2017
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Hefei Hualing Co., Ltd.	House property	12,610,818.72	15,000,000.00	No	13,446,746.44
Total		12,610,818.72	15,000,000.00		13,446,746.44

**(c) Asset transfer and debt restructuring**

Related parties	Related-party Transactions	Year ended 31 December 2018	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2017
Midea Group Co., Ltd.	Trademark royalty charges	22,114,503.89	Charged by 0.3% of net sales	No	16,863,306.72
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Trademark royalty charges	6,402,802.20			5,262,362.33
Hubei Midea Refrigerator Limited	Trademark royalty charges	1,775,276.70			1,042,287.60
Midea Group Co., Ltd	Other	18,867.92	N/A	N/A	-
TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	Other	17,367.48	N/A	N/A	-
Hefei Midea Refrigerator Co., Ltd.	Equipments purchase	-	N/A	N/A	301,886.79
Total		30,328,818.19			23,469,843.44

In the above-mentioned related party transactions (a), the amount of related transactions actually exceeded the approved amount in 2018 is RMB 4,566,764.22, which is less than 0.5% (RMB 35,235,454.00) attributable to shareholders' equity of the parent company in 2017, so it is not necessary to perform the Board of Directors' deliberation to approve.

**(d) Remuneration of key management**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Remuneration of key management	14,943,921.53	13,709,700.00

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

As at 31 December 2018, the Company and its subsidiaries' Cash at bank deposited in Midea Group Finance Co., Ltd. amounted to RMB 385,392,637.66 (as at 31 December 2017: RMB 281,627,638.87). During the year ended 31 December 2018, interest income of cash at bank mentioned above was RMB 5,528,855.24 (2017: RMB 8,435,527.09).

As at 31 December 2018, the Company and its subsidiaries' bank acceptance notes accepted by Midea Group Finance Co., Ltd. amounted to RMB 4,193,914,501.21 (as at 31 December 2017, RMB 2,016,401,054.99). During the year ended 31 December 2018, commission charges of the bank acceptance notes mentioned above amounted to RMB 4,084,352.41 (2017: RMB 1,567,491.73).

As at 31 December 2018, the Company and subsidiaries discounted RMB 2,068,013,368.85 from Midea Group Finance Co., Ltd. with bank acceptance notes, the balance of bank acceptance notes not overdue is RMB

708,451,603.24. (2017: nil)

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

**(a) Receivables from related parties**

Name of item	Related parties	31 December 2018		31 December 2017	
		Cost	Bad debt provision	Carrying amount	Bad debt provision
Notes and accounts receivables	Midea Appliance (Singapore) Trading Limited	676,841,305.74	33,842,065.29	589,756,109.51	29,487,805.48
Notes and accounts receivables	PT. MIDEA PLANET INDONESIA	36,337,130.53	1,816,856.53	9,792,445.24	489,622.26
Notes and accounts receivables	MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	7,125,006.05	356,250.30	7,962,102.83	398,105.14
Notes and accounts receivables	TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	5,715,120.00	285,756.00	-	-
Notes and accounts receivables	ORIENT HOUSEHOLD APPLIANCES LTD.	4,353,139.77	217,656.99	2,078,970.94	103,948.55

Name of item	Related parties	31 December 2018		31 December 2017	
		Cost	Bad debt provision	Carrying amount	Bad debt provision
Notes and accounts receivables	MIDEA MIDDLE EAST	2,943,655.90	147,182.80	-	-
Notes and accounts receivables	TOSHIBA THAILAND CO., LTD.	2,557,401.07	127,870.05	-	-
Notes and accounts receivables	Guangdong Midea Logistics Corporation Household Technology Co., Ltd.	305,144.00	15,257.20	-	-
Notes and accounts receivables	Midea Consumer Electric (Vietnam) Co., Ltd.	1,081.37	54.07	11,868,764.19	593,438.21
Notes and accounts receivables	Andhra Logistics Corporation	-	-	52,895.00	2,644.75
Notes and accounts receivables	Ningbo Meimei Garden Appliance service Limited	-	-	4,748,685.08	237,434.25
Notes and accounts receivables	Midea E-business Limited	-	-	125,900.58	6,295.03
Notes and accounts receivables	Toshiba Lifestyle Products & Services Corporation	-	-	8,103,283.44	405,164.17
Total		736,178,984.43	36,808,949.23	634,489,156.81	31,724,457.84

