

WUXI LITTLE SWAN COMPANY LIMITED

ANNUAL REPORT 2016



March 2017

Section I Important Statements, Contents and Definitions

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”) as well as the directors, supervisors and executive officers of Wuxi Little Swan Company Limited (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

Mr. Fang Hongbo, chairman of the Board, Mr. Sun Yunan, CFO, and Mr. Xu Yunwei, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report carried in this Report is factual, accurate and complete.

All directors attended the board meeting for the review of this Report.

The Board has considered and approved the following proposal for profit distribution: Based on the total shares of 632,487,764, a cash dividend of RMB7.50 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. No bonus shares will be granted, nor will any capital reserve be converted into share capital.

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

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

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Definitions

Term	Definition
Company, the Company or Little Swan	Wuxi Little Swan Company Limited
Midea Group	Midea Group Co., Ltd.
TITONI	TITONI Investments Development Ltd.
Midea 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.
Guangzhou Hualing Air Conditioner	Guangzhou Hualing Air Conditioner Equipment Co., Ltd.
Attend Logistics	Guangzhou Attend Logistics Co., Ltd.
CSRC	China Securities Regulatory Commission
Reporting Period	January 1, 2016-December 31, 2016

Section II Corporate Profile and Financial Results

I Corporate information

Stock name	Little Swan A, Little Swan B	Stock code	000418, 200418
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	无锡小天鹅股份有限公司		
Abbr.	小天鹅		
Company name in English (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	http://www.littleswan.com		
Email	ir@littleswan.com.cn		

II Contact information

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

III Information disclosure and place where this Report is kept

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Website designated by the China Securities Regulatory Commission (CSRC) for the	http://www.cninfo.com.cn

publication of this Report	
Place where this Report is kept	Securities Department of the Company

IV Company registration and alteration

Credibility code	91320200704046760T
Change in main business activities of the Company after going public (if any)	No change
Change of the controlling shareholder (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 CPAs firm hired by the Company

Name	PricewaterhouseCoopers Zhong Tian LLP
Office address	11/F, PricewaterhouseCoopers Center, 202 Hubin Road, Huangpu District, Shanghai
Accountants writing signatures	Huang Meimei, Cai Xiujuan

Sponsor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☒ Applicable ☐ Not applicable

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

Financial advisor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☐ Applicable ☒ Not applicable

VI Accounting and financial results

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its

accounting data due to changes of accounting policies or correction of accounting errors

☐ Yes ☒ No

	2016	2015	+/-%	2014
Operating revenues (RMB)	16,334,914,501.69	13,131,626,932.44	24.39%	10,804,217,288.60
Net profit attributable to shareholders of the Company (RMB)	1,175,054,922.85	919,181,968.58	27.84%	698,195,731.48
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	1,162,942,494.37	903,388,867.00	28.73%	695,186,106.92
Net cash flows from operating activities (RMB)	3,896,072,787.38	3,598,695,468.80	8.26%	1,657,114,317.33
Basic earnings per share (RMB/share)	1.86	1.45	28.28%	1.10
Diluted earnings per share (RMB/share)	1.86	1.45	28.28%	1.10
Weighted average return on equity (%)	21.14%	19.32%	1.82%	16.73%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets (RMB)	18,885,986,837.64	14,327,655,366.60	31.81%	11,376,793,928.71
Net assets attributable to shareholders of the Company (RMB)	5,983,847,862.72	5,124,866,173.14	16.76%	4,427,982,112.33

VII Differences in accounting data under domestic and foreign accounting standards

1. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and international accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

2. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

VIII Financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	4,239,779,074.70	3,745,008,120.22	4,070,848,719.32	4,279,278,587.45

Net profit attributable to shareholders of the Company	317,052,211.46	263,774,351.12	332,295,999.87	261,932,360.40
Net profit attributable to shareholders of the Company before exceptional profit and loss	311,794,446.12	255,649,556.94	326,278,938.30	269,219,553.01
Net cash flows from operating activities	573,548,265.90	1,033,549,126.98	320,196,692.35	1,968,778,702.15

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

☐ Yes ☒ No

IX Exceptional profit/loss

Unit: RMB

Item	2016	2015	2014	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	-1,833,734.45	-280,195.57	-3,482,781.03	
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	13,872,569.26	31,893,010.09	19,316,074.38	
Profit/loss on debt restructuring			7,708,285.28	
Effect on Reporting Period profit/loss when a one-off adjustment is made to Reporting Period profit/loss according to requirements of taxation, accounting and other relevant laws and regulations		2,679,264.25	7,701,506.00	
Other non-operating income and losses other than items above	4,288,097.78	-8,815,676.21	7,821,536.57	
Less: Corporate income tax	2,455,096.12	3,899,799.51	11,994,501.34	
Minority interests (after tax)	1,759,407.99	5,783,501.47	24,060,495.30	
Total	12,112,428.48	15,793,101.58	3,009,624.56	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Section III Business Profile

I Main business scope in this Reporting Period

As one of the earliest washing machine manufacturers in China, Wuxi Little Swan Company Limited is principally engaged in R&D, production and sale of domestic washing machines. In 1978, China's first fully-auto washing machine greeted the world in the Company. With 38 years of focus on washing machines, the Company mainly produces front-loading washing machines (also known as "roller washing machines") and top-loading washing machines (also "pulsator washing machines", divided into fully-auto ones and double-cylinder ones by structure). In addition, the Company can also produce clothes dryers and agitator washing machines. Currently, roller washing machines, fully-auto washing machines and double-cylinder washing machines are the mainstream in the market. In 2016, the Company output over 18 million units of washing machines, representing a fast growth from the year earlier.

The Company has a sound technological R&D system, including one state-level technological center and two state-recognized labs. 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. We own 2 manufacturing bases, one in Wuxi, Jiangsu Province and the other one in Hefei, Anhui Province, with a total floor area of more than 800,000 m² as well as a combined annual production capacity reaching 22 million units. We also have domestically and internationally first-class manufacturing equipments and an experienced manufacturing team. Our products are sold to the domestic market as well as over 130 other countries and regions, with the overseas market accounting for more than 20% in our total sales. In domestic sale, we adopt the marketing mode of "agents+direct sale" and simultaneously develop the online and offline channels. In overseas sale, we focus on OEM and attach importance to our own brands at the same time. We adopt a two-brand strategy ("Little Swan" and "Midea") and the business under both brands has seen fast and sound growth in the recent years.

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

According to China Market Monitor, the Company took up a share of 27.0% in the domestic retail of washing machines in 2016, 1.6 percentage points higher than last year; and according to customs statistics, its share in China's export of washing machines was 17.8% in 2016, 3.1 percentage points higher than last year.

The washing machine industry is now at a mature stage. And its status quo and periodic features are talked about in detail in "Macro-environment" under "Section IV Performance Analysis" and "Tendency of the industry development" under "IX Outlook of the Company's future development" of the aforesaid section.

II Significant changes in main assets

1. Significant changes in main assets

Main assets	Reason for any significant change
Equity assets	In this Reporting Period, the Company and General Appliance (China) Co., Ltd. signed an equity transfer agreement, with the latter transferring its 30% stake in Wuxi Little Swan General Appliance Co., Ltd. to the Company for USD10 million. Up to the end of this Reporting Period, the transfer had been concluded and Wuxi Little Swan General Appliance Co., Ltd. has thus become a wholly-owned subsidiary of the Company.
Fixed assets	No change
Intangible assets	No change
Construction in progress	No change

2. Main assets overseas

☐ Applicable ☒ Not applicable

III Core competitiveness analysis

Our core competitiveness is demonstrated in the following aspects:

1. Our knowledge and experience accumulated in the long history of our main business. We are the sole company in China that has focused on the washing machine industry since the end of 1970s. Profound knowledge and experience has been accumulated through these several decades in technology, R&D and innovation, market research, business operation, etc., which has been transformed into our tacit knowledge through the accumulation and inheritance by our talent team and has thus become our most important core competitiveness.

2. Our capability of seeing the industry clearly and R&D. We have our unique capability of judging and foreseeing developments in the industry and technology. Through constant input of R&D resources over the years, we have owned leading technological competitiveness in the industry. We have 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. 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.

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

4. Our capability to respond to needs of consumers. We have been keeping a watchful eye on market changes, studying consumers' needs, and focusing on improvement of the whole process experience of customers in shopping, product use and after-sales service. Consumers are always looking for professional, intelligent, green and individualized washing machines. And we satisfy customers' needs with the spirit of craftsman and provide them with extremely easy use experience through our innovative solutions of intelligent accurate self-loading, intelligent roller water cube, intelligent WIFI, silver nano-particle sterilization, 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 over three decades, Little Swan is considered a very reliable brand among consumers, with the slogan of "Whole-hearted Little Swan" being well-known among them. As for Midea, a comprehensive home appliance brand, its share in the washing machine market keeps rising with increasing recognition.

5. Our capability of reform and self-improvement. Through years of accumulation, we have developed a corporate culture of sustained reform and self-improvement. Along with rapid changes in the market and this new era, we will keep reforming our organizational structure and operating model so as to ensure our capability of

sustainable development. In order to adapt to the era of mobile internet, we restructure the Company with the internet thinking and create a platformized operating model. Meanwhile, we are the first in the sector to adopt the T+3 order-oriented production and sale mechanism to cope with the fast changes of market needs. And in order for continuing vitality, we push forward reform of our remuneration mechanism and encourage creative sidelines as a way to keep improving our management system.

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

Section IV Performance Analysis

I Overview

(I) Macro-environment

2016 was the first year of China's 13th Five-Year Plan. In the year, China's home appliance market saw some growth but was lacking in driving force due to factors such as a weak recovery of the world economy, the slowdown in growth of the domestic economy, the soaring prices of raw materials, more fluctuations in exchange rates and the changes in the real estate market.

In 2016, the trend of transformation and upgrade in washing machine industry was still obvious. Other than the constantly rapid growth of roller, large-capacity, and inverter washing machines, the demand for smart and high-end machines, dryers, and 2 machines for 1 family grew sharply as affected by the upgrade of consumption and the motivation of innovation. A new round of consumption upgrade was gradually rising. The precise understanding for the trigger points of consumer demand became the core of product competitiveness. The whole society's demand for "good products" was still pressing. The sales channels developed in diversity, showing a sharp growth of online businesses, and the gradual integration of online and offline businesses, as well as the continuous arising channels of company-self-established stores and shops on we-chat. Merge and integration of giants in the home appliance industry speeded up. Enterprises in Chinese home appliance industry have been transforming from the trade mode, which depends on exports, to a new international strategic mode. In the reporting period, growth in the washing machine industry kept around low volumes, the competitions further intensified, and the concentration ratio of the industry constantly improved. Based on data from the Industry Online, in Jan-Dec 2016, the gross out-put of domestic washing machines in China was 58.8611 million units, representing a year-on-year growth of 4.39%. The gross sales reached 59.5046 million units, showing a year-on-year increase of 6.00%. Among them, sales volume in the domestic market was 41.1489 million units, increasing by 5.37% as compared with last year; and exports volume was 18.3557 million units, with a year-on-year increase of 7.44%.

(II) Analysis of main business

In face of the complex and changeable domestic and overseas environments, we continued to adhere closely to our main strategy of "leading products, efficiency-driven and global operations", focused on our main business, kept

increasing the competitiveness of our products with customers as the center, and furthered transformation of our operations for leaner management. And for that, we were rewarded with fine operating results. For the Reporting Period, the Company achieved operating revenues of RMB16.335 billion, up 24.39% from the year earlier; the net profit attributable to shareholders of the Company stood at RMB1.175 billion, representing a YoY growth of 27.84%; and the overall gross profit rate was 25.86%.

In the Reporting Period, the unit prices of the Company's products remained generally stable and the revenue growth was mainly attributed to an increased sales volume, which was still resulted from better product competitiveness and optimized structures. The percentage of roller washing machines in our total sales volume exceeded 30% for the Reporting Period. Domestically, the online sales took up a much larger proportion; and the sales to Europe, etc. witnessed fast growth. Meanwhile, the continuously growing business of clothes dryers also contributed to the growth in the total sales. In the Reporting Period, sales of the Company went up 21.22% from last year, a lot higher than the average growth in the industry.

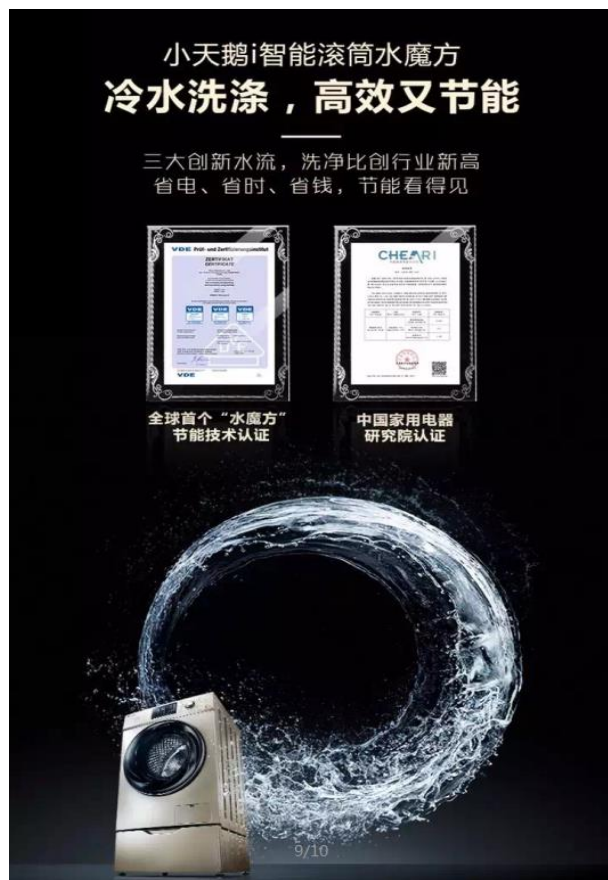
The profit growth was attributed to a larger business scale, the increased efficiency and as well as exchange rate effects. the Company had more self-owned funds and gained more from investments with the said funds. In addition, the depreciation of Renminbi served as a favorable factor to the Company's export. For the Reporting

Period, the Company achieved a net profit margin of 8.22%, 0.20 percentage points higher than last year.

(III) Work accomplished in 2016

1. The Company kept on more input on R&D, optimized the administration system, and continuously improved product competitiveness.

The Company continued to invest more on R&D, constantly improved product competitiveness, built a R&D platform with global competitiveness, and tried efforts provide the society with "good products". The Company pushed the separation of research and development, formulated middle and long term product and technology routes, promoted the transformation for R&D remuneration mechanism and the project manager



mechanism, so as to constantly optimize the administration system, and further motivate the innovation vigor for R&D. The Company strengthened research on users, continuously kept digging out user' trigger points and invisible demands, preliminarily adopted the CDOC innovation method for product development, so that the hit rate of planning can be improved. The Company kept intensified its efforts on technology innovation, and gained remarkable results in the Beverly Products, Disney products, the auto put-in products, the water cube products, and the smart products. In the reporting period, the Company had the honor to get technology certification of "Water Cube with High Efficiency and Energy Saving" awarded by VDE, as well as the quality certification of "BLDC Motor with 20-year Service Life". The Little Swan and Beverly products won the Red Dot Award. The Beverly roller washing machines won the GD Award in Korea and the China Appliance Award. In the reporting period, the product competitiveness of the Company was further enhanced, and won broad market recognition.

2. The Company deepened the transformation of marketing, steadily developed domestic and international sales, and kept high growth of E-commerce business

In aspect of domestic sales, the Company constantly promoted marketing transformation, guided agents to transform to platform operators, continuously motivated organizational vitality and raised the efficiency of the value chain. The Company thoroughly propelled the large-end management system, reinforced the flagship stores, the TOP clients, the construction of end sites, for example, V200. The Company positively developed small-scale and frequent promotion activities, so as to elaborately farm the market. The Company focused on products and users, placed a major emphasis on new products including the high-end Beverly series, the Disney series, the auto put-in series, and dryers, so as to continuously optimize product sales structure. The Company strived to develop E-commerce business, continuously enhanced the sales volume in major e-commerce platforms, and at the same time, positively enlarged the Little Swan Mall, continuously guided the offline clients to online shops, and accelerated the integration of online and offline sales by degrees. In 2016, the gross online retail sales of the Company reached RMB 4.58 billion, reaching a year-on-year increase of 84.6%. In the reporting period, domestic sales revenue of the Company was RMB 11.449 billion, representing a year-on-year increase of 23.93%.

In aspect of international sales, the Company positively hit out and made remarkable breakthroughs in strategic and key markets, further consolidated and enlarged the advantaged areas, constantly optimized the global marketing layout. The Company kept enlarging the strategic cooperation with large clients, positively developed new clients, and constantly optimized client structure. The Company emphasized on market survey and product innovation, continuously optimized product sales structure, and achieved continuous sales ratio growth of roller washing machines. The Company boosted the development of self-own brands, built the unique image of Midea

products, enhanced marketing and channel enlargement, practiced localized operation in some areas, and achieved rapid year-on-year growth of self-own brands. In the reporting period, the Company's international sales revenues reached RMB 3.313 billion, showing a year-on-year increase of 23.10%.

3. The Company vigorously promoted the refine management on value chains, and obviously improved operating efficiency

As for the marketing end, the Company insisted on and perfected the T+3 client order mechanism, launched offline direct mailing, so as to deduct intermediate links, such as transfer, load, and unload, promoted sharing of channel stocks, integrated the planning and allocation of stocks from the whole channels, and maximized the deduction of unqualified stocks. The Company launched the pre-arranged-order system and the visible-capacity system, balanced order allocation and accelerated turnover. As for the manufacturing end, the Company continuously contributed to building smart manufacturing capability with the features of refinement, automation, and informatization. The Company accomplished projects including launching the automate roller line body, which continued to get the overall manufacturing efficiency improved. As for the supply end, the Company took the informationized system control, gained the real-time access to business information of suppliers, improved the rate of promptness and completeness of incomings, and meanwhile, continuously cleared away exclusive suppliers, and kept optimizing the supply layout. As for the quality end, the Company insisted on the One-Veto mechanism, put emphasis on improving product reliability, constantly decreased the maintenance ratio in market, boosted the boutique engineering strategy, and gradually improved the boutique coverage ratio. In the reporting period, the refining management of the Company achieved outstanding result, and remarkably improved the operating efficiency.

4. The Company positively promoted the new business layout, and well developed dryers and smart-cloud washing machines

The Company continuously reinforced on R&D, innovation, and business development of dryers, and had developed a whole-category product layout covering direct-drained dryers, condensation dryers, heat pump dryers, as well as washing-drying integral machines. With the synchronized online and offline sales, sales volume of dryers and washing-drying integral machines in 2016 reached over RMB 1.2 billion, realizing a sharp year-on-year increase. At the same time, the Company strived to develop the smart-cloud washing machine project. Based on the combination of smart washing machines, dryers, and smart software platforms, the Company realized the smart and convenient washing business in practice by applying the internet operating mode. Currently, the Company has entered and stationed in over 280 colleges and universities, hotels, and flats, attracted

more than 500 thousand users, achieving rapid growth. In the reporting period, the Company positively promoted the new business layout, and has gained well development so far.

