

Stock Code: 000521, 200521

Notice No.: 2019-051

Short Form of the Stock: Changhong Meiling, Hongmeiling B

# CHANGHONG MEILING CO., LTD.

## Summary of Semi-Annual Report 2019

### I. Important Notice

(i) The summary of semi-annual report is excerpted from the full text of the semi-annual report. For the details, investors should carefully read the full text of the semi-annual report published on Juchao Information website (www.cninfo.com.cn) and Shenzhen Stock Exchange Website etc., appointed by CSRC.

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

(iii) All the directors attended the board meeting on deliberating the Report on site and by communication.

#### (iv) Modified audit opinions notes

Applicable  Not applicable

#### (v) Profit distribution pre-plan or capitalizing of common reserves pre-plan deliberated by the Board in the semi-annual period

Applicable  Not applicable

The Company has no plans of cash distribution, bonus shares and capitalizing of common reserves either.

#### (vi) Profit distribution for preferred shares approved by the Board

Applicable  Not applicable

### II. Company information

#### (i) Profile

Short form for share	Changhong Meiling, Hongmeiling B	Code for share	000521, 200521
Listing stock exchange	Shenzhen Stock Exchange		
Short form of the Stock before changed (if applicable)	N/A		
Contact person and ways	Secretary of the Board	Representative of Securities affairs	
Name	Li Xia	Zhu Wenjie	
Office add.	No. 2163, Lianhua Road, Economic and	No. 2163, Lianhua Road, Economic and	

	Technology Development Zone, Hefei	Technology Development Zone, Hefei
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**(ii) Main financial data and financial index**

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current period	Same period last year	Changes +/-
Operating income (RMB)	9,133,162,680.94	9,271,509,569.67	-1.49%
Net profit attributable to shareholders of the listed company (RMB)	54,334,022.57	50,684,231.73	7.20%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	4,475,396.85	-6,600,101.83	167.81%
Net cash flow arising from operating activities (RMB)	373,484,000.19	160,489,361.06	132.72%
Basic earnings per share (RMB/Share)	0.0520	0.0485	7.22%
Diluted earnings per share (RMB/Share)	0.0520	0.0485	7.22%
Weighted average ROE	1.08%	1.00%	0.08 percentage points up
	End of current period	End of last year	Changes +/-
Total assets (RMB)	15,734,260,021.29	15,561,810,184.54	1.11%
Net assets attributable to shareholder of listed company (RMB)	4,999,219,710.19	5,015,730,486.57	-0.33%

**(iii) Amount of shareholders of the Company and particulars about shares holding**

In share

Total common shareholders in reporting period-end	66,701	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top 10 shares holding						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
					State of share	Amount
Sichuan Changhong Electric Co., Ltd.	State-owned legal person	23.79%	248,457,724	69,877,638	--	--
Hefei Industry Investment Holding (Group) Co., Ltd.	State-owned legal person	4.58%	47,823,401	0	--	--
CHANGHONG (HK) TRADING LIMITED (note 1)	Foreign legal person	2.59%	27,077,797	0	--	--
CAO SHENGCHUN	Foreign natural person	1.36%	14,240,979	0	--	--
Caitong Fund- Ningbo Bank-Haitong Xingtai	Domestic non	1.03%	10,733,452	0	--	--