Name of item	Related parties	31 December 2018		31 December 2017	
		Cost	Bad debt provision	Carrying amount	Bad debt provision
Other receivables	Shenzhen Midea Payment Technology Co., Ltd	6,214,698.76	310,734.94	10,520,299.96	526,015.00
Total		6,214,698.76	310,734.94	10,520,299.96	526,015.00
Prepayment	Midea E-business Limited	4,057,571.45	-	3,354,919.77	-
Prepayment	Shenzhen Digital Intelligence Scene Location Technology Co., Ltd.	4,054,358.79	-	-	-
Prepayment	Guangdong Midea Intelligent Robot Co., Ltd.	1,650,153.90	-	-	-
Prepayment	Guangdong Midea Environmental Equipment Limited	80,850.00	-	-	-
Prepayment	Ningbo Midea United Supply Limited	-	-	7,407,695.59	-
Prepayment	Guangdong Midea Precision Mold Technology Co., Ltd.	-	-	309,840.00	-
Total		9,842,934.14	-	11,072,455.36	-

**(b) Payables to related parties**

Name of item	Related parties	31 December 2018	31 December 2017
Notes and accounts payables	Wuhu Welling Motor Sales Co., Ltd.	149,150,109.62	146,551,812.62
Notes and accounts payables	Ningbo Midea United Supply Limited	50,216,557.56	7,300,152.98
Notes and accounts payables	TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	26,474,228.17	38,171,577.41
Notes and accounts payables	Guangdong Midea Precision Mold Technology Co., Ltd.	6,194,945.99	5,995,300.00
Notes and accounts payables	Zhejiang Meizhi Compressor Limited	3,591,972.45	5,500,676.15
Notes and accounts payables	Ningbo Meimei Garden Appliance service Limited	1,416,510.52	51,350.00
Notes and accounts payables	Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	51,175.80	88,452.00
Notes and accounts payables	Wuhu Midea Household Appliances Manufacture Limited	32,403.45	6,800.00
Notes and accounts payables	Shenzhen Meiyun Zhishu Technology Co., Ltd	20,740.00	-
Notes and accounts payables	Guangdong Midea Intelligent Robot Co., Ltd.	8,338.11	-
Notes and accounts payables	Foshan Midea Micro Filter Equipment Manufacture Co., Ltd	3,500.00	-
Notes and accounts payables	Midea Wisdom Household Technology Co., Ltd.	-	1,216,403.00
Notes and accounts payables	Ningbo Andhra Technology Limited	-	68.38
Notes and accounts payables	Guangdong Midea Environmental Equipment Limited	-	13,951.00
Total		237,160,481.67	204,896,543.54

Name of item	Related parties	31 December 2018	31 December 2017
Other payables	Hefei Midea Refrigerator Co., Ltd.	1,010,000.00	-
Other payables	Guangdong Midea Intelligent Robot Co., Ltd.	461,500.00	-
Other payables	Guangdong Midea Refrigeration Equipment Limited	215,251.80	351,404.33
Other payables	Ningbo Meimei Garden Appliance service Limited	4,602.99	-
Other payables	Guangdong Midea HVAC Equipment Co., Ltd	1,707.59	-
Other payables	Guangdong Midea Precision Mold Technology Co., Ltd.	-	100,000.00
Other payables	Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	-	61,458.90
Other payables	Midea Welling Motor Technology (Shanghai) Co., Ltd	-	90,387.26
Total		1,693,062.38	603,250.49
Other current liabilities	Midea Group Co., Ltd	2,804,104.70	-
Total		2,804,104.70	-
Advances from customers	Midea Appliance (Singapore)Trading Limited	37,286,761.09	-
Advances from customers	MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	1,420,475.87	22,283.28
Advances from customers	Andhra Logistics Corporation	345,530.98	290,804.69
Advances from customers	Midea E-business Limited	7,741.42	-
Advances from customers	Guangdong Midea HVAC Equipment Co., Ltd	6,320.00	-
Advances from customers	TOSHIBA Household Appliances Manufacturing (Nanhai) Limited	3,060.00	2,726,081.57
Advances from customers	CARRIER MIDEA INDIA PRIVATE LIMITED	2,139.26	1,206.21
Advances from customers	Ningbo Meimei Garden Appliances Service Limited	-	607,507.13
Advances from customers	Hubei Midea Refrigerator Limited	-	104,580.00
Advances from customers	MIDEA ELECTRIC TRADING (THAILAND) CO., LTD.	-	535.80
Total		39,072,028.62	3,752,998.68