II Analysis of main business

1. Overview

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

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

Unit: RMB

Item	2016	2015	+/-	+/-%
Operating revenues	16,334,914,501.69	13,131,626,932.44	3,203,287,569.25	24.39%
Operating costs	12,111,213,286.28	9,646,390,824.36	2,464,822,461.92	25.55%
Period expense	2,676,141,071.58	2,387,468,126.14	288,672,945.44	12.09%
Operating profit	1,554,025,314.69	1,210,303,981.45	343,721,333.24	28.40%
Total profit	1,584,427,028.99	1,225,421,617.93	359,005,411.06	29.30%
Net profit attributable to the Company	1,175,054,922.85	919,181,968.58	255,872,954.27	27.84%

2. Revenues and costs

(1) Breakdown of operating revenues

Unit: RMB

	2016		2015		+/-%
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	
Operating revenues	16,334,914,501.69	100%	13,131,626,932.44	100%	24.39%
By business segment					
Home appliance manufacturing	14,761,654,334.87	90.37%	11,929,121,727.57	90.84%	23.74%
Other	1,573,260,166.82	9.63%	1,202,505,204.87	9.16%	30.83%
By product					
Washing machines	14,761,654,334.87	90.37%	11,929,121,727.57	90.84%	23.74%
Other	1,573,260,166.82	9.63%	1,202,505,204.87	9.16%	30.83%
By geographical segment					

China	13,022,118,060.74	79.72%	10,440,519,133.71	79.51%	24.73%
Other countries	3,312,796,440.95	20.28%	2,691,107,798.73	20.49%	23.10%

(2) Business segments, products or geographical segments contributing over 10% of the operating revenues or profit

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Home appliance manufacturing	14,761,654,334.87	10,775,398,510.01	27.00%	23.74%	23.66%	0.04%
By product						
Washing machines	14,761,654,334.87	10,775,398,510.01	27.00%	23.74%	23.66%	0.04%
By geographical segment						
China	11,448,857,893.92	7,910,808,456.78	30.90%	23.93%	24.99%	-0.59%
Other countries	3,312,796,440.95	2,864,590,053.23	13.53%	23.10%	20.14%	2.13%

Note: For a better understanding of the Company's operations, the table above only gives data of the Company's main business.

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

☐ Applicable ☒ Not applicable

(3) Whether revenue from physical sales is higher than service revenue

Business segment	Item	Unit	2016	2015	+/-%
Home appliances	Sales volume	Unit	17,287,074	14,294,646	20.93%
	Output volume	Unit	18,891,795	14,567,161	29.69%
	Inventory	Unit	2,676,139	1,071,418	149.78%

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

☒ Applicable ☐ Not applicable

The YoY increase of the stock exceeded 30%, which mainly due to the increase of the scope and the stocking for China's Spring Festival.

(4) Execution progress of major signed sales contracts in this Reporting Period

☐ Applicable ☒ Not applicable

(5) Breakdown of operating costs

Unit: RMB

Business segment	Item	2016		2015		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Washing machines	Raw materials	9,987,516,184.35	92.69%	8,054,839,050.08	92.44%	0.25%
Washing machines	Labor costs	456,420,377.10	4.24%	398,109,632.96	4.57%	-0.33%
Washing machines	Depreciation	166,480,328.30	1.55%	136,687,138.85	1.57%	-0.02%
Washing machines	Energy	63,655,701.04	0.59%	59,950,304.43	0.69%	-0.10%

(6) Changes in the scope of the consolidated financial statements for this Reporting Period

☐ Yes ☒ No

(7) Major changes in the business, products or services in this Reporting Period

☐ Applicable ☒ Not applicable

(8) Main customers and suppliers

Main customers

Total sales to top five customers (RMB)	6,187,645,348.19
Total sales to top five customers as a percentage of the total sales for this Reporting Period (%)	37.88%
Total sales to related parties among top five customers as a percentage of the total sales for this Reporting Period (%)	15.78%

Information about top five customers

No.	Customer	Sales amount (RMB)	As a percentage of the total sales for this Reporting Period (%)
1	Customer A	2,577,162,601.61	15.78%
2	Customer B	1,617,389,536.64	9.90%

3	Customer C	1,420,119,056.70	8.69%
4	Customer D	392,837,621.69	2.40%
5	Customer E	180,136,531.55	1.10%
Total	--	6,187,645,348.19	37.88%

Other information about the main customers

Customer A is under the control of the Company's controlling shareholder.

Main suppliers

Total purchases from top five suppliers (RMB)	3,322,254,917.42
Total purchases from top five suppliers as a percentage of the total purchases for this Reporting Period (%)	27.70%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for this Reporting Period (%)	19.84%

Information about top five suppliers

No.	Supplier	Purchase amount (RMB)	As a percentage of the total purchases for this Reporting Period (%)
1	Supplier A	2,380,403,669.52	19.84%
2	Supplier B	300,295,382.90	2.50%
3	Supplier C	218,035,789.00	1.82%
4	Supplier D	216,519,905.80	1.81%
5	Supplier E	207,000,170.20	1.73%
Total	--	3,322,254,917.42	27.70%

Other information about the main suppliers

Supplier A is under the control of the Company's controlling shareholder.

3. Expense

Unit: RMB

	2016	2015	+/-%	Reason for any significant change
Selling expenses	2,325,645,712.65	1,957,833,768.25	18.79%	
Administrative expenses	505,321,107.14	539,747,209.80	-6.38%	
Finance costs	-154,825,748.21	-110,112,851.91	-40.61%	Increase in interest revenue and exchange earnings

4. R&D input

During the Reporting Period, the Company was market-oriented and took the customers' needs as the center. It input more for R&D and optimized the management mechanism to build up a globally competitive platform of R&D. The R&D input was mainly for: 1. strengthening R&D of intelligent, high-end and differentiate washing machines and clothes dryers for better competitive edges in those sectors; 2. strengthening user research, promoting standardized management, increasing manufacturability of products and creating continuous cost advantages; and 3. expanding the high-end talent pool. In 2016, the Company's expenditure on R&D was RMB695 million, representing 9.99% of its audited net assets and 4.26% of its operating revenues in the year.

Information about R&D input:

	2016	2015	+/-%
Number of R&D personnel	707	564	25.35%
R&D personnel as a percentage in the total employees	9.20%	7.16%	2.04%
R&D input (RMB)	695,077,712.27	557,319,550.74	24.72%
R&D input as a percentage in operating revenues	4.26%	4.24%	0.02%
Capitalized R&D input (RMB)	0.00	0.00	0.00%
Capitalized R&D input as a percentage in the total R&D input	0.00%	0.00%	0.00%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

5. Cash flows

Unit: RMB

Item	2016	2015	+/-%
Subtotal of cash inflows from operating activities	16,377,852,960.18	12,873,994,461.09	27.22%
Subtotal of cash outflows from operating activities	12,481,780,172.80	9,275,298,992.29	34.57%
Net cash flows from operating activities	3,896,072,787.38	3,598,695,468.80	8.26%
Subtotal of cash inflows from investing activities	9,274,869,699.89	8,525,242,206.01	8.79%
Subtotal of cash outflows from investing activities	11,534,305,378.00	10,570,010,753.52	9.12%
Net cash flows from investing activities	-2,259,435,678.11	-2,044,768,547.51	-10.50%

Subtotal of cash inflows from financing activities	183,813,064.12	215,915,154.66	-14.87%
Subtotal of cash outflows from financing activities	464,554,974.82	502,603,592.68	-7.57%
Net cash flows from financing activities	-280,741,910.70	-286,688,438.02	2.07%
Net increase in cash and cash equivalents	1,379,004,588.52	1,275,945,523.83	8.08%

Explanation of why the data above varied significantly

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

III Analysis of non-core business

☐ Applicable ☒ Not applicable

IV Analysis of assets and liabilities

1. Significant changes in the asset composition

Unit: RMB

Item	December 31, 2016		December 31, 2015		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	4,272,077,211.11	22.62%	3,042,843,924.81	21.24%	1.38%	
Accounts receivable	1,465,654,497.90	7.76%	896,075,475.63	6.25%	1.51%	
Inventories	1,724,837,944.69	9.13%	745,412,967.52	5.20%	3.93%	
Investment property	64,854,903.25	0.34%	68,843,047.52	0.48%	-0.14%	
Fixed assets	970,859,291.03	5.14%	1,019,528,291.60	7.12%	-1.98%	
Short-term borrowings	183,813,064.12	0.97%			0.97%	
Other current assets	8,385,724,282.16	44.40%	5,733,188,604.23	40.01%	4.39%	
Notes receivable	1,297,609,202.29	6.87%	2,205,189,379.10	15.39%	-8.52%	

2. Assets and liabilities measured at fair value

Unit: RMB'0,000

Item	Opening balance	Profit/loss on fair value	Cumulative fair value changes	Impairment provided in	Purchased in this Reporting	Sold in this Reporting	Closing balance
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		changes in this Reporting Period	charged to equity	this Reporting Period	Period	Period	
Available-for-sale financial assets	305,267.56	-5,567.56	10,414.27		817,100.00	-527,800.00	599,414.27
Total of the above	305,267.56	-5,567.56	10,414.27		817,100.00	-527,800.00	599,414.27

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

☐ Yes ☒ No

3. Restricted asset rights as of the end of this Reporting Period

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

V Investments made

1. Total investments made

Investments made in this Reporting Period (RMB)	Investments made in the prior year (RMB)	+/-%
137,529,712.00	144,419,272.00	-4.77%

2. Significant equity investments made in this Reporting Period

☐ Applicable ☒ Not applicable

3. Significant non-equity investments ongoing in this Reporting Period

☐ Applicable ☒ Not applicable

4. Financial investments

(1) Securities investments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

(2) Investment in derivative financial instruments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

5. Use of funds raised

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

VI Sale of major assets and equity interests**1. Sale of major assets**

☐ Applicable ☒ Not applicable

2. Sale of major equity interests

☐ Applicable ☒ Not applicable

VII Main controlled and joint stock companies

Unit: RMB'0,000

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	Washing machine manufacture	USD13,552	760,473.59	253,863.58	725,996.19	37,187.64	31,798.88
Wuxi FILIN	Subsidiary	Manufacture of electronic components	USD362.4564	125,468.12	74,148.77	90,494.04	24,219.88	22,325.72

Subsidiaries obtained or disposed in this Reporting Period

☐ Applicable ☒ Not applicable

VIII Structured bodies controlled by the Company

☐ Applicable ☒ Not applicable

IX Outlook for the future development of the Company

(I) Development trends in the industry

In 2017, under the influence of uncertainty of world economy recovery, slowdown of domestic economic growth, cost increase challenging operation capability of enterprises, continuous control of real estate, exchange rate

fluctuation and anti-dumping trade protectionism, household appliance industry is facing increasing growth pressure.

2017 is the year of supply-side structural reform deepening, in which, industrial structure adjustment and consumption upgrading shall continue and industrial concentration ratio shall further increase; new-type urbanization and population structure change shall inject fresh impetus into consumption growth. As new generation consumers grow and e-commerce logistics supporting facilities in rural areas are further improved, online sales are expected to maintain high growth. The increase of residents' income and the change of consumption concept shall further drive product quality improvement and structure upgrading. The popularity of network and We Media greatly increases the participation of consumers in buying and using process, thus brand reputation construction is particularly important. As living habits and external environment change, the need for dryer shall increase in the future. The profound adjustment of global industrial pattern and re-division shall provide new space for the internationalization of Chinese household appliances enterprises. In general, the industry enters a new period of deep integration and rapid reform, the consumption upgrading trend remains evident, the internationalization process of Chinese household appliance enterprises shall speed up and industry development shall face new opportunities and challenges.

(II) Development plan of the Company



Main business thoughts in 2017: insist on the strategic principal axis of "products prevailing, efficiency driven and global operating", focus on the core main business of the washing machines and actively develop dryer business. Continue to increase R&D investment and innovation, further optimize product structure, accelerate the promotion of key market and private brand, comprehensively improve fine management level and ensure income and profit increase with multiple measures.

Based on foregoing business thoughts, following tasks shall be carried out as key points in 2017:

1. Continue to develop leading ability of products and

vigorously promote quality engineering

Continue to increase R&D investment, break conventional thinking, actively carry out innovation and differentiation reform; adapt to the requirement of times, enhance consumers' pain point-based user research, build big data-based scientific evaluation system, discover the real demand of users, create hot selling products; conduct product development in strict accordance with CDOC innovation method, continue to simplify product model; strengthen R&D system management, continue to increase R&D investment, update technology roadmap in rolling way, develop the future product competitiveness; align with world first-class brands, continue to promote technical standards for products, vigorously promote quality engineering strategy and continue to create quality products and shape quality culture.

2. Firmly carry out efficiency driving and comprehensively improve fine management level

Drive the promotion of whole value chain and continue to improve company operation quality by taking fine management as the direction and method. For the R&D part, continue to build global product platform, accelerate the transformation of advanced technical achievements and promote the manufacturability level of products. For the manufacturing part, systematically plan energy production investment, promote the effective ground operation of MBS system and build more agile and flexible platform. For the marketing part, further remove intermediate links, accelerate the transformation from agent to operator; continue to carry forward inventory share, promote channel efficiency and improve sales structure. For the supply part, continue to optimize supply layout and promote exclusive supply clearance and further promote supply efficiency and resources guarantee ability.

3. Develop global operation and actively explore overseas localized layout

Increase the promotion strength of private brand, fully participate in market operation through team dispatching and channel sharing, promote rapid development of private brand; actively conduct cooperation with Toshiba brand, continuously expand market area and promote global competitiveness of the Company; further focus on strategy market, break through key market, exploit potential market, and meanwhile rapidly clear up blank market, continuously optimize global market layout of the Company; actively explore overseas localized operation layout in order to meet the development demand of global operation strategy.

(III) Key capital expenditure plan for the near future

To actively adapt to industry environment change and satisfy the future development demand of the Company, the investment focus of the Company in 2017 shall be put on R&D and innovation, quality improvement, intelligent manufacturing, structural capacity expansion, brand construction, e-commerce and dryer business development

and IT information system improvement etc. and meanwhile the Company shall actively explore overseas localized operation 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 recovery, slowdown of domestic economic growth, continuous control of real estate and turbulence of political and economical structure, consumption market recession may continue and the industry may face the risk of insufficient growth power.

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

3. Cost risk. Labor cost continues to rise, new overloading regulations lead to increased logistics cost. If the price of raw materials continues to rise in 2017, cost pressure of the Company shall further increase to directly affect the profitability of the Company.

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.

X Visits paid to the Company for purposes of research, communication, interview, etc.

1. In this Reporting Period

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
01/22/2016	One-on-one meeting	Institution	The Sheet of Interactions with Investors Dated 01/22/2016 (No. 2016-01) on www.cninfo.com.cn
03/15/2016	Ditto	Ditto	The Sheet of Interactions with Investors Dated 03/15/2016 (No. 2016-02) on www.cninfo.com.cn
05/12/2016	Ditto	Ditto	The Sheet of Interactions with Investors Dated 05/12/2016 (No. 2016-03) on www.cninfo.com.cn

07/05/2016-07/06/2016 6	Ditto	Ditto	The Sheet of Interactions with Investors for 07/05/2016-07/06/2016 (No. 2016-04) on www.cninfo.com.cn
08/10/2016-08/17/2016 6	Ditto	Ditto	The Sheet of Interactions with Investors for 08/10/2016-08/17/2016 (No. 2016-05) on www.cninfo.com.cn
09/22/2016-09/28/2016 6	Ditto	Ditto	The Sheet of Interactions with Investors for 09/22/2016-09/28/2016 (No. 2016-06) on www.cninfo.com.cn
11/30/2016-12/22/2016 6	Ditto	Ditto	The Sheet of Interactions with Investors for 11/30/2016-12/22/2016 (No. 2016-07) on www.cninfo.com.cn
Times of visit			19
Number of visiting institutions			74
Number of visiting individuals			89
Number of other visitors			0
Significant undisclosed information disclosed, revealed or leaked			None

Section V Significant Events

I Profit distribution and converting capital reserve into share capital for common shareholders

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

2016 profit distribution proposal: Based on the total 632,487,764 shares of the Company as of December 31, 2016, it is proposed that a cash dividend of RMB7.5 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company and that no capital reserve should be converted into share capital. The said proposal has been reviewed and approved by the Board of Directors and is to be submitted to the Shareholders' Meeting for final approval.

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

2014 profit distribution plan: Based on the total 632,487,764 shares of the Company as of December 31, 2014, a cash dividend of RMB4.5 (tax inclusive) per 10 shares would be distributed to all shareholders of the Company and no capital reserve would be converted into share capital. The said plan has been carried out in June 2015.

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

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the Company in the consolidated statements for the year	Proportion in net profit attributable to common shareholders of the Company in the consolidated statements for the year (%)	Cash dividends in other forms	Ratio of cash dividends in other forms
2016	474,365,823.00	1,175,054,922.85	40.37%	0.00	0.00%
2015	379,492,658.40	919,181,968.58	41.29%	0.00	0.00%
2014	284,619,493.80	698,195,731.48	40.77%	0.00	0.00%

Indicate by tick mark whether the Company made profit in this Reporting Period and the profit distributable to common shareholders of the Company was positive, but it did not put forward a proposal for cash dividend distribution to its common shareholders

☐ Applicable ☒ Not applicable

II Proposal for profit distribution and converting capital reserve into share capital for this Reporting Period

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	7.50
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	632,487,764
Total cash dividends (RMB) (tax included)	474,365,823.00
Distributable profit (RMB)	2,608,364,062.12
Percentage of cash dividends in the total profit to be distributed (%)	100.00%
Cash dividend policy	
Other	
Details about the proposal for profit distribution and converting capital reserve into share capital	
<p>Pursuant to the Auditor's Report issued by PricewaterhouseCoopers Zhong Tian LLP, the Company realized a net profit of RMB763,741,936.87 for 2016. Adding that figure to the undistributed profit at the beginning of the year of RMB2,224,114,783.65, the distributable profit will come out at RMB2,987,856,720.52. Deducting the dividends of RMB379,492,658.40 for 2015, which were distributed during this Reporting Period, the distributable profit at the end of this Reporting Period will come out at RMB2,608,364,062.12.</p> <p>2016 profit distribution proposal: Based on the total 632,487,764 shares of the Company as of December 31, 2016, it is proposed that a cash dividend of RMB7.50 (tax inclusive) per 10 shares should be distributed to all shareholders of the Company, totaling RMB474,365,823.00 (the rest of the undistributed profit to be carried forward for future distribution); and that no capital reserve should be converted into share capital, nor should any bonus shares be granted.</p>	

III Fulfillment of commitments

1. Commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers, fulfilled in this Reporting Period or ongoing at the period-end