(Anhui) Emerging Industry Investment Fund (Limited Partnership)	state-owned corporate					
China Construction Bank - Huaxia China Securities Sichuan State-owned enterprise reform exchange traded index securities investment fund	Domestic non state-owned corporate	0.69%	7,213,000	0	--	--
Phillip Securities (Hong Kong) Co., Ltd.	Foreign legal person	0.60%	6,296,913	0	--	--
China Securities Finance Corporation Limited	Domestic general legal person	0.42%	4,362,500	0	--	--
Ma Guobin	Domestic nature person	0.40%	4,164,081	0	--	--
Zheng Huiru	Domestic nature person	0.38%	3,946,500	0	--	--
Explanation on associated relationship among the aforesaid shareholders	Among the above shareholders, CHANGHONG (HK) TRADING LIMITED (hereinafter referred to as Hong Kong Changhong) is the wholly-owned subsidiary of Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as Sichuan Changhong); except the shares of the Company directly held by Hong Kong Changhong, 6,296,913 shares of B-stock are also held through Phillip Securities (Hong Kong) Co., Ltd., the foregoing shareholders constitute persons of uniform action. There existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong, Hong Kong Changhong and other top 7 shareholders; "Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) " refers to the products of Caitong Fund Management Company subscribe for privately placement of 2016; The company neither knows whether there is any association among other shareholders, nor knows whether other shareholders belong to the persons acting in concert that is stipulated in the "Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies".					
Explanation on shareholders involving margin business (if applicable)	As of 30 <sup>th</sup> June 2019, among the top 10 common shareholders, Ma Guobin holds 4,159,681 shares of the Company through customer credit trading secured account of Founder Securities Co., Ltd., and 4,400 shares hold through common securities account, thus 4,164,081 shares of the Company are held in total					

**(iv) Changes of controlling shareholder or actual controller****1. Changes of controlling shareholder in reporting period**

Applicable  Not applicable

No changes of controlling shareholder in reporting period.

**2. Changes of actual controller in reporting period**

Applicable  Not applicable

No changes of actual controller in reporting period.

**(v) Total preferred shareholders and top 10 shares held by preferred shareholders**

Applicable  Not applicable

The Company has no preferred shareholders

**(vi) Corporate bond**

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due: No

**III. Discussion and analysis of operation****(i) Operation status in the period**

**Investors are advice to read the full text of the report and be aware of the following risks:**

In the second half of 2019, faced with the more intense competition in home appliance market and other objective factors, the enterprise will have worse survival environment. The company will face risks such as weak macroeconomic growth, severe industry situation, intensifying competition, rising costs, new business models and the impact of the Internet era.

**Does the Company need to comply with disclosure requirements of the special industry: No**

**1. Introduction**

Since 2019, China's economy has been steadily advancing, stabilizing and worrying, and the downward pressure on the economy has risen. Especially in the context of Sino-US economic and trade frictions, Chinese economy is facing the severe external environment, plus the inadequacy and imbalance in its own development, which makes it more difficult to stabilize growth and prevent risks. Affected by the macro environment and its own development cycle, coupled with the tightening of the real estate market, the iterative upgrading of consumption structure, dull demand, rising supply chain costs and other unfavorable factors, the performance of the home appliance industry in the first half of 2019 was not satisfactory, and the home appliance industry as a whole entered the "cold winter". In this context, transformation and upgrading is an urgent problem for enterprises to break the "deadlock".

In the first half of 2019, under the strategic guidance of "Meiling Dream" and "Double Three One Core", the Company insisted on the operating principle of "product leading, marketing transformation, efficiency promotion and team activation". We have achieved operating income of RMB 9.133 billion, a decrease of 1.49% on a year-on-year basis; net profit attributable to the parent company of RMB 54.3340 million, an increase of 7.20% on a year-on-year basis.

**2. Main Business Analysis****(1) Introduction**

From January to June of 2019, refrigerator and freezer business achieved revenue of approximately RMB 3.819 billion, with 3.67% up y-o-y; air-conditioning business achieved revenue of approximately RMB 3.991 billion, with 8.84% down y-o-y.; washing machine business achieve revenue of approximately RMB 0.205 billion, with 16.50% down y-o-y.; other business of kitchen & toilet products and small home and Refrigeration accessories appliance have revenue approximately as RMB 0.529 billion, with 17.70% up y-o-y.