## XV. Share-based payment

### (1) Summary

Upon the authorisation of 2017 Annual General Meeting of Midea Group, 33rd meeting of the 2nd term of Board of Midea Group on 23rd April 2018 has passed the equity options incentive plan (The 5th Incentive Plan), the Restricted Stocks Incentive Plan. 54,520,000 shares of equity options are being granted to 1,330 objects and 22,150,000 shares of restricted stocks are being granted to 343 objects on 7th May 2018. As at 31 December 2018, the 1st Equity Options Incentive Plan grants 6,760,000 shares of equity options to 30 objects, the 2nd Equity Options Incentive Plan grants 5,810,000 shares of equity options to 35 objects, the 3rd Equity Options Incentive Plan grants 7,650,000 shares of equity options to 57 objects, the 4th Equity Options Incentive Plan grants 7,100,000 shares of equity options to 112 objects, the 5th Equity Options Incentive Plan grants 4,280,000 shares

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of equity options to 112 objectives, the 1st Restricted Stocks Incentive Plan grants 1,530,000 shares of restricted stocks to 9 objects, the 1st Restricted Reserve Stock Incentive Pan grants 540,000 shares of restricted stocks to 5 objects, the 2nd Restricted Stocks Incentive Plan grants 1,400,000 shares of restricted stocks to 22 objects.

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

The total stock option expenses recognised in 2018 were RMB 80,937,978.57 (2017: RMB 64,494,411.50). As at 31 December 2018, the balance relating to the option incentive plan and provided for in capital surplus was RMB 241,028,611.70 (31 December 2017: RMB 163,325,332.37).

**XVI. Commitment and contingency**

**(1) Significant commitments**

As at 31 December 2018, no significant commitments shall be disclosed.

**(2) Contingency**

As at 31 December 2018, no significant contingency shall be disclosed.

**XVII. Events after balance sheet date**

**(1) Profit distribution after balance sheet date**

According to the resolution of the Board on 14 March, 2019, the Board propose to distribute RMB 2,529,951,056.00 and it has not been recognized as a liability in the financial statement ended 31 December 2018 (Note VII(31)). This proposal is still subject to be approved by the Annual General Meeting.

	Amount
Proposed dividends	2,529,951,056.00

(2) According to the Proposal of Examination and Approval of Midea Group Co., Ltd issues convertible A shares in and Wuxi Little Swan Co., Ltd. and its abstract, which approved on the 2nd meeting of the 3rd term of Board of Directors held by Midea Group Co., Ltd. and the 2nd meeting of the 9th Board of Directors held by Wuxi Little Swan Co., Ltd. on 23rd October, Midea Group Co., Ltd plan to issue convertible A shares in order to merge Wuxi Little Swan Co., Ltd. The merger mentioned above is a significant assets reorganization matter of Wuxi Little Swan Co., Ltd. and was approved by Annual General Meeting of both transaction parties on 21st December 2018. On 20th February 2019 China Securities Regulatory Commission approved the merger with no conditions .On 12rd March 2019, the Company received The Approval of Midea Group Co., Ltd. to Acquire Wuxi Little Swan Co., Ltd. issued by the China Securities Regulatory Commission (Security Permit License [2019] No. 352).