Commitment	Commitment maker	Contents	Date of commitment making	Period of commitment	Fulfillment
Commitments made in share reform	Controlling shareholder	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	02/28/2008	Long-standing	In execution

		selling through the Company two trading days before its first reduction of holdings.			
Commitments made in acquisition documents or shareholding alteration documents	Controlling shareholder and actual controller	1. As for the commitment of avoiding horizontal competition, Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises neither recently nor in the future will engage in any production or operation activity the same as or similar to the recently main business of Little Swan or its controlled enterprises, as well as will neither engage in nor participate in any competitive business the same as the recently main business of Little Swan or its controlled enterprises through controlling other economic entities, institutions, economic organizations. If Little Swan and its controlled enterprises further developed its scope of the operation business on the basis of the recently business, and if the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises had executed production of that, would solve the corresponding horizontal competition problems within the reasonable period. If recently there was no any production or operation, would not engage in the similar new business that competed with Little Swan and its controlled enterprises. If there was any situation violated the above commitments, the profits gained from the business related to operation were belongs to Little Swan.	12/01/2010, 06/06/2014	Long-standing	In execution
	Controlling shareholder and actual controller	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	12/01/2010, 06/06/2014	Long-standing	In execution

		make advantage of the related-party transactions for illegally transferring the assets and profits of Little Swan, as well as not to make advantage of the related-party transactions for harming to the interests of Little Swan and the shareholders; would not require Little Swan to offer any more favorable condition compared with that offered to the independent third party in any fair trade market transaction; execute the voting debarb obligation when involved in the voting of the related events of the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises. If Midea Group and Mr. He Xiangjian violated the above commitments and promises that led to the harm for the equity of Little Swan or other shareholders, Midea Group and Mr. He Xiangjian should take the responsibility of the corresponding liability for damage.			
	Controlling shareholder and actual controller	3. As for the commitment on independence, Midea Group and the actual controller Mr. He Xiangjian has promised that, to further ensure the independent operation of Little Swan, Mr. He Xiangjian, Midea Group and its controlled other enterprises would maintain the mutual independent in terms of personnel, finance, assets, business and institutions with Little Swan according to the relevant laws and regulations as well as the normative documents.	12/01/2010, 06/06/2014	Long-standing	In execution
	Controlling shareholder	4. As for the commitment on related-party deposits and borrowings, up to April 8, 2010, the Financial Settlement Center of Midea Group had settled all internal deposits and borrowings with Hefei Midea Washing Machine Co., Ltd.; and Midea Group has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Midea Washing Machine Co., Ltd..	12/01/2010	Long-standing	In execution
	Controlling shareholder	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.	12/01/2010	Long-standing	In execution
	Controlling shareholder	6. The commitment by Midea Group on trademarks is detailed	12/01/201	The use	In

	ng sharehol der	as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, Midea Group has promised that it will make sure that Hefei Midea Washing Machine Co., Ltd. uses the “Midea” trademark in a proper manner. Hefei Midea Washing Machine Co., Ltd. will be allowed to use the “Midea” trademark with a trademark use fee not more than that paid by Midea Group (the controlling shareholder of Midea Group) and its subsidiaries (currently 3% of the annual sales income generated by products using the “Midea” trademark), and upon negotiation and signing of the “Agreement for Trademark Use”. The related-party transactions incurred due to the said use of the “Midea” trademark will be submitted to the decision-making organ of the Company for approval according to the stipulated procedure. As such, interests of the Company and its minority shareholders will be safeguarded. (2) Concerning the “Royalstar” trademark: Midea Group has signed the “Contract for Trademark Use” with Hefei Royalstar Group and obtained the ordinary use rights of the “Royalstar” (both in Chinese and English) trademark. As the transferor in the transfer transaction of equity interests of Royalstar Washing Equipment, Midea Group has promised that within the scope as agreed in the “Contract for Trademark Use”, if any dispute arises between Hefei Midea Washing Machine Co., Ltd. and Hefei Royalstar Group over the former’s execution of the “Contract for Trademark Use”, Little Swan will not be involved. If Hefei Midea Washing Machine Co., Ltd. and Little Swan have to assume any responsibility or loss due to the aforesaid dispute, Midea Group is willing to take on the responsibility instead and make compensations to Hefei Midea Washing Machine Co., Ltd. and Little Swan at full amount.	0	right of the “Royalstar ” trademark detailed in (2) expired on March 31, 2013 and was not renewed. And the other commitme nt continues.	execution
	Controlli ng sharehol der	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	12/01/201 0	Long-stan ding	In execution

		evasion or any other tax risk is found in Hefei Midea Washing Machine Co., Ltd., Midea Group is willing to assume relevant legal responsibilities and risks and pay relevant taxes in a timely manner to relevant government authorities; and if any loss thus occurs to Little Swan, Midea Group will assume the corresponding responsibility for compensation.			
	Controlling shareholder	8. The commitment by Midea Group on capital safety at the finance companies of the Company: during the validity period of the Financial Services Agreement, when Midea Group occurred emergency situation of payment difficulty at finance companies, it should adopt the effective measures such as increase the capital fund of the finance companies according to the actual needs of solving the payment difficulty to ensure the capital safety of the Company.	03/18/2015	Three years	In execution
Commitments made in time of asset restructuring					
Commitments made in time of IPO or refinancing					
Other commitments made to Minority interests					
Executed on time or not	Yes				
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A				

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

☐Applicable ☒Not applicable

IV Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes

☐Applicable ☒Not applicable

No such cases in this Reporting Period.

V Explanations given by the Board of Directors, the Supervisory Board and the independent directors (if any) regarding the “auditor’s non-standard report” issued by the CPAs firm for this Reporting Period

☐ Applicable ☒ Not applicable

VI YoY changes in accounting policies, estimations and methods

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VII Retroactive restatement due to correction of material accounting errors in this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

VIII YoY changes in the scope of the consolidated financial statements

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

IX Engagement and disengagement of CPAs firm

Current CPAs firm

Name of the domestic CPAs firm	PricewaterhouseCoopers Zhong Tian LLP
The Company’s payment for the domestic CPAs firm (RMB’0,000)	235
Consecutive years of the audit service provided by the domestic CPAs firm	2
Names of the certified public accountants from the domestic CPAs firm	Huang Meimei, Cai Xiujuan

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

During the Reporting Period, the Company hired PricewaterhouseCoopers Zhong Tian LLP as the accountant firm of internal control during Reporting Period, the total amount of the audit expenses of the Financial Report the external audit expenses paid for PricewaterhouseCoopers Zhong Tian LLP was RMB2.35 million. During the

Reporting Period, Huatai United Securities Co., Ltd. was as continuous supervision sponsor institution of the equity division reform of the Company that continued to carry out the supervision responsibility of the Reporting Period.

X Possibility of listing suspension or termination after disclosure of this Report

☐ Applicable ☒ Not applicable

XI Bankruptcy and restructuring

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XII Significant litigations and arbitrations

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XIII Punishments and rectifications

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XIV Credit conditions of the Company as well as its controlling shareholder and actual controller

☐ Applicable ☒ Not applicable

XV Implementation of any equity incentive plan, employee stock ownership plan or other incentive measures for employees

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVI Significant related-party transactions

1. Related-party transactions relevant to routine operation

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

2. Related-party transactions regarding purchase or sales of assets or equity interests

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Related-party transitions regarding joint investments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

4. Credits and liabilities with related parties

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

5. Other significant related-party transactions

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

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

At the report-end, the deposit balance of the Company at Midea Group Finance Co., Ltd. was of RMB1.974 billion, with no loans.

(2) About trademark license of related transactions

①The Company permitted GD Midea Holding Co., Ltd. and its controlled subsidiaries to use trademark of LITTLE SWAN and picture in air conditioner commodities; permitted Hubei Midea Refrigerator Co., Ltd. and its controlled subsidiaries to use to use trademark of LITTLE SWAN and picture in the refrigerators and the freezers; at the same time GD Midea Holding Co., Ltd. permitted the Company and subsidiaries of the Company to use

trademark of Midea in production, sales and ad campaign of washing machines and dryers. The aforesaid licensing contracts were all contracted with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the permitting period last from the January 1, 2014 to December 31, 2016.

(Notes: Approved by [2013] No. 1014 document of China Securities Regulatory Commission, Midea Group had made share swap absorption merger of the original controlling shareholder—GD Midea Holding Co., Ltd. on September 18, 2013, after which, Midea Group inherited and carried on the whole obligations and right such as the whole assets and liabilities of GD Midea Holding Co., Ltd. as a remainder enterprise as well as had completed the relevant share transfer registration procedures on December 31, 2013.)

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

(3) The Company held the 2015 Annual General Meeting on April 4, 2016 which reviewed and approved the Proposal on Estimating the Amount of the 2016 Daily Related Transactions.

(4) The Company held the 6th Meeting of the 8th Board of Directors on August 8, 2016, which reviewed and approved the Proposal on Adjusting the Amount of the 2016 Daily Related Transactions.

(5) The Company held the 7th Meeting of the 8th Board of Directors on October 24, 2016, which reviewed and approved the Proposal on Adjusting the Amount of the 2016 Daily Related Transactions.

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

Title of current announcement	Disclosure date	Disclosure website
Announcement about the Estimating the Amount of the 2016 Daily Related Transactions.(No. 2016-04)	03/10/2016	www.cninfo.com.cn
Announcement about the Adjusting the Amount of the 2016 Daily Related Transactions (No. 2016-17)	08/10/2016	www.cninfo.com.cn
Announcement about the Adjusting the Amount of the 2016 Daily Related Transactions (No. 2016-24)	10/25/2016	www.cninfo.com.cn

XVII Significant contracts and execution

1. Entrustment, contracting and leasing

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

(3) Leasing

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Significant guarantees

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total external guarantee line approved during this Reporting Period (A1)		0		Total actual external guarantee amount during this Reporting Period (A2)		0		
Total approved external guarantee line at the end of this Reporting Period (A3)		0		Total actual external guarantee balance at the end of this Reporting Period (A4)		0		
Guarantees between the Company and its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related

	announcement							party or not
Hefei Midea Washing Machine Co., Ltd.	03/10/2016	125,000	06/27/2016	5,999.52	Joint-liability	Half year	Yes	No
Ditto	Ditto	125,000	08/29/2016	3,959.34	Ditto	Ditto	No	No
Ditto	Ditto	125,000	11/25/2016	9,683.85	Ditto	Ditto	No	No
Ditto	Ditto	125,000	12/26/2016	5,671.14	Ditto	Ditto	No	No
Total guarantee line for subsidiaries approved during this Reporting Period (B1)		125,000		Total actual guarantee amount for subsidiaries during this Reporting Period (B2)		25,313.85		
Total approved guarantee line for subsidiaries at the end of this Reporting Period (B3)		125,000		Total actual guarantee balance for subsidiaries at the end of this Reporting Period (B4)		19,314.33		
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total guarantee line for subsidiaries approved during this Reporting Period (C1)		0		Total actual guarantee amount for subsidiaries during this Reporting Period (C2)		0		
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)		0		Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)		0		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (A1+B1+C1)		125,000		Total actual guarantee amount during this Reporting Period (A2+B2+C2)		25,313.85		
Total approved guarantee line at the end of this Reporting Period (A3+B3+C3)		125,000		Total actual guarantee balance at the end of this Reporting Period (A4+B4+C4)		19,314.33		
Proportion of the total actual guarantee amount (A4+B4+C4) in net				3.23%				

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

(2) Illegal provision of guarantees for external parties

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Entrusted cash management

(1) Entrusted asset management

Unit: RMB'0,000

Name of trustee	Whether it is a related-party transaction	Product type	Value of entrusted assets	Commencement date	Termination date	Method of remuneration	Actual principal amount recovered for this Reporting Period	Amount provided for impairment (if applicable)	Projected income	Actual profit and loss amount for this Reporting Period	Actually received/paid profit/loss amount for this Reporting Period
Bank	No	Bank's wealth management product	817,100	01/01/2016	12/31/2016	Floating interest rate with the highest annualized return subject to contract	537,800	0	20,024	20,024	20,024
Total			817,100	--	--	--	537,800	0	20,024	20,024	--

Source of entrusted assets	All is self-owned capital of the Company. The amount of wealth management entrustment was the cumulative amount, the capital amount used for wealth management entrustment was no more than RMB6 billion and repeated use was allowed within the line.
Cumulative amount of principal and revenue overdue	0
Litigation involved (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the asset management entrustment (if any)	03/10/2016
Disclosure date of the announcement about the consent of the shareholders' meeting for the asset management entrustment (if any)	04/08/2016
Any plan for asset management entrustment in the future	On March 7, 2017, the Company held the 9th Meeting of the 8th Board of Directors, the Meeting reviewed and approved the Proposal on the Self-own Idle Fund Entrusting Wealth Management in 2017, the Board of Directors agree to put the self-owned idle funds no more than RMB6 billion into wealth management entrustment, the aforesaid amount can be and used for investing short-term low-risk investment products on a rolling basis. The said proposal is still awaiting final approval of a shareholders' meeting.

Note: Gains from the undue entrusted asset management in 2016 were RMB50 million (see "Note 29 Other comprehensive income" under "Section IX Financial Report" for more details), and the actual gains and undue gains combined reached RMB250 million for the year.

(2) Entrusted loans

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

4. Other significant contracts

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XVIII Social responsibilities

1. Targeted measures taken to help people lift themselves out of poverty

☐ Applicable ☒ Not applicable

2. Other social responsibilities taken

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

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



(II) Offering generous returns to shareholders. The Company constructed a more perfect corporate governance structure and formulated a corresponding management system for ensure the shareholders to fully enjoy each legal interests stipulated by the laws and regulations. In line with the stipulation of the Articles of Association, the Company realized the allocable profit positive, and there were no significant investment plan or significant cash expenditure events (excluding raise funds investment events). Any within three consecutive years, the Company allocated the profits in cash accumulatively no less than 30% of the average distributive profits realized in recent three years. When allocating profits, the Cash bonus should take the

minimum proportion of 20% in the profits allocation. The Company attached great importance to the retribution and had been executing the cash dividends for recent years.

(III) 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.

(IV) 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.

(V) 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.

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

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

☐ Yes ☒ No

Indicate by tick mark whether a social responsibility report is released

☐ Yes ☒ No

XIX Other significant events

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

XX Significant events of subsidiaries

In this Reporting Period, the Company and General Appliance (China) Co., Ltd. signed an equity transfer agreement, with the latter transferring its 30% stake in Wuxi Little Swan General Appliance Co., Ltd. to the Company for USD10 million. Up to the end of this Reporting Period, the transfer had been concluded and Wuxi Little Swan General Appliance Co., Ltd. has thus become a wholly-owned subsidiary of the Company.

Section VI Share Changes and Shareholders' Profile

I Share changes

1. Share changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	3,711,190	0.59%				-794,470	-794,470	2,916,720	0.46%
1.1 Shares held by other domestic investors	3,711,190	0.59%				-794,470	-794,470	2,916,720	0.46%
Among which: Shares held by domestic corporations	3,686,890	0.58%				-770,170	-770,170	2,916,720	0.46%
Shares held by domestic individuals	24,300	0.01%				-24,300	-24,300		
2. Non-restricted shares	628,776,574	99.41%				794,470	794,470	629,571,044	99.54%
2.1 RMB common shares	437,740,702	69.21%				794,470	794,470	438,535,172	69.34%
2.2 Domestically listed foreign shares	191,035,872	30.20%						191,035,872	30.20%
3. Total shares	632,487,764	100.00%						632,487,764	100.00%

Reasons for the share changes

- Reasons for changes in holdings of domestic individuals: The former Deputy GM Mao Zhiliang purchased 24,300 shares of the Company on May 28, 2015, and left his post on August 26, 2015. In line with the stipulation No. 141 of Corporation Law, the Company's directors, supervisors and senior executives cannot transfer their holdings in the Company within six months after demission. Now that it has been over half a year since Mr. Mao left the Company, his holding of 24,300 shares has been released from lock-up.
- Reasons for changes in holdings of domestic corporations: see the Indicative Announcement on Share Unlocking disclosed by the Company dated September 12, 2016 and October 25, 2016 for details.

Approval of share changes

☐ Applicable ☒ Not applicable

Transfer of share ownership

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in this Reporting Period	Increased in this Reporting Period	Closing restricted shares	Reason for unlocking	Date of unlocking
Mao Zhiliang	24,300	24,300	0	0	Mr. Mao Zhiliang is the former vice general manager of the Company. He leaves office on August 26, 2015. As per Article 141 of the Company Law, directors, supervisors and senior management of the Company shall not transfer their shares in the Company within half a year after they leave.	February 26, 2016
Anhui Huayu Cable Group Co., Ltd.	0	27,800	0	0	On August 22, 2016, as per the (2016) L 0211 ZH No. 1184 Verdict issued by Dalian Ganjingzi District People's Court, 27,800 restricted corporate shares under Dongbei Special Steel Group Co., Ltd. were transferred to Anhui Huayu Cable Group Co., Ltd.	September 13, 2016
Dalian Dongya Switch Factory	0	46,958	0	0	On August 19, 2016, as per the (2016) L 0211 ZH No. 2246, 1005 and 1304 verdicts issued by Dalian Ganjingzi District People's Court, 46,958 restricted corporate shares under Dongbei Special Steel Group Co., Ltd. were transferred to Dalian Dongya Switch Factory; 195,484 restricted corporate shares under DONGBEI SPECIAL STEEL GROUP CO., LTD. were transferred to Dongfang Environmental Engineering Design Institute Co., Ltd.; 374,320 restricted corporate	September 13, 2016
Dongfang Environmental Engineering Design Institute Co., Ltd.	0	195,484	0	0		

Shanghai Heavy Machine Plant Co., Ltd.	0	374,320	0	0	shares under Dongbei Special Steel Group Co., Ltd. were transferred to Shanghai Heavy Machine Plant Co., Ltd.	
Ningbo Tianan (Group) Co., Ltd.	0	26,356	0	0	On September 19, 2016, as per the (2016) L 0211 ZH No. 71, 1275 and 2419 verdicts issued by Dalian Ganjingzi District People's Court, 26,356 restricted corporate shares under Dongbei Special Steel Group Co., Ltd. were transferred to Ningbo Tianan (Group) Co., Ltd.; 86,787 restricted corporate shares under DONGBEI SPECIAL STEEL GROUP CO., LTD. were transferred to Luyang Energy-saving Materials Co., Ltd; 12,465 restricted corporate shares under Dongbei Special Steel Group Co., Ltd. were transferred to Jiangyin Pengjin Machinery Co., Ltd.	October 26, 2016
Luyang Energy-saving Materials Co., Ltd	0	86,787	0	0		
Jiangyin Pengjin Machinery Co., Ltd.	0	12,465	0	0		
Total	24,300	794,470	0	0	--	--

II Issuance and listing of securities

1. Securities (excluding preference shares) issued in this Reporting Period

☐ Applicable ☒ Not applicable

2. Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

☐ Applicable ☒ Not applicable

3. Existing staff-held shares

☐ Applicable ☒ Not applicable

III Shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end	18,394	Total number of common shareholders at the prior month-end before the	16,226	Total number of preference shareholders with resumed voting rights at the	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the	0
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		disclosure of this Report		period-end (if any)		disclosure of this Report (if any)		
5% or greater shareholders or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during this Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
MIDEA GROUP CO., LTD.	Domestic non-state-owned corporation	37.78%	238,948,117	0		238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.	Foreign corporation	14.89%	94,204,942	0		94,204,942		
GAOLING FUND,L.P.	Foreign corporation	3.43%	21,694,456	0		21,694,456		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	Domestic non-state-owned corporation	3.29%	20,798,894	19,198,855		20,798,894		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign corporation	2.82%	17,846,794	5,853,413		17,846,794		
FINANCE BUREAU OF WUXI	State-owned corporation	2.70%	17,054,071	0		17,054,071		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	Domestic non-state-owned corporation	2.29%	14,453,887	5,892,564		14,453,887		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned corporation	1.61%	10,156,300	0		10,156,300		
BILL & MELINDA GATES FOUNDATION TRUST	Foreign corporation	1.03%	6,537,874	6,537,874		6,537,874		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA —CHINA UNIVERSAL GROWTH FOCUS MIXED SECURITIES INVESTMENT FUND	Domestic non-state-owned corporation	0.95%	6,000,041	3,994,864		6,000,041		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)		N/A						
Related or acting-in-concert parties among the shareholders above		Midea Group and TITONI Investments Development Ltd. are parties acting in concert.						
Shareholdings of the top ten non-restricted shareholders								

Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Number
MIDEA GROUP CO., LTD.	238,948,117	RMB ordinary share	
TITONI INVESTMENTS DEVELOPMENT LTD.	94,204,942	Domestically listed foreign share	
GAOLING FUND,L.P.	21,694,456	Domestically listed foreign share	
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	20,798,894	RMB ordinary share	
GREENWOODS CHINA ALPHA MASTER FUND	17,846,794	Domestically listed foreign share	
FINANCE BUREAU OF WUXI	17,054,071	RMB ordinary share	
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	14,453,887	RMB ordinary share	
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	10,156,300	RMB ordinary share	
BILL & MELINDA GATES FOUNDATION TRUST	6,537,874	RMB ordinary share	
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – CHINA UNIVERSAL GROWTH FOCUS MIXED SECURITIES INVESTMENT FUND	6,000,041	RMB ordinary share	
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	Midea Group and TITONI Investments Development Ltd. are parties acting in concert.		
Top ten common shareholders conducting securities margin trading (if any) (see Note 4)	N/A		

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

☐ Yea ☒ No

No such cases in this Reporting Period.