**(2) Progress of the Company's development strategy and business plan during the reporting period**

During the reporting period, in accordance with the development strategy and operating principles for first half of 2019, the Company has deployed the annual business plan, arranged the production and management, and carried out the following activities:

**Product leading**

In the first half of 2019, the company featured “Meiling Fresh, Meiling Thin, Meiling Embedding” and continued to create product-specific business cards, and further promoted the upgrades of the company's refrigerator (freezer) products, which had good performance in the market and achieved high recognition from consumers. In particular, the "M Fresh Life" comprehensive thin series refrigerator released in February 2019, developed a comprehensive thin GLS integration technology (integrated with thin body, thin box and thin door) based on the upgrade of water molecule activation and preservation technology, and achieved breakthroughs in high-end products through the comprehensive upgrades of product technology, quality and performance. During the reporting period, the sales volume of the company's “M Fresh Life” series refrigerators increased by more than 50% on a year-on-year basis.

**Marketing transformation:**

In the domestic market, we realized the transformation from product-oriented sales management to channel-oriented and user experience services through a series of specific marketing transformation initiatives. According to the data of CMM, the average price of refrigerator products of the company in the online market from January to June 2019 increased by 11.7%, and the share increased by 0.9 percentage points; the average price of refrigerators in the offline market increased by 8.2%, and the share was basically flat. At the same time, the company's air-conditioning products seized the strategic ODM brand cooperation opportunities, ODM business grew by 205%. In the overseas market, through the transformation from the pursuit of scale to the pursuit of both scale and profit, the product structure has continued to improve, the proportion of air-cooled refrigerator products has reached 18%, an increase of 6 percentage points on a year-on-year basis, and the quality of overseas refrigerators/freezers continued to be improved. The overseas air-conditioning business has continued to improve its operations by sorting out the risks of preventing and controlling overseas operations.

**Efficiency promotion:**

Focus on efficiency improvement and promote efficiency improvement. In the first half of the year, the company carried out special work on capital pressure control, and the efficiency of capital operation was greatly improved on a year-on-year basis through pressure control of inventory, receivables and prepayments; continued to promote the “five -ization and two easy” work at the development end, the quantity of platform, box and model has been controlled, and the research and development efficiency increased by more than 10% on a year-on-year basis; in the production side, organized and carried out the work on reducing staff while improving efficiency in the product structure optimization, process optimization, line LOB balance, automation, and one-piece flow, and so on, and the manufacturing efficiency in the first half of the year was promoted by more than 20%.

**Team activation**

Expand the career path of employees through the implementation of the normalized competing mechanism for

cadres to be prepared for both promotion and demotion and the establishment of exit paths for key positions, continue to deepen the performance management mechanism, implement the overall process performance appraisal for all employees, and realize PDCA for performance management through information integration, reconstruct the incentive mechanism, establish a three-tier incentive system, namely, incentives for business results, incentives for value lines, and incentives for special events, to encourage value creation for all employees.

**(ii) Matters relevant to financial report**

**(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year**

Applicable  Not applicable

More details can be seen in the “34. Changes in Important accounting policies and accounting estimates” of “IV. Important accounting policies and accounting estimates” carry in “Section X Financial Report” in the Semi-Annual Report 2019

**(2) Particulars about retroactive restatement on major correction for accounting errors in reporting period**

Applicable  Not applicable

No particulars about retroactive restatement on major correction for accounting errors in reporting period.

**(3) Particulars about the change of consolidation range compared with the financial report of last year**

Applicable  Not applicable

The Company’s consolidated financial statement included 38 subsidiaries including Sichuan Changhong Air-conditioner Co., Ltd., Zhongshan Changhong Electric Co., Ltd, Zhongke Meiling Cryogenic Technology Co., Ltd and so on. As compared to previous year, Nanchang Xiangyou Electronic Appliance Marketing Co.,Ltd was liquidated out of the scope, Hefei Meiling Wulian Technology Co., Ltd. and Anhui Tuoxing Technology Co., Ltd are established in the period.

Found more in “VII Change of Consolidate Statement” and VIII Equity in other main body carried in Section X Financial Report of the Semi-Annual Report 2019, released on 16 August 2019.

Changhong Meiling Co., Ltd.

Chairman: Wu Dinggang

16 August 2019