### **XVIII. Notes to the material items in financial statements**

#### **(1) Notes and accounts receivables**

	31 December 2018	31 December 2017
Notes receivable(a)	589,229,066.42	938,342,347.95
Accounts receivable(b)	2,022,952,766.62	2,805,194,600.27
Total	2,612,181,833.04	3,743,536,948.22

#### **(a) Notes receivable**

##### **(i) Notes receivable classified by nature**

	31 December 2018	31 December 2017
Bank acceptance notes	589,229,066.42	938,342,347.95
Less: Provision for bad debts	-	-
	589,229,066.42	938,342,347.95

As at 31 December 2018 and 31 December 2017, there is no trade acceptance receivable. The Company and its subsidiaries do not recognize impairment risk of the bank acceptance notes, whereupon no bad debt provision is accrued.

As at 31 December 2018 and 31 December 2017, there is no pledged notes receivable.

##### **(ii) As at 31 December 2018, notes receivable that have been endorsed or discounted but not yet expired are as follows:**

Items	Derecognised	Not derecognised
Bank acceptance notes	1,651,107,320.91	43,362,419.45

(b) Accounts receivable

(i) Accounts receivable classified by nature:

Category	31 December 2018				
	Cost		Bad debt provision		Carrying amount
	Amount	% of proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	772,744,242.82	37.00%	-	0.00%	772,744,242.82
Debtors grouped by credit risk	1,316,008,972.41	63.00%	65,800,448.61	5.00%	1,250,208,523.80
Total	2,088,753,215.23	100.00%	65,800,448.61	3.15%	2,022,952,766.62

Category	31 December 2017				
	Cost		Bad debt provision		Carrying amount
	Amount	% of proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	1,434,934,642.83	49.87%	-	-	1,434,934,642.83
Debtors grouped by credit risk	1,442,378,902.57	50.13%	72,118,945.13	5.00%	1,370,259,957.44
Total	2,877,313,545.40	100.00%	72,118,945.13	2.51%	2,805,194,600.27

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

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

Applicable  Not applicable

Accounts receivable adopting aging analysis method for bad debt provision:

Applicable  Not applicable

Aging	31 December 2018			
	Account receivable	Bad debt provision	% of proportion	Carrying amount
Within 1 year	1,316,008,972.41	65,800,448.61	5.00%	1,250,208,523.80

Aging	31 December 2017			
	Account receivable	Bad debt provision	% of proportion	Carrying amount
Within 1 year	1,442,378,902.57	72,118,945.13	5.00%	1,370,259,957.44

As at 31 December 2018 and 2017, there were no material accounts receivable which were past due.

Accounts receivable adopting balance percentage method for bad debt provision:

Applicable  Not applicable

Accounts receivable adopting other method for bad debt provision:

Applicable  Not applicable

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

During the year ended 31 December 2018, the movement of provision for accounts receivable was RMB 0.00 (2017: RMB 16,965,109.32), the movement of reverse for accounts receivable was RMB 6,318,496.52 (2017: RMB 0.00). There were no provision or reverse of provision for individual significant other receivables.

**(iii) Accounts receivable written-off during the reporting period**

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

**(iv) Top 5 of accounts receivable by customers**

Name	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	1,689,987,667.22	46,562,091.81	80.91%

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

For the year ended 31 December 2018, accounts receivable derecognised due to the transfer of financial assets amounted to RMB 1,240,899,216.24 (2017: 1,035,937,017.93), of which loss on derecognised amounted to RMB 27,229,782.76 (2017: 20,478,740.36).