2. Information about the controlling shareholder

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

Change of the controlling shareholder during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

3. Information about the actual controller

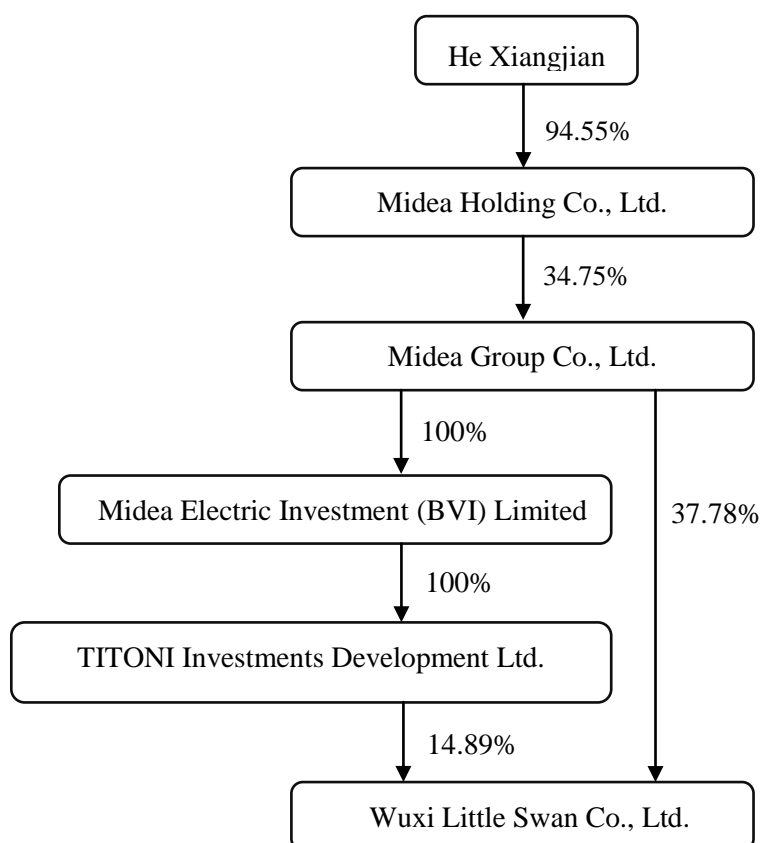
Name of actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Chinese	No
Main occupation and duty	Current board chairman of Midea Holding and former board chairman of Midea Group	
Used-to-be-holding listed companies home and abroad in the last ten years	Midea Group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

Change of the actual controller during this Reporting Period

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



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

☐ Applicable ☒ Not applicable

4. 10% or greater corporate shareholders

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

5. Limited shareholding decrease by the Company's controlling shareholder, actual controller, reorganizer and other commitment makers

☒ Applicable ☐ Not applicable

See "Fulfillment of commitments" in "Section V Significant Events" for details.

Section VII Preference Shares

☐ Applicable ☒ Not applicable

No preference shares in this Reporting Period.

Section VIII Directors, Supervisors, Executive Officers and Staff

I Changes in shareholdings of directors, supervisors and executive officers

Name	Office title	Incumbent/former	Gender	Age	Starting date of tenure	Ending date of tenure	Opening shareholding (share)	Increase in this Report Period (share)	Decrease in this Report Period (share)	Other increase/decrease (share)	Closing shareholding (share)
Fang Hongbo	Chairman of the Board	Incumbent	Male	49	05/09/2008	08/25/2018	0	0	0		0
Lu Jianfeng	General Manager	Incumbent	Male	43	12/14/2016	08/25/2018	0	0	0		0
Xiao Mingguang	Director	Incumbent	Male	46	01/12/2010	08/25/2018	0	0	0		0
Zhou Sixiu	Board Secretary	Incumbent	Female	43	01/10/2007	08/25/2018	0	0	0		0
	Director	Incumbent	Female	43	08/21/2012	08/25/2018	0	0	0		0
Sun Yunan	CFO	Incumbent	Male	38	11/24/2014	08/25/2018	0	0	0		0
	Director	Incumbent	Male	38	08/26/2015	08/25/2018	0	0	0		0
Jiang Qingyun	Independent director	Incumbent	Male	52	08/22/2014	08/25/2018	0	0	0		0
Tao Xiangnan	Independent director	Incumbent	Male	50	04/20/2015	08/25/2018	0	0	0		0
Zhu Heping	Independent director	Incumbent	Male	52	08/26/2015	08/25/2018	0	0	0		0
Liang Pengfei	Supervisory Board Chairman	Incumbent	Male	39	08/22/2014	08/25/2018	0	0	0		0
Wang Shouhu	Supervisor	Incumbent	Male	35	08/22/2014	08/25/2018	0	0	0		0
Xu	Staff	Incumbent	Male	47	08/05/2014	08/25/2018	0	0	0		0

Pengchen g	representative supervisor	nt									
Yin Bitong	General Manager	Former	Male	48	08/02/2013	12/14/2016	0	0	0		0
	Director	Former	Male	48	08/27/2013	12/14/2016	0	0	0		0
Zhang Zhaofeng	Director	Former	Male	41	11/02/2012	03/06/2017	0	0	0		0
Total	--	--	--	--	--	--	0	0	0		0

II Changes in directors, supervisors and executive officers

Name	Office title	Type of change	Date	Reason
Yin Bitong	Director & General Manager	Outgoing	12/14/2016	Job change
Zhang Zhaofeng	Director	Outgoing	03/06/2017	Job change

III Brief biographies

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

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

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

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

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

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

(6) Jiang Qingyun, was born in Jun. 1964, doctor degree. He now serves as Independent Director of the Company, Marketing Director of School of Management Fudan University. He ever acted as Associate Professor and Deputy Dean of East China University of Science and Technology School of Business, Associate professor and Deputy Market Director of School of Management of Fudan University, etc.

(7) Tao Xiangnan was born in Jan. 1966, doctor degree. He now serves as Independent Director of the Company, Associate Professor of Nanjing University Business School, Adjunct Associate Professor of MUST and Independent Director of Shenzhen Maida Digital Co., Ltd.

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

(9) Liang Pengfei was born in Aug. 1977, bachelor. He now serves as Chairman of the Board of Supervisor, Director of Operating and Human Resources. He ever acted as Manager of Marketing Center Compressor Dept., Manager of Supply Chain Management Dept. Minister of Manufacturing Management Dept. and Director of Operating management of Midea Group etc.

(10) Wang Shouhu, was born in Sep. 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.

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

Posts concurrently held in shareholding entities

☒Applicable ☐Not applicable

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

Posts held concurrently in other entities

☒Applicable ☐Not applicable

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

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

☐ Applicable ☒ Not applicable

IV Remuneration of directors, supervisors and executive officers

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

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

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

(3) Actual payment for the remuneration of directors, supervisors and senior management: The basic salary of

directors, supervisors and senior management receiving remuneration from the Company is paid monthly; the allowance for independent directors is paid quarterly.

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Chairman of the Board	Male	49	Incumbent		Yes
Lu Jianfeng	General Manager	Male	43	Incumbent		Yes
Xiao Mingguang	Director	Male	46	Incumbent		Yes
Zhou Sixiu	Director, Board Secretary	Female	43	Incumbent	131.04	
Sun Yunan	Director, CFO	Male	38	Incumbent	136.03	
Jiang Qingyun	Independent director	Male	52	Incumbent	10.00	
Tao Xiangnan	Independent director	Male	50	Incumbent	10.00	
Zhu Heping	Independent director	Male	52	Incumbent	10.00	
Liang Pengfei	Supervisory Board Chairman	Male	39	Incumbent	148.84	
Wang Shouhu	Supervisor	Male	35	Incumbent	49.99	
Xu Pengcheng	Staff representative supervisor	Male	47	Incumbent	361.42	
Yin Bitong	Director, GM	Male	48	Former	347.70	
Zhang Zhaofeng	Director	Male	41	Former		Yes
Total	--	--	--	--	1,205.02	--

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

☐ Applicable ☒ Not applicable

V Employees

1. Number, functions and educational backgrounds of employees

Number of in-service employees of the Company	4,400
Number of in-service employees of main subsidiaries	3,286
Total number of in-service employees	7,686

Total number of employees with remuneration in this Reporting Period	8,580
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	428
Functions	
Function	Number of employees
Production	5,614
Sales	798
Technical	965
Financial	161
Administrative	148
Total	7,686
Educational backgrounds	
Educational background	Number of employees
Master and above	195
Bachelor	1,561
College, technical secondary school	3,932
Middle school and below	1,998
Total	7,686

2. Employee remuneration policy

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

3. Employee training plans

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

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX Corporate Governance

I Basic situation of corporate governance

The Company continuously perfected its corporate governance; promote the improvement of its operation and formulate the corresponding internal control system, prevented and controlled risks and safeguarded the legitimate rights and interests of the Company and the shareholders in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law issued by CSRC. The actual situation of the Company's corporate governance is in accordance with the requirements of Administrative Rule for Listed Companies issued by CSRC. For better governance, the Company has formulated the Rules of Procedure for the Board of Directors, the Supervisory Board, shareholders' meetings and the specialized committees under the Board of Directors, as well as the Disclosure of Information Management System, Raise Money Management System, Related Transaction Management System, Information Source Insider Registration Management System, Internal Report System for the Major Issues, System of Accountability for Management, the Preliminary Plan Regarding Risk Handling in Financial Services (Accepting Deposits and Lending) Provided by Midea Group Finance Co., Ltd, etc. During the Reporting Period, according to applicable laws and regulations and the need arising from its actual operations, the Company held the 4th Meeting of the 8th Board of Directors on March 8, 2016, at which the Internal Control Rules for Entrusted Asset Management has been revised, further improving its corporate governance mechanism.

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

During this Reporting Period, the Company was granted the "Top 20 Main Board Listed Companies in Value"

Award and the “Top 10 Management Teams of Main Board Listed Companies” Award in the 10th China Listed Company Value Awards hosted by Securities Times and the New Fortune magazine, as well as co-hosted by Jiangsu Financial Work Office, the Jiangsu CSRC and the Yangzhou municipal government. Looking forward, the Company will continue to improve its ability of sustainable development and governance capability.

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

☐ Yes ☒ No

No such cases in this Reporting Period.

II Independence of businesses, personnel, asset, organizations and finance which are separate from the controlling shareholder

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

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

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

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

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

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

III Horizontal competition

☐ Applicable ☒ Not applicable

IV Annual and special meetings of shareholders convened during this Reporting Period

1. Meetings of shareholders convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2016 Annual Meeting of Shareholders	Annual	58.21%	04/07/2016	04/08/2016	Announcement No. 2016-12 disclosed on www.cninfo.com.cn
The First Special Meeting of Shareholders in 2016	Special	5.55%	11/16/2016	11/17/2016	Announcement No. 2016-28 disclosed on www.cninfo.com.cn

2. Special meetings of shareholders convened at the request of preference shareholders with resumed voting rights

☐ Applicable ☒ Not applicable

V Performance of independent directors in this Reporting Period

1. Attendance of independent directors in board meetings and meetings of shareholders

Attendance of independent directors in board meetings						
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Jiang Qingyun	5	1	4	0	0	No
Tao Xiangnan	5	1	4	0	0	No
Zhu Heping	5	1	4	0	0	No
Attendance of independent directors in meetings of shareholders as non-voting delegates (times)	1					

2. Objections raised by independent directors on issues of the Company

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

☐ Yes ☒ No

No such cases in this Reporting Period.

3. Other details about the performance of duties by independent directors

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

√ Yes ☐ No

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

VI Performance of duties by specialized committees under the Board during this Reporting Period

During the Reporting Period, the performance of the specialized committees under the Board was as follows:

- 1.The Audit Committee under the Board convened four meetings, at which reviewed and approved the Annual Financial Statement Report 2015, Annual Report and Its Abstract 2015, Summary Report of the Audit Committee on the 2015 Annual Audit Work, Proposal on Engaging the Audit Firm for 2016, First Quarter Report 2016, Semi-annual Report 2016 and Third Quarter Report 2016.
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 (2016-2018);
- 3.The Remuneration and Appraisal Committee under the Board convened one meeting, at which reviewed and approved the Proposal on Paying the 2015 Annual Remuneration to the Senior Management;
4. The Nomination Committee under the Board convened one meeting, at which reviewed and approved the Proposal on Appointment of GM of the Company.

VII Performance of duties by the Supervisory Board

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

☐ Yes √ No

The Supervisory Board raised no objections in this Reporting Period.

VIII Appraisal and incentive for executive officers

The selection, appraisal and incentive system of the executive officers of the Company were implemented according to relevant regulations of the Company Law and the Articles of Association of the Company. The

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

IX Internal control

1. Serious internal control defects found in this Reporting Period

☐ Yes ☒ No

2. Internal control self-evaluation report

Disclosure date of the internal control self-evaluation report	03/09/2017	
Index to the disclosed internal control self-evaluation report	For details about the Internal Control Self-Evaluation Report 2016, see www.cninfo.com.cn , the website designated by the Shenzhen Stock Exchange for information disclosure.	
Total assets of the evaluated entities as a percentage in the consolidated total assets	100.00%	
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues	100.00%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2016 disclosed on www.cninfo.com.cn dated March 9, 2017.	For details, please refer to “(III) Basis for internal control appraisal and identification standards for internal control defects” in Section III of the Internal Control Self-Evaluation Report 2016 disclosed on www.cninfo.com.cn dated March 9, 2017.
Quantitative standard	Ditto	Ditto
Number of serious financial-report-related defects	0	
Number of serious non-financial-report-related defects	0	

Number of important financial-report-related defects	0
Number of important non-financial-report-related defects	0

X Auditor's report on internal control

Opinion paragraph in the auditor's report on internal control	
The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on December 31, 2016 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	03/09/2017
Index to the disclosed auditor's report on internal control	For details about the Auditor's Report on Internal Control 2016, see www.cninfo.com.cn , the website designated by the Shenzhen Stock Exchange for information disclosure.
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

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

☐ Yes ☒ No

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

☒ Yes ☐ No

Section X Corporate Bonds

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

☐ Yes ☒ No

Section XI Financial Report

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Auditor's Report

PwC ZT Shen Zi (2017) No. 10036

(Page 1 of 2)

To the shareholders of Wuxi Little Swan Co., Ltd.,

We have audited the accompanying financial statements of Wuxi Little Swan Co., Ltd. (hereinafter “the Company”), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company statements of changes in shareholder's equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

7 March 2017

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	31 December 2016 Consolidated	31 December 2015 Consolidated
Current Assets:		
Cash at bank and in hand	4,272,077,211.11	3,042,843,924.81
Notes receivable	1,297,609,202.29	2,205,189,379.10
Accounts receivable	1,465,654,497.90	896,075,475.63
Advances to suppliers	131,513,792.18	97,628,578.17
Interests receivable	26,755,807.07	22,932,602.74
Other receivables	23,693,886.54	9,208,180.08
Inventories	1,724,837,944.69	745,412,967.52
Other current assets	8,385,724,282.16	5,733,188,604.23
Total current assets	17,327,866,623.94	12,752,479,712.28
Non-current assets:		
Available-for-sale financial assets	200,000.00	200,000.00
Investment properties	64,854,903.25	68,843,047.52
Fixed assets	970,859,291.03	1,019,528,291.60
Intangible assets	192,283,486.15	197,521,625.03
Long-term prepaid expenses	4,387,728.14	4,238,244.38
Deferred tax assets	299,879,029.23	251,881,220.89
Other non-current assets	25,655,775.90	32,963,224.90
Total non-current assets	1,558,120,213.70	1,575,175,654.32
Total assets	18,885,986,837.64	14,327,655,366.60

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED BALANCE SHEET (Continued)

AS AT 31 DECEMBER 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	31 December 2016 Consolidated	31 December 2015 Consolidated
Current liabilities:		
Short-term borrowings	183,813,064.12	-
Notes payable	2,620,549,815.47	1,953,065,274.06
Accounts payable	3,335,089,672.06	2,419,807,341.95
Advances from customers	3,014,347,762.24	1,652,908,781.44
Employee benefits payable	288,592,163.29	248,280,716.92
Taxes payable	412,238,029.96	325,108,227.91
Dividends payable	7,150,684.06	5,400,652.06
Other payables	199,926,402.04	171,807,137.94
Other current liabilities	1,844,413,154.26	1,521,734,293.24
Total current liabilities	11,906,120,747.50	8,298,112,425.52
Non-current liabilities:		
Long-term employee benefits payable	16,101,348.60	28,439,299.25
Provisions	1,727,340.89	9,981,021.44
Deferred income	2,942,333.25	3,395,533.29
Total non-current liabilities	20,771,022.74	41,815,853.98
Total liabilities	11,926,891,770.24	8,339,928,279.50
Owners' equity:		
Share capital	632,487,764.00	632,487,764.00
Capital surplus	1,191,490,133.01	1,164,014,947.85
Other comprehensive income	70,757,524.61	34,813,284.64
Surplus reserve	332,594,722.29	332,594,722.29
Retained earnings	3,756,517,718.81	2,960,955,454.36
Equity attributable to the owners of the Company	5,983,847,862.72	5,124,866,173.14
Minority interests	975,247,204.68	862,860,913.96
Total owners' equity	6,959,095,067.40	5,987,727,087.10
Total liabilities and owners' equity	18,885,986,837.64	14,327,655,366.60

WUXI LITTLE SWAN CO., LTD.

BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	31 December 2016 Company	31 December 2015 Company
Current Assets:		
Cash at bank and in hand	2,397,428,457.92	2,092,430,579.63
Notes receivable	1,088,559,252.21	1,410,210,597.47
Accounts receivable	2,310,254,576.98	1,183,394,794.67
Advances to suppliers	89,477,823.29	98,437,350.05
Interests receivable	18,798,031.69	18,918,219.18
Other receivables	16,176,106.89	6,351,010.17
Inventories	1,068,494,123.28	482,807,868.13
Other current assets	4,965,682,855.69	3,178,113,808.28
Total current assets	11,954,871,227.95	8,470,664,227.58
Non-current assets:		
Available-for-sale financial assets	150,000.00	150,000.00
Long-term equity investments	1,375,785,041.57	1,306,323,041.57
Investment properties	7,546,955.16	8,040,536.02
Fixed assets	490,047,802.72	514,950,803.50
Intangible assets	92,591,167.64	95,281,467.96
Long-term prepaid expenses	1,817,228.83	3,873,799.88
Deferred tax assets	197,091,251.29	159,759,565.25
Other non-current assets	18,313,858.80	23,027,173.60
Total non-current assets	2,183,343,306.01	2,111,406,387.78
Total assets	14,138,214,533.96	10,582,070,615.36

WUXI LITTLE SWAN CO., LTD.