	Derecognised	Loss on derecognised
Accounts receivables transferred	1,240,899,216.24	27,299,782.76

**(2) Other receivables**

项目	31 December 2018	31 December 2017
Interests receivable(a)	136,241,903.00	32,913,208.23
Other receivables(b)	11,729,831.02	28,973,048.36
Total	147,971,734.02	61,886,256.59

**(a) Interests receivable**

	31 December 2018	31 December 2017
Structured deposit interest	135,314,452.05	32,402,684.93
Bank deposit interest	927,450.95	510,523.30
Total	136,241,903.00	32,913,208.23

**(b) Other receivables classified by nature:**

Category	31 December 2018				
	Other receivables		Bad debt provision		Carrying amount
	Amount	% of proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	76,069,797.28	85.74%	75,456,666.50	99.19%	613,130.78

Debtors grouped by credit risk	12,648,032.55	14.26%	1,531,332.31	12.11%	11,116,700.24
Total	88,717,829.83	100.00%	76,987,998.81	86.78%	11,729,831.02
Category	31 December 2017				
	Other receivables		Bad debt provision		Carrying amount
	Amount	% of proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	76,278,456.92	71.55%	75,455,666.50	98.92%	822,790.42
Debtors grouped by credit risk	30,323,298.25	28.45%	2,173,040.31	7.17%	28,150,257.94
Total	106,601,755.17	100.00%	77,628,706.81	72.82%	28,973,048.36

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

√ Applicable □ Not applicable

Other receivables (by company)	31 December 2018				
	Other receivables	Bad debt provision	% of proportion	Carrying amount	Reason of provision
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	74,295,013.55	74,295,013.55	100%	-	Uncollectible
Wuxi Little Swan Import & Export Co. , Ltd	1,161,652.95	1,161,652.95	100%	-	Uncollectible
Wuxi Little Swan General Electric Appliances Co., Ltd	343,160.00	-	-	343,160.00	--
Hefei Midea Washing Machine Co., Ltd.	269,970.78	-	-	269,970.78	--
Total	76,069,797.28	75,456,666.50	99.19%	613,130.78	

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

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

Applicable  Not applicable

Aging	31 December 2018			
	Other receivable	Bad debt provision	Withdrawal proportion	Carrying amount
Within 1 year	10,712,250.89	535,612.54	5.00%	10,176,638.35
1 to 2 years	615,773.66	61,577.37	10.00%	554,196.29
2 to 3 years	443,808.00	133,142.40	30.00%	310,665.60
3 to 5 years	150,400.00	75,200.00	50.00%	75,200.00
Above 5 years	725,800.00	725,800.00	100.00%	-
Total	12,648,032.55	1,531,332.31	12.11%	11,116,700.24

Aging	31 December 2017			
	Other receivables	Bad debt provision	Withdrawal proportion	Carrying amount
Within 1 year	28,569,790.25	1,428,489.51	5.00%	27,141,300.74
1 to 2 years	747,308.00	74,730.80	10.00%	672,577.20
2 to 3 years	280,400.00	84,120.00	30.00%	196,280.00
3 to 5 years	280,200.00	140,100.00	50.00%	140,100.00
Above 5 years	445,600.00	445,600.00	100.00%	-
Total	30,323,298.25	2,173,040.31	7.17%	28,150,257.94

Other receivables adopting balance percentage method for bad debt provision:

Applicable  Not applicable

Other receivables adopting other method for bad debt provision:

Applicable  Not applicable

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

During the year ended 31 December 2018, the movement of provision for other receivables was RMB 0.00 (2017: 1,067,780.73), the movement of reverse for other receivables was RMB 640,708.00 (2017: RMB 0.00). There were no provision or reverse of provision for individual significant other receivable

**(ii) Other receivables written-off during the reporting period**

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

**(iv) Other receivables classified by nature**

Nature of other receivables	31 December 2018	31 December 2017
Deposit in escrow accounts	8,728,779.85	26,047,303.64
Current accounts with subsidiaries	76,069,797.28	76,278,456.92

Deposits	2,458,861.48	1,404,000.00
Loans to employees	1,460,391.22	2,439,630.53
Others	-	432,364.08
Less: Bad debt provision	-76,987,998.81	-77,628,706.81
Total	11,729,831.02	28,973,048.36