BALANCE SHEET OF THE COMPANY (Continued)

AS AT 31 DECEMBER 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	31 December 2016 Company	31 December 2015 Company
Current liabilities:		
Short-term borrowings	123,943,093.80	-
Notes payable	1,508,017,904.49	1,519,749,295.73
Accounts payable	3,913,090,507.89	2,038,397,769.71
Advances from customers	1,854,711,663.46	1,060,643,231.20
Employee benefits payable	216,530,836.37	184,287,498.34
Taxes payable	249,034,768.38	224,024,964.68
Dividends payable	7,150,684.06	5,400,652.06
Other payables	143,124,857.82	95,009,275.20
Other current liabilities	1,173,641,937.69	944,905,437.98
Total current liabilities	9,189,246,253.96	6,072,418,124.90
Owners' equity:		
Share capital	632,487,764.00	632,487,764.00
Capital surplus	1,350,656,531.65	1,319,496,538.02
Other comprehensive income	37,515,343.84	13,608,826.40
Surplus reserve	319,944,578.39	319,944,578.39
Retained earnings	2,608,364,062.12	2,224,114,783.65
Total owners' equity	4,948,968,280.00	4,509,652,490.46
Total liabilities and owners' equity	14,138,214,533.96	10,582,070,615.36

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Item	2016 Consolidated	2015 Consolidated
Revenues	16,334,914,501.69	13,131,626,932.44
Less: Cost of sales	-12,111,213,286.28	-9,646,390,824.36
Taxes and surcharges	-99,204,438.58	-66,761,675.48
Selling and distribution expenses	-2,325,645,712.65	-1,957,833,768.25
General and administrative expenses	-505,321,107.14	-539,747,209.80
Finance income – net	154,825,748.21	110,112,851.91
Asset impairment losses	-94,569,651.27	-22,451,935.85
Add: Investment income	200,239,260.71	201,749,610.84
Including: share of profits in an associate	-	263,002.04
Operating profit	1,554,025,314.69	1,210,303,981.45
Add: Non-operating income	38,975,400.74	63,387,660.89
Including: Gains on disposal of non-current assets	1,008,085.77	444,371.81
Less: Non-operating expenses	-8,573,686.44	-48,270,024.41
Including: Losses on disposal of non-current assets	-2,841,820.22	-724,567.38
Total profit	1,584,427,028.99	1,225,421,617.93
Less: Income tax expenses	-241,651,767.11	-172,296,831.78
Net profit	1,342,775,261.88	1,053,124,786.15
Attributable to owners of the Company	1,175,054,922.85	919,181,968.58
Minority interests	167,720,339.03	133,942,817.57

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Item	2016 Consolidated	2015 Consolidated
Other comprehensive income, net of tax	41,216,788.60	48,553,778.03
Attributable to equity owners of the Company	35,944,239.97	38,262,974.21
Other comprehensive income that will be subsequently reclassified to profit or loss	35,944,239.97	38,262,974.21
Changes in fair value of available-for-sale financial assets	35,924,495.90	37,033,422.18
Foreign-currency financial statement translation difference	19,744.07	1,229,552.03
Attributable to minority interests	5,272,548.63	10,290,803.82
Total comprehensive incomes	1,383,992,050.48	1,101,678,564.18
Attributable to owners of the Company	1,210,999,162.82	957,444,942.79
Attributable to minority interests	172,992,887.66	144,233,621.39
Earnings per share		
Basic earnings per share	1.86	1.45
Diluted earnings per share	1.86	1.45

WUXI LITTLE SWAN CO., LTD.

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2016 Company	2015 Company
Revenues	12,451,627,200.77	9,844,644,562.96
Less: Cost of sales	-9,679,123,368.71	-7,456,129,294.02
Business taxes and surcharges	-64,404,746.49	-42,679,139.04
Distribution expenses	-1,521,389,300.24	-1,413,834,422.46
Administrative expenses	-402,652,997.95	-382,512,004.73
Financial costs	99,230,544.04	70,967,103.94
Impairment loss	-64,797,585.33	-12,035,597.15
Add: Investment income	76,128,199.93	110,021,226.68
Including: Share of profit of an associate	-	263,002.04
Operating profit	894,617,946.02	718,442,436.18
Add: Non-operating income	10,913,249.33	27,773,563.63
Including: Gain on disposal of non-current assets	905,427.15	184,324.80
Less: Non-operating expenses	-2,859,936.65	-34,731,819.32
Including: Losses on disposal of non-current assets	-1,012,613.51	-111,821.73
Total profit	902,671,258.70	711,484,180.49
Less: Income tax expenses	-138,929,321.83	-90,481,581.88
Net profit	763,741,936.87	621,002,598.61
Other comprehensive income, net of tax	23,906,517.44	13,608,826.40
Other comprehensive income that will be subsequently reclassified to profit or loss	23,906,517.44	13,608,826.40
Changes in fair value of available-for-sale financial assets	23,906,517.44	13,608,826.40
Total comprehensive income	787,648,454.31	634,611,425.01

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2016 Consolidated	2015 Consolidated
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	16,223,050,621.37	12,740,160,550.07
Refund of taxes and surcharges	87,968,408.39	77,145,657.15
Cash received relating to other operating activities	66,833,930.42	56,688,253.87
Sub-total of cash inflows	16,377,852,960.18	12,873,994,461.09
Cash paid for goods and services	-10,455,208,887.42	-6,084,201,536.57
Cash paid to and on behalf of employees	-977,297,801.66	-893,989,108.53
Payments of taxes and surcharges	-651,736,882.51	-543,482,333.15
Cash paid relating to other operating activities	-397,536,601.21	-1,753,626,014.04
Sub-total of cash outflows	-12,481,780,172.80	-9,275,298,992.29
Net cash flows from operating activities	3,896,072,787.38	3,598,695,468.80
Cash flows from investing activities		
Cash received from disposal of investments	8,998,000,000.00	8,274,398,907.76
Cash received from returns on investments	200,239,260.71	202,012,612.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,447,359.13	6,561,716.52
Cash received relating to other investing activities	71,183,080.05	42,268,968.89
Sub-total of cash inflows	9,274,869,699.89	8,525,242,206.01
Cash paid to acquire fixed assets, intangible assets and other long-term assets	-63,305,378.00	-113,960,753.52
Cash paid to acquire additional interest in a subsidiary	-11,471,000,000.00	-10,456,050,000.00
Sub-total of cash outflows	-11,534,305,378.00	-10,570,010,753.52
Net cash flows from investing activities	-2,259,435,678.11	-2,044,768,547.51

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2016 Consolidated	2015 Consolidated
Cash flows from financing activities		
Cash received from borrowings	183,813,064.12	215,915,154.66
Sub-total of cash inflows	183,813,064.12	215,915,154.66
Cash repayments of borrowings	-	-215,915,154.66
Cash payments for distribution of dividends, profits or interest expenses	-395,092,974.82	-286,688,438.02
Cash payments relating to other financing activities	-69,462,000.00	-
Sub-total of cash outflows	-464,554,974.82	-502,603,592.68
Net cash flows from financing activities	-280,741,910.70	-286,688,438.02
Effect of foreign exchange rate changes on cash and cash equivalents	23,109,389.95	8,707,040.56
Net increase in cash and cash equivalents	1,379,004,588.52	1,275,945,523.83
Add: Cash and cash equivalents at beginning of year	2,792,685,328.69	1,516,739,804.86
Cash and cash equivalents at end of year	4,171,689,917.21	2,792,685,328.69

WUXI LITTLE SWAN CO., LTD.

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2016 Company	2015 Company
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	10,147,589,853.70	8,364,432,765.46
Cash received relating to other operating activities	39,602,069.13	29,865,585.50
Sub-total of cash inflows	10,187,191,922.83	8,394,298,350.96
Cash paid for goods and services	-6,418,903,625.65	-3,793,842,616.29
Cash paid to and on behalf of employees	-675,417,191.26	-595,390,188.36
Payments of taxes and surcharges	-453,239,964.32	-274,650,446.03
Cash paid relating to other operating activities	-269,070,271.83	-1,444,764,032.80
Sub-total of cash outflows	-7,816,631,053.06	-6,108,647,283.48
Net cash flows from operating activities	2,370,560,869.77	2,285,651,067.48
Cash flows from investing activities		
Cash received from disposal of investments	5,086,000,000.00	5,295,471,450.01
Cash received from returns on investments	76,128,199.93	110,453,700.06
Net cash received from disposal of fixed assets and intangible assets and other long-term assets	1,606,025.78	1,952,876.70
Cash received relating to other investing activities	62,624,714.64	35,092,311.37
Sub-total of cash inflows	5,226,358,940.35	5,442,970,338.14
Cash paid to acquire fixed assets, intangible assets and other long-term assets	-32,673,329.11	-70,559,477.51
Cash paid to acquire investments	-6,751,000,000.00	-6,112,000,000.00
Cash paid to relating to other investing activities	-69,462,000.00	-
Sub-total of cash outflows	-6,853,135,329.11	-6,182,559,477.51
Net cash flows from investing activities	-1,626,776,388.76	-739,589,139.37

WUXI LITTLE SWAN CO., LTD.**CASH FLOW STATEMENT OF THE COMPANY (Continued)****FOR THE YEAR ENDED 31 December 2016**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2016 Company	2015 Company
Cash Flows from Financing Activities:		
Cash received from borrowings	123,943,093.80	16,404,201.00
Sub-total of cash inflows	123,943,093.80	16,404,201.00
Cash repayments of borrowings	-	-16,404,201.00
Cash payments for distribution of dividends, profits or interest expenses	-389,009,428.38	-283,468,922.78
Sub-total of cash outflows	-389,009,428.38	-299,873,123.78
Net cash flows from financing activities	-265,066,334.58	-283,468,922.78
Effect of foreign exchange rate changes on cash and cash equivalents	8,547,293.68	3,619,003.80
Net increase in cash and cash equivalents	487,265,440.11	1,266,212,009.13
Add: Cash and cash equivalents at beginning of year	1,866,443,114.64	600,231,105.51
Cash and cash equivalents at end of year	2,353,708,554.75	1,866,443,114.64

WUXI LITTLE SWAN CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2016**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to the owners of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
Balance at 1 January 2015	632,487,764.00	1,139,956,336.03	-3,449,689.57	332,594,722.29	2,326,392,979.58	716,713,982.38	5,144,696,094.71
Movements for the year ended 31 December 2015	-	24,058,611.82	38,262,974.21	-	634,562,474.78	146,146,931.58	843,030,992.39
Total comprehensive income	-	-	38,262,974.21	-	919,181,968.58	144,233,621.39	1,101,678,564.18
-Net profit	-	-	-	-	919,181,968.58	133,942,817.57	1,053,124,786.15
-Other comprehensive income	-	-	38,262,974.21	-	-	10,290,803.82	48,553,778.03
Capital contribution and withdrawal by owners	-	24,058,611.82	-	-	-	1,913,310.19	25,971,922.01
-Amount recorded in owners' equity arising from share-based payment arrangements	-	22,544,356.36	-	-	-	1,353,341.72	23,897,698.08
-Others	-	1,514,255.46	-	-	-	559,968.47	2,074,223.93
Profit distribution	-	-	-	-	-284,619,493.80	-	-284,619,493.80
-Profit distribution to equity owners	-	-	-	-	-284,619,493.80	-	-284,619,493.80
Balance at 31 December 2015	632,487,764.00	1,164,014,947.85	34,813,284.64	332,594,722.29	2,960,955,454.36	862,860,913.96	5,987,727,087.10

WUXI LITTLE SWAN CO., LTD.

**STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
FOR THE YEAR ENDED 31 December 2016**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

WUXI LITTLE SWAN CO., LTD.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)
FOR THE YEAR ENDED 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total owners' equity
Balance at 1 January 2015	632,487,764.00	1,300,124,962.20	-	319,944,578.39	1,887,731,678.84	4,140,288,983.43
Movements for the year ended 31 December 2015	-	19,371,575.82	13,608,826.40	-	336,383,104.81	369,363,507.03
Total comprehensive income	-	-	13,608,826.40	-	621,002,598.61	634,611,425.01
Net profit	-	-	-	-	621,002,598.61	621,002,598.61
Other comprehensive income	-	-	13,608,826.40	-	-	13,608,826.40
Capital contribution and withdrawal by owners	-	19,371,575.82	-	-	-	19,371,575.82
Amount recorded in owners' equity arising from share-based payment arrangements	-	19,371,309.18	-	-	-	19,371,309.18
Others	-	266.64	-	-	-	266.64
Profit distribution	-	-	-	-	-284,619,493.80	-284,619,493.80
Profit distribution to equity owners	-	-	-	-	-284,619,493.80	-284,619,493.80
Balance at 31 December 2015	632,487,764.00	1,319,496,538.02	13,608,826.40	319,944,578.39	2,224,114,783.65	4,509,652,490.46

I. 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.

In accordance to the resolution of the 4th session of the 6th board meeting and the 1st temporary shareholders meeting in 2010, as well as Document ZhengJianXuKe (2010) No. 1577 “The approval of significant assets reorganization of Wuxi Little Swan Co., Ltd. and stock offering with assets purchase to Guangdong Midea Electric Appliances Co., Ltd.” issued by China Securities Regulatory Commission, a placement in A share was

WUXI LITTLE SWAN CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

completed in which additional 84,832,000 shares were issued to Guangdong Midea Electric Appliances Co., Ltd. (Midea Electric Appliances), while 69.47% equity interest of Hefei Midea Washing Machine Limited (formerly as Hefei Royal star Washing Machine Manufacture Limited) was acquired. Through the non-public offering of A share, the Company's capital share increased by RMB 84,832,000.

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

As of 31 December 2015, the total share capital of the Company mounted to 632,487,764, 0.59% of which are 3,711,190 A shares with restriction of trading, 69.21% of which are 437,765,002 A shares without restriction of trading, and 30.20% of which are 191,011,572 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 7 March 2017.

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

II. Important accounting policies and estimations

The Group determine the accounting policies and accounting estimates based on the operation of business, which mainly reflected in the revenue recognition policies (note II (22)).

The critical judgements of the Group in determining the critical accounting policies are stated in note II (27).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis

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

The financial statements of the Company for the year ended 31 December 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2015 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

(3) Accounting year

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

(4) Functional currency

The functional currency is Renminbi (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. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining

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

(b) Business combinations involving enterprises not under common control

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

(6) Basis of preparation of consolidated financial statements

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits, losses and

comprehensive income for the period not attributable to the Company are recognised as minority interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income respectively. Unrealised gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the company. Unrealised gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the subsidiary. Unrealised gain or loss from transaction between subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the selling side of the subsidiaries. If different recognition perspectives for the same transaction arise within different accounting identities setup, there is adjustment for the transaction from the Group's perspective.

(7) Cash and cash equivalents

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

(8) Foreign currency

(a) Foreign currency transaction

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

At 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

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

(9) Financial instruments

(a) Financial assets

(i) Classification

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

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 management intends to dispose of them within 12 months from balance sheet date.

(ii) Recognition and measurement

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

initially recognized amounts.

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 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

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

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

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

When an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is

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

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

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

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise of

other financial liabilities, including short-term borrowings, notes payable, accounts payable, dividends payable, other payables and other current liabilities, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

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

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

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

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

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable, willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, management uses market data as much as possible and avoids use of data that is particularly related to the Group.

(10) Receivables

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

(a) Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of estimated future cash flows.

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The criteria for 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).

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.

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

The recognition criteria and method of provision for impairment of receivables those are not individually significant:

Receivables that are not individually significant are subject to separate impairment assessment if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.

The provision for impairment of the receivables is established at the difference between the carrying amount of the receivables and the present value of estimated future cash flows.\

(11) Inventory

(a) classification

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

(b) Determination of cost

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

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

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

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

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

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

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Company and its subsidiaries recognize the investment income according to its share of net profit or loss of the investee. The Company and its subsidiaries discontinue recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Company and its subsidiaries have obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company and its subsidiaries continue recognizing the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Company and its subsidiaries record its proportionate share

directly into capital surplus, provided that the proportion of the Company and its subsidiaries of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the share of the Company and its subsidiaries of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Company, its subsidiaries and its investees are eliminated in proportion to the equity of the Company and its subsidiaries interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Company, its subsidiaries and its investees attributable to asset impairment, any unrealized loss is not eliminated.

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

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. When determining whether to control the investees or not, the potential voting rights, of which convertible bonds and executable warrants issued by the investees in current period, should be considered as well.

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 II (17)).

(13) Investment properties

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

The Company and its subsidiaries adopt the cost model for subsequent measurement of investment properties,

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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 II (17)).

(14) Fixed assets

(1) 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.

(2) Depreciation method

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

(3) The carrying amount of fixed assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note II(17)).

(4) Disposal

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

(15) Intangible assets

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

(a) Land use rights

A land use right granted by government with a infinite useful life would not be amortised. Other land use rights are amortised on the straight-line basis over 50 years. If the acquisition costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Non-patented technology

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

(c) Computer softwares

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

(d) Periodical review of useful life and amortisation method

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

(e) Research and development

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

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

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

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

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note II (17)).

(16) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases,

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

(17) Impairment of long-term assets

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

Intangible assets with infinite useful lives are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(18) Employee benefits

(a) Short-term employee benefits

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

(b) Pension obligations

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

Pension insurance

Employees of the Group participate in the social pension insurance organized by the local labour and social security departments. The Group pay pension insurance premium to the pension insurance agency with the local provision of social pension insurance base pay and proportional monthly. When the employee is retired, the local labour and social security departments have the responsibility to pay the basic pension insurance to retired employees.

(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 at the earlier of the following dates, when the Group can no longer withdraw the offer of those benefits and when the entity recognises costs related to restructuring.

(d) Retirement benefits

The Company and its subsidiaries provide termination benefits to employees who accept voluntary redundancy in exchange for these benefits. Termination benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The termination benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees to the retire

age is recognised with a corresponding change to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognised in the current profits and losses.

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

(19) Dividend distribution

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

(20) Provisions

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

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

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

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

(21) Share-based payment

(a) Type of share-based payment

Share-based payment is a transaction in which the entity acquires services from employees as consideration for equity instruments of the entity or by incurring liabilities for amounts based on the equity instruments. Equity instruments include equity instruments of the Company, its parent company or other accounting entities of the Group. Share-based payments are divided into equity-settled and cash-settled payments. The Group's share-based payments are equity-settled payments. Equity-settled share-based payment The Group's stock optionstock option plan is the equity-settled share-based payment in exchange of employees' services and is measured at the fair value of the equity instruments at grant date. The equity instruments are exercisable after services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period

are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal the number of actual vested equity instruments. On the exercise date, the recognised amount calculated based on the number of exercised equity instruments is transferred into share capital.

(b) Determination of the fair value of equity instruments

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

- (c) Basis for determining best estimate of exercisable equity instruments At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. On the exercise date, the final number of estimated exercisable equity instruments is consistent with the number of exercised equity instruments.
- (d) Accounting treatment related to the exercise of stock optionstock options When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium). At the same time, capital surplus recognised in the vesting period are carried forward to share premium..

(22) Revenue

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

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

(a) Sales of goods

The Group is engaged in manufacturing and sales of washing machine. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the customers, the Company retains neither continuing managerial involvement to the degree usually

associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

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

(b) Transfer of assets use rights

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

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

(23) Government Grants

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

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.

The government grants pertinent to assets mean the government assets that are obtained by enterprises used for purchase or construction, or forming the long-term assets by other ways.

The government grants pertinent to income refer to all the government grants except those pertinent to assets.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Company and its subsidiaries in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Company and its subsidiaries, the grant is recognized immediately in profit or loss for the current period.

(24) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(25) 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.

(26) 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 satisfy 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.

(27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Sales rebates

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

when the changes occurred.

(ii) Income taxes

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

III. Taxation

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

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

Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax'(Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from lease is subject to VAT from 1 May 2016, and the applicable tax rate is 11%(the Company) or 5%(Hefei Midea Washing Machine Limited, simplified collection), while the business tax was 5% before then.

(b) Tax preferences

According to Enterprise income tax law of the People's Republic of China, Article 28, The Company and its three subsidiaries, Hefei 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%(FY2015: same).

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

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from 2015 to 2018.

In July 2014, The Company's subsidiary Hefei Midea Washing Machine Limited gained the certificate of 'High-tech Enterprises', which is issued by Anhui Science and Technology Department, Anhui Finance Department, Anhui State Administration of Taxation and Anhui Local Taxation Bureau. The Certificate Number is GR2001434000147. Term of validity for this Certificate is three years, from 2014 to 2017.

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

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

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

IV. Notes to the consolidated financial statements

(1) Cash and cash at bank

	31 December 2016	31 December 2015
Cash at bank	4,171,689,917.21	2,792,685,328.69
Other cash balances	100,387,293.90	250,158,596.12
Total	4,272,077,211.11	3,042,843,924.81
including: cash deposited overseas	594,128.38	607,997.46

As at 31 December 2016, the other cash balances comprise: bank acceptance notes of RMB 93,781,938.00 and deposits for letter of credit of RMB 6,605,355.90 (31 December 2015: Bank acceptance bills of RMB 97,393,915.78 and deposits for letter of credit of RMB 2,764,680.34, and time deposits over 3 months of RMB 150,000,000.00).

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(2) Notes receivable**(a) Notes receivable classified by nature**

	31 December 2016	31 December 2015
Bank acceptance notes	1,297,609,202.29	2,205,189,379.10

As at 31 December 2016 and 31 December 2015, there is no pledged notes receivable

(b) As at 31 December 2016, notes receivable that have been endorsed but not yet expired are as follows:

Items	Derecognised	Not derecognised
Bank acceptance notes	2,162,685,355.85	-

(3) Accounts receivable**(a) Accounts receivable classified by nature:**

Category	31 December 2016				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	1,542,798,634.63	100.00%	77,144,136.73	5.00%	1,465,654,497.90
Category	31 December 2015				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	943,243,995.63	100.00%	47,168,520.00	5.00%	896,075,475.63

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 2016			
	Accounts receivable	Bad debt provision	% of provision	Book Value
Within 1 year	1,542,714,534.82	77,135,726.75	5.00%	1,465,578,808.07
1 to 2 years	84,099.81	8,409.98	10.00%	75,689.83
Total	1,542,798,634.63	77,144,136.73	5.00%	1,465,654,497.90

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Aging	31 December 2015			
	Accounts receivable	Bad debt provision	% of provision	Book Value
Within 1 year	943,117,591.22	47,155,879.56	5.00%	895,961,711.66
1 to 2 years	126,404.41	12,640.44	10.00%	113,763.97
Total	943,243,995.63	47,168,520.00	5.00%	896,075,475.63

As at 31 December 2016 and 2015, there were no material accounts receivable which were past due.

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

During the year ended 31 December 2016, the net movement of provision for accounts receivable was RMB 29,975,616.73 (2015: RMB 632,077.76). There were no provision or reverse of provision for individual significant accounts receivable.

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

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

(d) Top 5 of accounts receivable by customers

	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	1,147,210,161.49	57,360,508.07	74.36%

(4) Prepayment

(a) Aging analysis of prepayment:

Aging	31 December 2016		31 December 2015	
	Balance	% of total balance	Balance	% of total balance
Within 1 year	131,513,792.18	100.00%	95,192,076.23	97.50%
1 to 2 years	-	-	2,416,501.94	2.48%
2 to 3 years	-	-	-	-
Over 3 years	-	-	20,000.00	0.02%
Total	131,513,792.18	100.00%	97,628,578.17	100.00%

As at 31 December 2016, the balance of advance to suppliers with aging over one year amounts to RMB 0.00.

(31 December 2015: RMB 2,436,501.94, mainly comprising the prepayments for goods for which the standards

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stipulated by the contract has not yet been reached)

(b) Top 5 prepayment by suppliers

	Amounts	% of total balance
Total amount of the top 5 by suppliers	96,563,794.36	73.42%

(5) Interests receivable

(a) Category

	31 December 2016	31 December 2015
Interests receivable	26,755,807.07	22,932,602.74

(6) Other receivables

(a) Other receivable by category:

Category	31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	25,307,331.32	100.00%	1,613,444.78	6.38%	23,693,886.54
Category	31 December 2015				
	Carrying Amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision	
Debtors grouped by credit risk	9,956,212.29	100.00%	748,032.21	7.51%	9,208,180.08

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 2016			
	Other receivables	Bad debt provision	% of provision	Book value
Within 1 year	23,476,591.19	1,173,829.56	5.00%	19,845,075.14
1 to 2 years	1,043,047.12	104,304.71	6.44%	3,396,428.90
2 to 3 years	292,680.00	87,804.00	30.00%	204,876.00
3 to 5 years	495,013.01	247,506.51	50.00%	247,506.50

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Total	25,307,331.32	1,613,444.78	6.38%	23,693,886.54
Aging	31 December 2015			
	Other receivables	Bad debt provision	% of provision	Book value
Within 1 year	8,422,416.66	421,120.83	5.00%	8,001,295.83
1 to 2 years	1,010,391.00	101,039.06	10.00%	909,351.94
2 to 3 years	179,150.00	53,745.00	30.00%	125,405.00
3 to 5 years	344,254.63	172,127.32	50.00%	172,127.31
Total	9,956,212.29	748,032.21	7.51%	9,208,180.08

As at 31 December 2016 and 31 December 2015, there were no material other receivable which were past due.

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

☐ Applicable ☒ Not applicable

Other receivables adopting aging other method for bad debt provision:

☐ Applicable ☒ Not applicable

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

During the year ended 31 December 2016, the net movement of provision for other receivable was RMB 865,412.57 (2015: RMB 2,184,257.60). There were no provision or reverse of provision for individual significant other receivable

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

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

(d) Other receivables classified by nature

Nature of other receivables	31 December 2016	31 December 2015
Advances	14,330,097.53	1,544,575.33
Loan to employees	2,098,324.20	3,657,991.12
Deposits	2,018,096.36	1,194,312.63
Others	6,860,813.23	3,559,333.21
Bad debt provision	-1,613,444.78	-748,032.21
Total	23,693,886.54	9,208,180.08

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(e) Top 5 of other receivable by customers

Name of the entities	Nature of other receivables	31 December 2016	Aging	Proportion of the total year end balance of the accounts receivable	Closing balance of bad debt provision
Shenzhen Midea Payment Technology Co., Ltd	Advance and temporary payments	10,835,423.12	Within 1 year	42.82%	541,771.16
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Trademark royalty charges	3,428,921.06	Within 1 year	13.55%	171,446.05
Guangzhou Antaida Logistics Corporation	Long-term equity investments Liquidation	2,587,038.41	Within 1 year	10.22%	129,351.92
Hefei Hualing Co., Ltd.	Advance payments	854,915.88	Within 1 year	3.38%	42,745.79
Wuxi China Resources Gas Co., Ltd.	Deposits	820,800.00	Within 1 year	3.24%	41,040.00
Total	--	18,527,098.47	--	73.21%	926,354.92

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

	31 December 2016			31 December 2015		
	Book balance	Provision for write-down	Book value	Book balance	Provision for write-down	Book value
Raw materials	21,928,651.09	1,593,768.57	20,334,882.52	21,725,796.66	1,149,192.62	20,576,604.04
Goods in process	11,864,254.41	-	11,864,254.41	8,189,804.33	-	8,189,804.33
Inventory goods	1,768,281,418.69	75,642,610.93	1,692,638,807.76	755,272,411.35	38,625,852.20	716,646,559.15
Total	1,802,074,324.19	77,236,379.50	1,724,837,944.69	785,188,012.34	39,775,044.82	745,412,967.52

(b) Provision for write-down of inventory

	31 December 2015	Increased amount		Decreased amount		31 December 2016
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,149,192.62	468,128.22	-	-23,552.27	-	1,593,768.57
Inventory goods	38,625,852.20	60,902,807.00	-	-23,886,048.27	-	75,642,610.93
Total	39,775,044.82	61,370,935.22	-	-23,909,600.54	-	77,236,379.50

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

(8) Other current assets

	31 December 2016	31 December 2015
Financial products	5,994,142,671.24	3,152,675,560.00
Structured deposits	2,150,000,000.00	2,470,000,000.00
Input tax to be authenticated or deducted	197,355,573.10	78,446,417.44
others	44,226,037.82	32,066,626.79
Total	8,385,724,282.16	5,733,188,604.23

As at 31 December 2016, all financial products are matured within one year, which comprise products of floating income and unprotected principles mounted to RMB 5,994,142,671.24 (As at 31 December 2015, financial products comprise products of floating income and unprotected principles amounted to RMB 3,052,675,560 and products of floating income and protected principles amounted to RMB 100,000,000). As at 31 December 2016, the carrying value of financial products measured by fair value amounted to RMB5,994,142,671.24, with principal amounted to RMB5,890,000,000.00, and accumulated fair value changes recognised in other comprehensive income amounted to RMB104,142,671.24 (As at 31 December 2015, the carrying value of financial products measured by fair value amounted to RMB3,052,675,560.00, with principal amounted to RMB2,997,000,000.00, and accumulated fair value changes recognised in other comprehensive income amounted to RMB55,675,560.00). All financial products mentioned above are structural objects which are out of scope of consolidation. At 31 December 2016, the maximum risk exposure of financial products held by the Company and its subsidiaries is limited to the carrying value of financial products. The Company and its subsidiaries have no obligation or intention to provide financial support to the financial product funds mentioned above.

(9) Available-for-sale financial assets

	31 December 2016			31 December 2015		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Available-for-sale equity instruments						

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measured at cost	200,000.00	-	200,000.00	200,000.00	-	200,000.00
Total	200,000.00	-	200,000.00	200,000.00	-	200,000.00

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

	Buildings	Land use rights	Total
Original book value			
31 December 2015	88,425,049.29	22,949,959.07	111,375,008.36
Reduction	-235,792.33	-	-235,792.33
Disposal	-235,792.33	-	-235,792.33
31 December 2016	88,189,256.96	22,949,959.07	111,139,216.03
Accumulative depreciation and accumulative amortization			
31 December 2015	24,340,722.34	5,615,173.21	29,955,895.55
Amortization	3,506,203.14	355,238.27	3,861,441.41
Disposal	-109,089.47	-	-109,089.47
31 December 2016	27,737,836.01	5,970,411.48	33,708,247.49
Provision for impairment loss			
31 December 2015	12,576,065.29	-	12,576,065.29
31 December 2016	12,576,065.29	-	12,576,065.29
Net book value			
31 December 2016	47,875,355.66	16,979,547.59	64,854,903.25
31 December 2015	51,508,261.66	17,334,785.86	68,843,047.52

Depreciation and amortization charge for 2016 amounted to RMB 3,861,441.41 (2015:RMB 4,583,668.43).

(11) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and fixtures	Total
Original book value					

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31 December 2015	730,443,485.05	877,011,703.05	27,335,068.10	113,116,467.37	1,747,906,723.57
Purchase	3,600,886.02	62,721,781.33	2,058,316.10	11,030,180.41	79,411,163.86
Disposal or Scrap	-117,971.27	-28,823,461.74	-1,767,849.97	-5,619,144.95	-36,328,427.93
31 December 2016	733,926,399.80	910,910,022.64	27,625,534.23	118,527,502.83	1,790,989,459.50
Accumulative depreciation					
31 December 2015	166,521,051.15	440,072,941.95	23,012,295.94	83,371,414.00	712,977,703.04
Addition	31,042,743.12	72,429,849.85	2,113,693.42	12,981,800.57	118,568,086.96
Disposal or Scrap	-37,746.40	-21,092,170.92	-1,628,578.35	-5,023,491.35	-27,781,987.02
31 December 2016	197,526,047.87	491,410,620.88	23,497,411.01	91,329,723.22	803,763,802.98
Provision for impairment loss					
31 December 2015	3,918,452.47	11,165,580.56	64,570.25	252,125.65	15,400,728.93
Addition	-	2,357,686.75	-	-	2,357,686.75
Disposal or Scrap	-	-1,210,381.93	-29,076.04	-152,592.22	-1,392,050.19
31 December 2016	3,918,452.47	12,312,885.38	35,494.21	99,533.43	16,366,365.49
Net book value					
31 December 2016	532,481,899.46	407,186,516.38	4,092,629.01	27,098,246.18	970,859,291.03
31 December 2015	560,003,981.43	425,773,180.54	4,258,201.91	29,492,927.72	1,019,528,291.60

Depreciation charges for 2016 amounted to RMB 118,568,086.96 (2015:RMB 114,810,675.67). The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 98,698,557.97 , RMB 516,024.94 and RMB 19,353,504.05 respectively. (2015: The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 94,295,000.40, RMB 544,100.15 and RMB 19,971,575.12 respectively).

(12) Intangible assets

(1) List of intangible assets

	Land use right	Non-patented technology	Others	Total
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Original book value				
31 December 2015	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95
31 December 2016	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95
Accumulated amortization				
31 December 2015	45,145,265.36	1,992,000.00	1,395,014.56	48,532,279.92
Addition	5,238,138.88	-	-	5,238,138.88
31 December 2016	50,383,404.24	1,992,000.00	1,395,014.56	53,770,418.80
Provision for impairment loss				
31 December 2015	-	-	-	-
31 December 2016	-	-	-	-
Book value				
31 December 2016	192,283,486.15	-	-	192,283,486.15
31 December 2015	197,521,625.03			197,521,625.03

In 2016, the amortization of intangible assets amounted to RMB 5,238,138.88. (2015: RMB 5,238,952.67)

(13) Long-term prepaid expenses

Item	31 December 2015	Addition	Amortization	Other reductions	31 December 2016
Leasehold improvement	3,448,863.46	2,533,689.96	1,808,353.08	-	4,174,200.34
Others	789,380.92	-	575,853.12	-	213,527.80
Total	4,238,244.38	2,533,689.96	2,384,206.20	-	4,387,728.14

(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 2016		31 December 2015	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment	160,340,693.36	24,051,104.00	90,583,724.89	13,587,558.73

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of assets				
Unrealized profit of inter-group transaction	67,442,606.20	10,116,390.93	68,217,414.97	10,232,612.25
Termination benefits	17,699,114.41	2,654,867.16	32,192,522.18	4,828,878.33
Accrued expenses	1,844,401,155.54	276,660,173.33	1,521,730,526.58	228,259,578.99
Provisions	1,727,340.89	259,101.13	9,981,021.44	1,497,153.22
Deferred income	2,942,333.25	441,349.99	3,395,533.29	509,329.99
Others	8,782,955.88	1,317,443.38	8,782,955.88	1,317,443.38
Total	2,103,336,199.53	315,500,429.92	1,734,883,699.23	260,232,554.89

Deferred income tax assets details

Item	31 December 2016	31 December 2015
Expected to reverse within 1 year (including 1 year)	311,339,611.98	253,576,903.19
Expected to reverse after 1 year	4,160,817.94	6,655,651.70
Total	315,500,429.92	260,232,554.89

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

Item	31 December 2016		31 December 2015	
	Taxable Temporary difference	Deferred tax liabilities	Taxable Temporary difference	Deferred tax liabilities
Fair change of available-for-sale financial assets	104,142,671.24	15,621,400.69	55,675,560.00	8,351,334.00

Deferred tax liabilities details

Item	31 December 2016	31 December 2015
Expected to reverse within 1 year (including 1 year)	15,621,400.69	8,351,334.00
Expected to reverse after 1 year	-	-
Total	15,621,400.69	8,351,334.00

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

Item	Netting amount	Deferred income tax assets or liabilities, net	Netting amount	Deferred income tax assets or liabilities, net
Deferred income tax	15,621,400.69	299,879,029.23	8,351,334.00	251,881,220.89

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assets				
Deferred income tax liabilities	15,621,400.69	-	8,351,334.00	-

(d) List of unrecognized deferred income tax assets

Item	31 December 2016	31 December 2015
Deductible temporary difference	27,153,343.58	24,307,336.03
Deductible tax losses	81,177,769.43	75,877,413.93
Total	108,331,113.01	100,184,749.96

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

Years	31 December 2016	31 December 2015
2016	-	287,136.58
2017	57,917.22	89,186.59
2018	16,303,166.71	16,303,166.71
2019	49,620,940.42	49,620,940.42
2020	9,576,983.63	9,576,983.63
2021	5,618,761.45	-
Total	81,177,769.43	75,877,413.93

(15) Other non-current assets

Item	31 December 2016	31 December 2015
Prepayment for equipment	25,655,775.90	32,963,224.90

(16) Provision for impairment of assets

Item	31 December 2015	Increase	Decrease		31 December 2016
			Revenue	Write off	
Bad debt provision	47,916,552.21	30,841,029.30	-	-	78,757,581.51
-Accounts receivable	47,168,520.00	29,975,616.73	-	-	77,144,136.73
-Other receivables	748,032.21	865,412.57	-	-	1,613,444.78
Write-down of inventories	39,775,044.82	61,370,935.22	-	-23,909,600.54	77,236,379.50
Impairment provision for available-for-sale	100,300.00	-	-	-	100,300.00

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financial assets					
Impairment provision for investment properties	12,576,065.29	-	-	-	12,576,065.29
Impairment provision for fixed assets	15,400,728.93	2,357,686.75	-	-1,392,050.19	16,366,365.49
Total	115,768,691.25	94,569,651.27	-	-25,301,650.73	185,036,691.79

(17) Short-term borrowings

Category	31 December 2016	31 December 2015
Factoring of accounts receivables	183,813,064.12	-

(18) Notes payable

Category	31 December 2016	31 December 2015
Bank acceptance note	2,620,549,815.47	1,953,065,274.06

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

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

Item	31 December 2016	31 December 2015
Material	3,301,435,137.79	2,359,604,637.06
Others	33,654,534.27	60,202,704.89
Total	3,335,089,672.06	2,419,807,341.95

(b) Accounts payable aging over one year

Item	31 December 2016	Reason for aging over one year
Material	81,244,372.58	Contract expiration has not yet come

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

Item	31 December 2016	31 December 2015
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Advance from customers	3,014,347,762.24	1,652,908,781.44
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(b) Significant advance from customers aging over one year

Item	31 December 2016	Unpaid/ Un-carry-over reason
Advance from customers	30,970,017.47	The project is under processing

(21) Payroll payable**(a) List of Payroll payable**

Item	31 December 2015	Increase	Decrease	31 December 2016
Short-term employee benefit payable	226,371,272.61	927,006,665.10	-890,688,255.24	262,689,682.47
Defined contribution plans payable	14,208,683.82	80,133,783.49	-72,575,097.45	21,767,369.86
Termination benefits payable	7,700,760.49	10,468,799.44	-14,034,448.97	4,135,110.96
Total	248,280,716.92	1,017,609,248.03	-977,297,801.66	288,592,163.29

(b) List of Short-term salary

Item	31 December 2015	Increase	Decrease	31 December 2016
1. Salary, bonus, allowance and subsidies	203,062,076.70	784,561,258.90	-748,546,151.56	239,077,184.04
2. Employee welfare	5,560,243.09	65,451,171.30	-66,137,478.58	4,873,935.81
3. Social insurance	6,877,301.07	34,113,837.10	-34,821,442.08	6,169,696.09
-Medical insurance	5,502,760.59	27,945,198.41	-28,268,052.00	5,179,907.00
-Employment injury insurance	950,454.45	4,320,447.42	-4,542,780.40	728,121.47
-Maternity insurance	424,086.03	1,848,191.27	-2,010,609.68	261,667.62
4. Housing fund	6,456,798.64	28,853,648.83	-28,143,895.23	7,166,552.24
5. Labor union funds and employee education fee	4,414,853.11	14,026,748.97	-13,039,287.79	5,402,314.29
Total	226,371,272.61	927,006,665.10	-890,688,255.24	262,689,682.47

As at 31 December 2016, there were no overdue payroll and welfare payables. This balance of payroll and welfare payables will be settled in 2017.