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

Name of the entity	Nature of other receivables	31 December 2018	Aging	% of total other receivables	Bad debt provision 31 December 2018
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	Inter-company receivables	74,295,013.55	Over 5 years	83.74%	74,295,013.55
Alipay (China) Network Technology Co., Ltd.	Advance & temporary payments deposit in escrow accounts	4,902,786.89	Within 1 year	5.53%	245,139.34
Shenzhen Midea Payment Technology Co., Ltd.	Advance & temporary payments deposit in escrow accounts	3,591,395.61	Within 1 year	4.05%	179,569.78
Wuxi Little Swan Import & Export Co., Ltd	Inter-company receivables	1,161,652.95	Within 1 year	1.31%	1,161,652.95
Wuxi China Resources Gas Co., Ltd.	Deposits	820,800.00	2 to 3 years and Over 5 years	0.93%	754,300.00
Total		84,771,649.00		95.55%	76,635,675.62

**(3) Long-term equity investments**

Items	31 December 2018			31 December 2017		
	Cost	Impairment provision	Carrying amount	Cost	Impairment provision	Carrying amount
Investment in 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

**(a) Investment in subsidiaries**

Name of subsidiaries	Balance at 31 December 2017	Addition	Decrease	Balance at 31 December 2018	Impairment provision	Balance of impairment provision
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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 Electric Appliances Co. , Ltd.	89,062,000.00	-	-	89,062,000.00	-	-
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited.	11,869,431.12	-	-	11,869,431.12	-	-
Little Swan International (Singapore) Limited.	681,050.00	-	-	681,050.00	-	-
Hefei Midea Washing Machine Limited.	830,962,252.35	-	-	830,962,252.35	-	-
Total	1,433,285,041.57	-	-	1,433,285,041.57		475,050,000.00

As at 31 December 2018, the Company provided credit guarantee for Hefei Midea Washing Machine Limited amounted to RMB 254,023,800.00 (as at 31 December 2017: 291,079,100.00 ).

#### (4) Revenue and cost of sales

Item	Year ended 31 December 2018		Year ended 31 December 2017	
	Income	Cost of sales	Income	Cost of sales
Operating income	15,800,363,329.03	12,020,471,056.12	14,990,965,216.20	11,403,214,393.83
Other operating income	1,144,032,287.21	1,101,507,038.90	1,236,979,706.39	1,172,951,944.14
Total	16,944,395,616.24	13,121,978,095.02	16,227,944,922.59	12,576,166,337.97

Other operating income and expenses:

Item	Year ended 31 December 2018		Year ended 31 December 2017	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sale of raw materials	1,081,267,586.73	1,078,027,383.04	1,188,798,326.56	1,144,979,820.00
Others	62,764,700.48	23,479,655.86	48,181,379.83	27,972,124.14
Total	1,144,032,287.21	1,101,507,038.90	1,236,979,706.39	1,172,951,944.14

#### (5) Investment income

Item	Year ended 31 December 2018	Year ended 31 December 2017
Income from available-for-sale financial assets	66,012,797.02	154,998,651.47
Income from disposal of financial assets measured at fair value through profits or losses	1,497,784.97	14,206,795.00
Total	67,510,581.99	169,205,446.47

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

## **XIX. Supplementary information**

### **(1) Non-recurring profit or loss**

Item	Year ended 31 December 2018	Year ended 31 December 2017
Net gain/loss on disposal of non-current assets	13,137,087.29	-975,423.00
Holding-period return on financial assets at fair value through profit or loss	-7,619,781.97	22,954,813.04
Item	Year ended 31 December 2018	Year ended 31 December 2017
Other non-operating income and loss other than items above	44,275,866.72	44,138,356.17
Less: Effect of income tax	-7,474,356.94	-12,040,092.19
Effect of minority interest	-2,850,542.54	-4,618,258.39
<b>Total</b>	<b>39,468,272.56</b>	<b>49,459,395.63</b>

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

### **(2) Return on equity and earnings per share**

Profit of the year	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share (RMB yuan per share)	Diluted earnings per share (RMB yuan per share)
Net profit attributable to ordinary shareholders of the Company	24.42%	2.94	2.94
Net profit attributable to owners of the Company, excluding non-recurring profit or loss	23.90%	2.88	2.88

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## **Part XII Documents Available for Reference**

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

Wuxi Little Swan Company Limited

Legal Representative: Fang Hongbo

30 March 2019