(c) Defined contribution plans

Item	31 December 2015	Increase	Decrease	31 December 2016
Pension	13,201,271.54	76,521,029.71	-68,707,356.91	21,014,944.34

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Unemployment insurance	1,007,412.28	3,612,753.78	-3,867,740.54	752,425.52
Total	14,208,683.82	80,133,783.49	-72,575,097.45	21,767,369.86

(d) Termination benefits payable

Item	31 December 2016	31 December 2015
Termination benefits payable	4,055,110.96	6,800,760.49
Other termination benefits payable	80,000.00	900,000.00
Total	4,135,110.96	7,700,760.49

(22) Taxes payable

Item	31 December 2016	31 December 2015
Corporate income tax	317,599,561.26	279,867,360.71
VAT	43,959,339.80	8,884,701.12
House appliance recycling funds	22,600,123.00	22,335,614.00
Urban maintenance and construction tax	9,810,227.91	2,492,588.81
Education Surcharge	7,604,254.32	1,779,616.70
Others	10,664,523.67	9,748,346.57
Total	412,238,029.96	325,108,227.91

(23) Dividend payable

Item	31 December 2016	31 December 2015
Common stock dividend	7,150,684.06	5,400,652.06
Total	7,150,684.06	5,400,652.06

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

Item	31 December 2016	31 December 2015
Payment for equipment	65,358,163.79	54,026,136.97
Payment for moulds	84,354,267.87	50,738,280.49
Guarantee and deposits	20,631,583.91	13,794,750.00
Prepaid expenses	7,782,998.86	18,631,746.58
Energy efficiency rebate	6,140,000.00	25,080,000.00

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Advances collected	5,410,822.47	5,407,965.76
Others	10,248,565.14	4,128,258.14
Total	199,926,402.04	171,807,137.94

(b) Significant other payable aging over one year

Item	31 December 2016	Unpaid/ Un-carry-over reason
Payment for moulds	33,189,575.18	Contracts expiration has not yet come
Payment for equipment	30,228,987.71	Contracts expiration has not yet come
Total	63,418,562.89	

(25) Other current-liabilities

Item	31 December 2016	31 December 2015
Accrued sale rebate	1,095,875,998.29	868,491,961.48
Accrued maintenance and installation costs	248,172,966.72	199,287,081.29
Accrued sales promotion fees	223,209,831.40	249,793,144.13
Accrued transportation fee	139,146,303.25	127,259,322.97
Accrued household electrical appliances recycling fund	15,830,282.99	3,768,666.99
Accrued trademark royalty charges	14,192,875.86	15,536,878.06
Others	107,984,895.75	57,597,238.32
Total	1,844,413,154.26	1,521,734,293.24

(26) Long-term payroll payable

Item	31 December 2016	31 December 2015
Retirement benefits	20,156,459.56	35,240,059.74
Less: Current portion within 1 year	-4,055,110.96	-6,800,760.49
Total	16,101,348.60	28,439,299.25

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

(27) Provisions

Item	31 December 2016	31 December 2015	Causes
Quality guarantee deposits	1,727,340.89	9,981,021.44	

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Total	1,727,340.89	9,981,021.44	
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(28) Deferred income

Item	31 December 2015	Addition	Reduction	31 December 2016	Causes
Government grants	3,395,533.29	-	453,200.04	2,942,333.25	Government grants
Total	3,395,533.29	-	453,200.04	2,942,333.25	

Projects involved in government grants:

Government Grants Project	31 December 2015	Addition	Amount recognised as non-operating income	Other changes	31 December 2016	Related to assets/ income
Hefei Midea automation development of washing machine project	3,033,333.29	-	350,000.04	-	2,683,333.25	Related to assets
Jiangsu modern service development special fund	185,600.00	-	52,800.00	-	132,800.00	Related to assets
Subsidy for power substation renovation	176,600.00	-	50,400.00	-	126,200.00	Related to assets
Total	3,395,533.29	-	453,200.04	-	2,942,333.25	

(29) Share capital

	31 December 2015	Increase/decrease (+/-)					31 December 2016
		New shares issued	Bonus shares	Shares transferred from capital reverse	Others	Subtotal	
Total share capital	632,487,764.00	-	-	-	-	-	632,487,764.00

(30) Capital surplus

Item	31 December 2015	Increase	Decrease	31 December 2016
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	108,832,229.28	34,772,462.28	-7,297,277.12	136,307,414.44
-Share options (a)	66,599,778.25	34,772,462.28	-	101,372,240.53
-Others (b)	42,232,451.03	-	-7,297,277.12	34,935,173.91

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Total	1,164,014,947.85	34,772,462.28	-7,297,277.12	1,191,490,133.01
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Notes:

(a) In 2016, RMB 34,772,462.28(2015: RMB 22,544,356.36) increase in capital surplus arises from the execution of share options incentive plan.

(b) In 2016, The Company acquired the minority interest of its subsidiary, Wuxi Little Swan General Electric Appliances Co. , Ltd., resulting in the decrease of capital surplus of RMB7,297,277.12.

(31) Other comprehensive income

Item	31 December 2015	Increase/decrease in the year					31 December 2016
		Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to profit or loss this year	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after tax	
Items that may be subsequently reclassified into profits or losses	34,813,284.64	104,162,415.31	-55,675,560.00	-7,270,066.71	35,944,239.97	5,272,548.63	70,757,524.61
-change in fair value of available-for-sale financial assets	37,033,422.18	104,142,671.24	-55,675,560.00	-7,270,066.71	35,924,495.90	5,272,548.63	72,957,918.08
-currency translation differences	-2,220,137.54	19,744.07	-	-	19,744.07	-	-2,200,393.47
Total	34,813,284.64	104,162,415.31	-55,675,560.00	-7,270,066.71	35,944,239.97	5,272,548.63	70,757,524.61
Item	31 December 2014	Increase/decrease in the year					31 December 2015
		Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after	

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			profit or loss this year			tax	
Items that may be subsequently reclassified into profits or losses	-3,449,689.57	56,905,112.03	-	-8,351,334.00	38,262,974.21	10,290,803.82	34,813,284.64
-change in fair value of available-for-sale financial assets	-	55,675,560.00	-	-8,351,334.00	37,033,422.18	10,290,803.82	37,033,422.18
-currency translation differences	-3,449,689.57	1,229,552.03	-	-	1,229,552.03	-	-2,220,137.54
Total	-3,449,689.57	56,905,112.03	-	-8,351,334.00	38,262,974.21	10,290,803.82	34,813,284.64

(32) Surplus reserves

Item	31 December 2015	Increase	Decrease	31 December 2016
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 2016, 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.

(33) Retained Earnings

Item	Year ended 31 December 2016	Year ended 31 December 2015
31 December 2015	2,960,955,454.36	2,326,392,979.58
Add: net profit attributable to the shareholders of the Company	1,175,054,922.85	919,181,968.58
Less: statutory surplus reserve	-	-
Dividends to ordinary shareholders	-379,492,658.40	-284,619,493.80
31 December 2016	3,756,517,718.81	2,960,955,454.36

Pursuant to the resolution of general meeting of shareholders on 7 April 2016, cash dividends of RMB 379,492,658.40 (RMB 0.6 per share) was paid based on the issued shares of 632,487,764.

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Pursuant to the resolution of board of directors on 07 March 2017, cash dividends of RMB 474,365,823.00 (RMB 0.75 per share) was paid based on the issued shares of 632,487,764.

During the year ended 31 December 2016, statutory surplus reserve of RMB 22,090,679.85 was made from retained earnings of the year ended 31 December 2016 of the Company's subsidiary Hefei Midea Washing Machine Co., Ltd. (2015: RMB 19,748,700.45)

(34) Sales and cost of sales

Item	Year ended 31 December 2016		Year ended 31 December 2015	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	14,761,654,334.87	10,775,398,510.01	11,929,121,727.57	8,713,461,567.66
Other operations	1,573,260,166.82	1,335,814,776.27	1,202,505,204.87	932,929,256.70
Total	16,334,914,501.69	12,111,213,286.28	13,131,626,932.44	9,646,390,824.36

Other operating income and expenses

Item	Year ended 31 December 2016		Year ended 31 December 2015	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of materials	1,523,956,580.61	1,321,614,639.82	1,168,168,201.64	928,355,789.30
Others	49,303,586.21	14,200,136.45	34,337,003.23	4,573,467.40
Total	1,573,260,166.82	1,335,814,776.27	1,202,505,204.87	932,929,256.70

(35) Taxes and surcharges

Item	Year ended 31 December 2016	Year ended 31 December 2015
Civil infrastructure maintenance and construction fee	47,043,929.59	36,866,172.60
Education fee	36,099,067.67	28,980,795.86
Other	16,061,441.32	914,707.02
Total	99,204,438.58	66,761,675.48

(36) Selling expenses

Item	Year ended 31 December 2016	Year ended 31 December 2015
Selling expenses	2,325,645,712.65	1,957,833,768.25

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In 2016, selling 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 above 90% of the total selling expenses (2015: above 90%).

(37) Administrative expenses

Item	Year ended 31 December 2016	Year ended 31 December 2015
Administrative expenses	505,321,107.14	539,747,209.80

In 2016, administrative expenses mainly include employee wages and benefits, taxation and depreciation and amortization costs, which accounts for above 90% of the total administrative expenses.

(38) Finance income - net

Item	Year ended 31 December 2016	Year ended 31 December 2015
Interest expenses	13,763,829.67	9,536,939.00
Interest income	-123,093,414.43	-83,981,673.66
Exchange gains	-57,584,688.79	-40,188,776.26
Other financial expenses	12,088,525.34	4,520,659.01
Total	-154,825,748.21	-110,112,851.91

(39) Asset impairment losses

Item	Year ended 31 December 2016	Year ended 31 December 2015
Provision for bad debts	30,841,029.30	-2,816,335.36
Provision for inventory	61,370,935.22	23,886,048.29
Provision for fixed assets	2,357,686.75	1,382,222.92
Total	94,569,651.27	22,451,935.85

(40) Investment Income

Item	Year ended 31 December 2016	Year ended 31 December 2015
Income from disposal of available-for-sale financial assets	169,302,270.03	201,658,430.62
Income from return of available-for-sale financial assets	30,936,990.68	6,050.00
Others	-	85,130.22
Total	200,239,260.71	201,749,610.84

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

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(41) Non-operating income

Item	Year ended 31 December 2016	Year ended 31 December 2015	Non-operating items
Gains on disposal of non-current assets	1,008,085.77	444,371.81	1,008,085.77
Includes: Gains on disposal of fixed assets	1,008,085.77	444,371.81	1,008,085.77
Government grants	33,024,499.34	31,893,010.09	13,872,569.26
Others	4,942,815.63	31,050,278.99	4,942,815.63
Total	38,975,400.74	63,387,660.89	19,823,470.66

Government grants list:

Item	Granter	Causes	Nature	Whether profit or losses are affected by the grant in current year	Whether special subsidies	Year ended 31 December 2016	Year ended 31 December 2015	Related to assets / Related to income
VAT Rebate on collection	Wuxi New District Taxation Bureau	Subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	19,151,930.08	16,273,049.89	Related to income
Subsidies for export credit insurance premiums	Wuxi Municipal Bureau of Commerce and Wuxi Municipal Bureau of Finance	Subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	1,100,319.00	2,065,800.00	Related to income
Others	Wuxi economic and information technology commission, etc.	Reward		No	No	12,772,250.26	13,554,160.20	Related to income or assets
Total						33,024,499.34	31,893,010.09	

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(42) Non-operating expenses

Item	Year ended 31 December 2016	Year ended 31 December 2015	Non-routine items
Losses on disposal of non-current assets	2,841,820.22	724,567.38	2,841,820.22
Includes: Losses on disposal of fixed assets	2,841,820.22	724,567.38	2,841,820.22
Refund of Energy efficiency rebate	-	36,428,856.99	-
Others	5,731,866.22	11,116,600.04	654,717.85
Total	8,573,686.44	48,270,024.41	3,496,538.07

(43) Income tax expenses**(a) Income tax expenses**

Item	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax	296,919,642.14	197,324,795.33
Deferred income tax	- 55,267,875.03	-25,027,963.55
Total	241,651,767.11	172,296,831.78

(b) Reconciliation of tax payable

Item	Year ended 31 December 2016	Year ended 31 December 2015
Profit before tax	1,584,427,028.99	1,225,421,617.93
Income tax calculated at applicable tax rates	237,664,054.35	183,813,242.69
Adjusted income tax of prior year	5,459,687.46	-10,782,157.42
Non- deductible costs, expenses and losses	5,157,878.49	4,089,000.62
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in current year	2,036,590.76	2,394,245.89
Super deduction for development cost	-8,666,443.95	-7,217,500.00
Income tax expense	241,651,767.11	172,296,831.78

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(44) 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 2016	Year ended 31 December 2015
Consolidated net profit attributable to shareholders of the Company	1,175,054,922.85	919,181,968.58
Weighted average number of ordinary shares in issue	632,487,764.00	632,487,764.00
Basic earnings per share	1.86	1.45

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue. There were no dilutive potential ordinary shares in 2016 (2015: nil). Therefore, diluted earnings per share equal to basic earnings per share.

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

Item	Year ended 31 December 2016	Year ended 31 December 2015
Interest income	48,087,130.05	12,858,360.87
Government grants	13,419,369.22	15,619,960.20
Others	5,327,431.15	28,209,932.80
Total	66,833,930.42	56,688,253.87

(b) Cash paid relating to other operating activities

During the year ended 31 December 2016, cash paid relating to other operating activities amounted to RMB 397,536,601.21, was other administrative expenses and selling expenses excluding payroll and taxes (2015: RMB1,753,626,014.04).

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(c) Cash received relating to other investing activities

Item	Year ended 31 December 2016	Year ended 31 December 2015
Interest income of structured deposits	71,183,080.05	42,268,968.89

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

	Year ended 31 December 2016	Year ended 31 December 2015
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,342,775,261.88	1,053,124,786.15
Add: Provision for asset impairment	94,569,651.27	22,451,935.85
Depreciation of fixed assets and amortization of investment properties	122,429,528.37	119,394,344.10
Amortization of intangible assets	5,238,138.88	5,238,952.67
Amortization of long-term prepaid expenses	2,384,206.20	3,143,625.56
Losses on disposal of fixed assets, intangible assets and other long-term assets	1,833,734.45	280,195.57
Financial income	- 80,745,581.81	-75,219,066.77
Investment income	-200,239,260.71	-201,749,610.84
Increase in deferred income tax assets	- 55,267,875.03	-25,027,963.55
Amortization of deferred incomes	-453,200.04	-453,200.04
Increase of inventory	-1,040,795,912.39	-163,682,022.56
Decrease in operating receivables	127,720,638.07	1,734,355,028.92
Increase in operating payables	3,540,292,870.02	1,102,940,765.66
Share-based payments	36,330,588.22	23,897,698.08
Net cash flows from operating activities	3,896,072,787.38	3,598,695,468.80
2. Significant investing and financing activities that do not involve cash receipts and payments		
3. Not increase in cash and cash equivalents :		
Cash at the end of the year	4,171,689,917.21	2,792,685,328.69
Less: Cash at the beginning of the year	2,792,685,328.69	1,516,739,804.86
Net increase in cash and cash equivalents	1,379,004,588.52	1,275,945,523.83

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(b) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash	4,171,689,917.21	2,792,685,328.69
Including Cash in hand	-	-
Cash at bank	4,171,689,917.21	2,792,685,328.69
Ending balance of cash	4,171,689,917.21	2,792,685,328.69

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

	31 December 2016		
Item	Foreign currency balance	Exchange rate	RMB balance
Cash at bank & in hand			
-USD	123,572,720.03	6.9370	857,223,958.85
-EUR	5,609,814.13	7.3068	40,989,789.89
Receivables			
-USD	77,586,438.35	6.9370	538,217,122.83
-EUR	4,075,798.56	7.3068	29,781,044.92
Payables			
-USD	7,388,885.06	6.9370	51,256,695.66
-EUR	106,784.36	7.3068	780,251.96
-KRW	5,000,000.00	0.0058	28,785.00

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

☐Applicable ☒Not applicable

V. Changes in consolidation scope

In 2016, there is no change in the Group's Consolidation scope.

VI. 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%		Establishmenr or Investment
Wuxi Filin Electronics Co., Ltd.	Wuxi	Wuxi	Manufacture	73.00%		Establishmenr or Investment
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Wuxi	Wuxi	Marketing	99.54%	0.09%	Establishmenr or Investment
Wuxi Little Swan Import & Export Co., Ltd.	Wuxi	Wuxi	Import and export	88.46%		Establishmenr or Investment
Little Swan International (Singapore) Co., Ltd.	Singapore	Singapore	Investing	100.00%		Establishmenr 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

In 2016, the Company entered into an agreement with General Electric (China) Co., Ltd., who transfered its 30% of equity interests in Wuxi Little Swan General Electric Appliances Co., Ltd to the Company, about USD 10,000,000. At 31 December 2016, this transfer completed and Wuxi Little Swan General Electric Appliances Co., Ltd became a wholly owned subsidiary of the Company. The transaction reduced minority interest about 62,164,722.88 and reduced capital surplus 7,297,277.12.

(b) Subsidiaries with significant minority interests

Name	% of shares held by minority shareholders	P&L attributable to minority shareholders	Dividends declared to minority shareholders	Minority interest at 31 December 2016
Wuxi Filin Electronics Co., Ltd.	27.00%	60,279,451.02	-	200,201,688.97
Hefei Midea Washing Machine Co., Ltd.	30.53%	97,081,971.47	-	775,045,515.71

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

Name	31 December 2016						31 December 2015					
	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.	1,203,071,028.74	51,610,150.79	1,254,681,179.53	512,934,442.62	259,000.00	513,193,442.62	630,040,449.62	56,417,457.81	686,457,907.43	168,388,420.57	362,200.00	168,750,620.57
Hefei Midea Washing Machine Limited.	6,955,889,821.64	648,846,122.85	7,604,735,944.49	5,049,130,635.42	16,969,489.50	5,066,100,124.92	4,899,597,642.19	660,802,382.62	5,560,400,024.81	3,323,567,046.22	36,569,848.57	3,360,136,894.79

Name	Year ended 31 December 2016				Year ended 31 December 2015			
	Sales	Net profit	Total comprehensive income	Net cash flow from operating activites	Sales	Net profit	Total comprehensive income	Net cash flow from operating activites
Wuxi Filin Electronics Co. , Ltd.	904,940,364.35	223,257,225.99	223,257,225.99	30,800,930.14	597,332,804.55	149,474,951.17	149,474,951.17	-89,990,112.02
Hefei Midea Washing Machine Limited.	7,259,961,899.44	317,988,769.96	334,100,184.20	1,429,556,107.23	6,165,350,114.71	284,276,672.73	317,518,924.93	1,395,138,587.97

(2) Equity interest in associates and joint ventures

☐Applicable ☒Not applicable

VII. Segment reporting

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

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

(1) Sales transactions to third parties

	31 December 2016	31 December 2015
China	13,022,118,060.74	10,440,519,133.71
Other countries	3,312,796,440.95	2,691,107,798.73
Total	16,334,914,501.69	13,131,626,932.44

(2) Non-current assets

	31 December 2016	31 December 2015
China	1,258,041,184.47	1,323,094,433.43
Other countries	-	-
Total	1,258,041,184.47	1,323,094,433.43

VIII. 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.

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(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 are exposed to foreign exchange risk arising from assets and liabilities nominated in foreign currencies, primarily in USD. Headquarter of financial department is responsible for monitoring foreign currency transactions and the scale of foreign currency assets and liabilities of the Company and its subsidiaries, to minimize the foreign exchange risk. Therefore, the Company and its subsidiaries may sign forward foreign exchange contract or currency swap contract to avoid foreign exchange risk. In 2015 and 2014, the Company and its subsidiaries did not use any forward contracts or hedging instruments to mitigate the 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 2015 and 31 December 2014:

Item	31 December 2016		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	857,223,958.85	40,989,789.89	898,213,748.74
Receivables	538,217,122.83	29,781,044.92	567,998,167.75
Total	1,395,441,081.68	70,770,834.81	1,466,211,916.49
Financial liabilities denominated in foreign currency -			
Payables	51,256,695.66	809,036.96	52,065,732.62
Item	31 December 2015		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	299,468,993.14	5,111,988.93	304,580,982.07
Receivables	665,033,732.65	4,291,192.21	669,324,924.86
Total	964,502,725.79	9,403,181.14	973,905,906.93
Financial liabilities denominated in foreign currency -			
Payables	39,699,749.59	-	39,699,749.59

As at 31 December 2016, if the RMB had strengthened/ weakened by 7 % 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 79,980,000 (as at 31 December 2015: approximately RMB 55,026,000) lower/higher for

various financial assets and liabilities denominated in USD.

(b) Interest rate risk

As at 31 December 2016 and 31 December 2015, there is no any short-term or long-term interest bearing borrowings issued at floating rates in the Company and its subsidiaries. The company and its subsidiaries expect that there is no significant interest rate risk.

(2) Credit risk

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

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

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

In addition, the Company and its subsidiaries have policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Company and its subsidiaries assess the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Company

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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 2016 (2015: 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 at its headquarters monitors rolling forecasts of 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 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	185,237,615.37	-	-	-	185,237,615.37
Notes payable	2,620,549,815.47	-	-	-	2,620,549,815.47
Accounts payable	3,335,089,672.06	-	-	-	3,335,089,672.06
Dividends payable	7,150,684.06	-	-	-	7,150,684.06
Other current liabilities	1,844,413,154.26	-	-	-	1,844,413,154.26
Other payables	199,926,402.04	-	-	-	199,926,402.04
Provisions	1,727,340.89				1,727,340.89
Total	8,194,094,684.15	-	-	-	8,194,094,684.15
Item	31 December 2015				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Notes payable	1,953,065,274.06	-	-	-	1,953,065,274.06
Accounts payable	2,419,807,341.95	-	-	-	2,419,807,341.95
Dividends payable	5,400,652.06	-	-	-	5,400,652.06
Other current liabilities	653,242,331.76	-	-	-	653,242,331.76
Other payables	171,807,137.94	-	-	-	171,807,137.94
Total	5,203,322,737.77	-	-	-	5,203,322,737.77

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

Item	31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis				
Available-for-sale financial assets-financial products	-	-	5,994,142,671.24	5,994,142,671.24
Assets measured at fair value on a non-continuous basis				
Item	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis				
Available-for-sale financial assets-financial products	-	-	3,052,675,560.00	3,052,675,560.00
Assets measured at fair value on a non-continuous basis				

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

As at 31 December 2016, the Company and its subsidiaries' financial assets measured at fair value by Level 3 are financial product investments with floating income and unprotected principles. The fair value is determined by the Company and its subsidiaries using valuation techniques.

(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 2016, 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 2016	3,052,675,560.00
Purchase	8,171,000,000.00
Sale	-5,278,000,000.00
Total gains in current year	48,467,111.24
attributable to profit or loss	-55,675,560.00
attributable to other comprehensive income	104,142,671.24
31 December 2016	5,994,142,671.24
Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2016	-
Gain or loss on changes in fair value	-
Item	Financial product investments
1 January 2015	1,900,100,000.00
Purchase	6,042,300,000.00
Sale	-5,144,315,650.60
Total gains in current year	254,591,210.60
attributable to profit or loss	198,915,650.60
attributable to other comprehensive income	55,675,560.00

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31 December 2015	3,052,675,560.00
Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2015	-
Gain or loss on changes in fair value	-

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

Item	Fair value at 31 December 2016	Valuation technique	Non-observable Input	Range	Relationship with fair value	Observable/unobservable
Available-for-sale financial assets						
Financial products	5,994,142,671.23	Discount cash flow	Estimated annual yield	3.9%-5.5%	Moves in the same direction	unobservable
Item	Fair value at 31 December 2015	Valuation technique	Non-observable Input	Range	Relationship with fair value	Observable/unobservable
Available-for-sale financial assets						
Financial products	3,052,675,560.00	Discount cash flow	Estimated annual yield	3.5%~6.7%	Moves in the same direction	unobservable

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

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

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

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value at 31 December 2016 and 31 December 2015.

X. Capital management

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

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

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

Item	31 December 2016	31 December 2015
Gearing ratios	63.15%	58.21%

XI. Related parties and related party transactions

(1) Major shareholders of the Company

Name	Place of registration	Nature of business	Registered Capital	% of share holding	% of voting rights
Midea Group Co., Ltd.	Foshan, Guang Dong	Manufacture and sales of household appliances, motor and fittings, along with after-sale service, etc.	6,458,766,808.00	52.67%	52.67%

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

Name	31 December 2015	Increase	Decrease	31 December 2016
Midea Group Co., Ltd.	4,266,264,092.00	2,192,502,716.00	-	6,458,766,808.00

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

Name	31 December 2016		31 December 2015	
	% of share holding	% of voting rights	% of share holding	% of voting right
Midea Group Co., Ltd.	52.67%	52.67%	52.67%	52.67%

(4) Subsidiaries of the Company

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

(5) Associates and joint ventures of the Company

There is no associates or joint ventures of the company and its subsidiaries at 31 December 2016.

(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 Meian Logistics Co., Ltd.	Controlled by controlling shareholders of the Company
Ningbo Meimei Garden Appliance service Limited	Controlled by controlling shareholders of the Company
Andhra Logistics Co., Ltd.	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
Foshan Shunde Century Technology Limited	Controlled by controlling shareholders of the Company
Midea Wisdom Household Technology Co., Ltd.	Controlled by controlling shareholders of the Company
Hefei Hualing Co., Ltd.	Controlled by controlling shareholders of the Company
Ningbo Andhra Logistics Limited	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 Household Equipmental Appliance(Vietnam) Limited	Controlled by controlling shareholders of the Company
PT. MIDEA PLANET INDONESIA	Controlled by controlling shareholders of the Company
Orient Household Appliances Ltd.	Controlled by controlling shareholders of the Company
Hefei Midea Materials Supply Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Chongqing Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Controlled by controlling shareholders of the Company
Hubei Midea Refrigerator Limited	Controlled by controlling shareholders of the Company

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Hefei Midea Refrigerator Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Environment Equipment Limited	Controlled by controlling shareholders of the Company
Midea Group Finance Co., Ltd.	Controlled by controlling shareholders of the Company
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	Controlled by controlling shareholders of the Company
Wuhu Welling Motor Sales Co., Ltd.	Controlled by controlling shareholders of the Company
Huai'an Weiling motor manufacture Limited	Controlled by controlling shareholders of the Company
Midea Welling Motor Technology (Shanghai) Co., Ltd	Controlled by controlling shareholders of the Company
Shenzhen Midea Payment Technology Co., Ltd	Controlled by controlling shareholders of the Company

(7) (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 2016	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2015
Ningbo Midea United Supply Limited	Materials purchase	1,082,899,440.77	1,256,410,256.00	No	642,317,854.48
Huai'an Weiling motor manufacture Limited / Wuhu Welling Motor Sales Co., Ltd.	Electric engines purchase	909,387,012.40	1,029,911,026.00	No	625,887,185.38
Ningbo Meian Logistics Co., Ltd./ Andhra Logistics Co., Ltd.	Storage & logistics	596,152,613.40	585,585,585.60	Yes	75,627,390.93
Ningbo Meimei Garden Appliance service Limited	After-sales service	170,460,492.92	256,410,256.40	No	-
Midea E-business Limited	Promotion service	28,280,507.93	33,018,867.92	No	5,202,073.88
Zhejiang Meizhi Compressor Limited	Compressor & material purchase	5,879,190.09	12,820,512.82	No	5,265,435.21

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Guangdong Midea Hicks Electronics Limited / Ningbo Midea United Supply Limited	Chip & Wifi Modules purchase	35,734,928.99	49,572,649.57	No	-
Foshan Shunde Century Technology Limited	Mould purchase	632,478.62			-
Midea Wisdom Household Technology Co., Ltd.	Materials purchase	286,969.84			-
Hefei Hualing Co., Ltd.	Materials purchase	2,222.22			-
Ningbo Andhra Logistics Co., Ltd.	Storage & logistics	-			307,619,269.27
Wuhu Midea Household Appliances Manufacture Limited	Material purchase	-			53,333.33
Total		2,829,715,857.18	3,223,729,154.31		1,661,972,542.48

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 2016	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2015
Midea Appliance (Singapore) Trading Limited	Sales of washing machines and materials	2,454,180,175.61	3,020,500,000.00	No	1,955,298,317.81
MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	Sales of washing machines	54,647,993.33	98,000,000.00	No	41,335,737.51
Midea Household Equipmental Appliance(Vietnam) Limited	Sales of washing machines	24,473,060.87	45,000,000.00	No	9,413,711.55
PT. MIDEA PLANET INDONESIA	Sales of washing machines	23,243,634.98	50,000,000.00	No	15,660,128.95

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Orient Household Appliances Ltd.	Sales of washing machines	19,228,098.22	25,000,000.00	No	-
Ningbo Meimei Garden Appliance service Limited	Sales of materials	11,050,814.22	34,188,034.00	No	-
Ningbo Meian Logistics Co., Ltd.	Sales of washing machines	934,535.79			-
Ningbo Midea United Supply Limited	Sales of materials	176,304.62			-
Hefei Midea Materials Supply Co., Ltd.	Sales of materials	147,098.63			181,010.15
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	Sales of washing machines	108,102.56			-
Guangdong Midea Refrigeration Equipment Limited	Sales of washing machines	104,923.08			812,888.89
Andhra Logistics Co., Ltd.	Sales of washing machines	34,536.74			1,242,839.32
Ningbo Andhra Logistics Limited	Sales of washing machines	-			1,832,343.59
Chongqing Midea Refrigeration Equipment Limited	Sales of washing machines	-			400,615.38
Total		2,588,329,278.65	3,272,688,034.00		2,026,177,593.15

The pricing policies of related party transactions are agreed price.

(b) Lease

Lessee	Type of assets	Rental income of 2016	Approved amount of transaction	If it exceeds the approved amount	Rental income of 2015
Hefei Hualing Co., Ltd.	House property	10,466,576.72	14,150,943.40	No	11,667,537.60
Andhra Logistics Co., Ltd.	House property	19,888.81			-
Total		10,486,465.53	14,150,943.40		11,667,537.60

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(c) Asset Transfer

Related parties	Related-party Transactions	Year ended 31 December 2016	Approved amount of transaction	If it exceeds the approved amount	Year ended 31 December 2015
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Trademark royalty charges	3,234,831.39	Charged by 0.3% of net sales	No	3,187,769.20
Hubei Midea Refrigerator Limited	Trademark royalty charges	767,582.21			841,058.36
Midea Group Co., Ltd.	Trademark royalty charges	13,389,505.52			9,960,480.61
Hefei Midea Refrigerator Co., Ltd.	Equipments purchase	14,848.68			-
Guangdong Midea Environment Equipment Limited	Equipments purchase	-			49,640.99
Midea Group Co., Ltd.	Equipments purchase	-			40,984.50
Guangdong Midea Refrigeration Equipment Limited	Equipments purchase	-			11,564.05
Ningbo Meimei Garden Appliance service Limited	Equipments sales	3,437.82			-
Andhra Logistics Co., Ltd.	Equipments sales	-			7,332.44
Guangdong Midea Refrigeration Equipment Limited	Equipments sales	-			7,017.43
Total		17,410,205.62			14,105,847.58

(d) Remuneration of key management

Item	Year ended 31 December 2016	Year ended 31 December 2015
Remuneration of key management	12,050,200.00	12,258,201.20

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

As at 31 December 2016, the Company and its subsidiaries' Cash at bank deposited in Midea Group Finance Co., Ltd. amounted to RMB 1,974,034,532.35 (as at 31 December 2015: RMB 1,997,171,470.18). During the year ended 31 December 2016, interest income of cash at bank mentioned above was RMB 6,734,059.25 (2015: RMB

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4,876,260.99).

As at 31 December 2016, the Company and its subsidiaries' bank acceptance notes accepted by Midea Group Finance Co., Ltd. Amounted to RMB 1,493,984,805.34 (as at 31 December 2015, RMB 1,963,652,880.92). During the year ended 31 December 2016, commission charges of the bank acceptance notes mentioned above amounted to RMB 2,118,620.23 (2015: RMB 4,876,260.99).

(8) Receivables from and payables to related parties

(a) Receivables from related parties

Name of item	Related parties	31 December 2016		31 December 2015	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	Midea Appliance (Singapore) Trading Limited	475,357,280.44	23,767,864.02	497,669,561.47	24,883,478.07
Accounts receivable	Orient Household Appliances Ltd.	13,679,187.05	683,959.35	-	-
Accounts receivable	Midea Household Equipmental Appliance(Vietnam) Limited	13,183,502.52	659,175.13	5,998,410.85	299,920.54
Accounts receivable	PT. MIDEA PLANET INDONESIA	8,404,017.46	420,200.87	4,712,904.79	235,645.24
Accounts receivable	MIDEA SCOTT & ENGLISH ELECTRONICS SDN BHD	3,485,105.76	174,255.29	11,531,302.72	576,565.14
Accounts receivable	Ningbo Meian Logistics Co., Ltd.	43,086.00	2,154.30	-	-
Accounts receivable	Ningbo Andhra Logistics Limited	-	-	344,351.37	17,217.57
Accounts receivable	Andhra Logistics Co., Ltd.	-	-	288,245.00	14,412.25
Total		514,152,179.23	25,707,608.96	520,544,776.20	26,027,238.81
Other receivables	Shenzhen Midea Payment Technology Co., Ltd	10,835,423.12	541,771.16	-	-
Other receivables	Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	3,428,921.06	171,446.05	3,379,035.35	168,951.77
Other	Hefei Hualing Co., Ltd.	854,915.88	42,745.79	2,516,870.13	125,843.51

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receivables					
Other receivables	Hubei Midea Refrigerator Limited	813,636.76	40,681.84	891,521.86	44,576.09
Total		15,932,896.82	796,644.84	6,787,427.34	339,371.37
Prepayment	Ningbo Midea United Supply Limited	10,121,553.93	-	-	-
Prepayment	Midea E-business Limited	1,549,712.32	-	1,072,593.00	-
Prepayment	Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	75,816.00	-	-	-
Prepayment	Foshan Shunde Century Technology Limited	48,100.00	-	-	-
Total		11,795,182.25	-	1,072,593.00	-

(b) Payables to related parties

Name of item	Related parties	31 December 2016	31 December 2015
Accounts payable	Wuhu Welling Motor Sales Co., Ltd.	201,074,837.49	-
Accounts payable	Ningbo Midea United Supply Limited	110,265,994.59	73,289,057.95
Accounts payable	Zhejiang Meizhi Compressor Limited	3,330,792.14	1,445,079.96
Accounts payable	Guangdong Midea Hicks Electronics Limited	1,305,066.18	-
Accounts payable	Ningbo Meimei Garden Appliance service Limited	499,870.00	39,107,819.41
Accounts payable	Huai'an Weiling motor manufacture Limited	390,637.80	117,984,701.58
Accounts payable	Ningbo Meian Logistics Co., Ltd.	151,302.88	-
Accounts payable	Andhra Logistics Co., Ltd.	52,603.40	-
Accounts payable	Midea Wisdom Household Technology Co., Ltd.	-	1,421.02
Accounts payable	Ningbo Andhra Logistics Limited	342,449.48	-
Total		317,413,553.96	231,828,079.92
Other payables	Wuhu Midea Household Appliances Manufacture Limited	1,288,644.49	-
Other payables	Guangdong Midea Refrigeration Equipment Limited	283,510.28	-
Other payables	Midea Welling Motor Technology	275,223.94	-

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	(Shanghai) Co., Ltd		
Other payables	Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	84,774.82	-
Other payables	Midea Group Co., Ltd.	43,400.00	-
Other payables	Ningbo Meimei Garden Appliance service Limited	9,949.00	-
Total		1,985,502.53	
Other current liabilities	Midea Group Co., Ltd	14,192,875.85	15,536,878.06

XII. Share-based payment

(1) Summary

According to the authorisation of 3rd extraordinary general meeting of Midea Group in 2016, 15th meeting of the 2nd term of Board of Midea Group have passed the share option incentive plan (The 3rd Incentive Plan) and agree to grant 127,290,000 share options to 929 objects on 28th June 2016. As at 31 December 2016, the number of benefit employees involved in the 1st Incentive Plan mentioned above is 36, and the number of share options granted is 7,762,500. The number of benefit employees involved in the 2nd Incentive Plan is 42, and the number of share options granted is 7,200,000. The number of benefit employees involved in the 3rd Incentive Plan is 67, and the number of share options granted is 9,225,000.

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

The total stock option expenses recognised in 2016 were RMB 36,330,588.22 (2015: RMB 23,897,698.08). As at 31 December 2016, the balance relating to the option incentive plan and provided for in capital surplus was RMB 101,372,240.53 (31 December 2014: RMB 66,599,778.25).

XIII. Commitment and contingency

(1) Significant commitments

As at 31 December 2016, no significant commitments shall be disclosed.

XIV. Contingency

As at 31 December 2016, no significant contingency shall be disclosed.

XV. Events after balance sheet date**Profit distribution after balance sheet date**

	Amount
Proposed profits or dividends (a)	474,365,823.00
Authorized dividends	474,365,823.00

(a) According to the resolution of the Board on 7 March, 2017, the Board propose to distribute RMB 474,365,823.00 and it has not been recognized as a liability in the financial statement ended 31 December 2016. (Note IV (29))

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

Category	31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	1,262,331,696.77	53.37%	-	-	1,262,331,696.77
Debtors grouped by credit risk	1,103,076,716.02	46.63%	55,153,835.81	5.00%	1,047,922,880.21
Total	2,365,408,412.79	53.37%	55,153,835.81	2.33%	2,310,254,576.98
Category	31 December 2015				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	763,953,231.04	63.37%	-	-	763,953,231.04
Debtors grouped by credit risk	441,524,088.26	36.63%	22,082,524.63	5.00%	419,441,563.63

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Total	1,205,477,319.30	100.00%	22,082,524.63	1.83%	1,183,394,794.67
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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 2016			
	Account receivable	Bad debt provision	% of proportion	Book Value
Within 1 year	1,103,076,716.02	55,153,835.81	5.00%	1,047,922,880.21
Aging	31 December 2015			
	Account receivable	Bad debt provision	% of proportion	Book Value
Within 1 year	441,397,683.85	22,069,884.19	5.00%	419,327,799.66
1 to 2 year	126,404.41	12,640.44	10.00%	113,763.97
Total	441,524,088.26	22,082,524.63	5.00%	419,441,563.63

As at 31 December 2016 and 2015, there were no material accounts receivable which were past due.

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

☐ Applicable ☒ Not applicable

Accounts receivable adopting aging other method for bad debt provision:

☐ Applicable ☒ Not applicable

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

During the year ended 31 December 2016, the net movement of provision for accounts receivable was RMB 33,071,311.18 (2015: RMB 3,439,821.47). There were no provision or reverse of provision for individual significant accounts receivable.

(c) Top 5 of accounts receivable by customers

name	Amounts	Bad debt provision	% of total balance
Total amount of the top 5 accounts receivable by customers	2,083,485,915.68	41,198,198.12	88%

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(2) Other receivables**(a) Other receivables classified by nature:**

Category	31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	75,755,041.50	81.69%	75,408,191.50	99.54%	346,850.00
Debtors grouped by credit risk	16,981,991.47	18.31%	1,152,734.58	6.79%	15,829,256.89
Total	92,737,032.97	100.00%	76,560,926.08	82.56%	16,176,106.89
Category	31 December 2015				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	% of proportion	
Debtors with significant balance assessed individually	75,736,975.50	92.10%	75,331,167.42	99.46%	405,808.08
Debtors grouped by credit risk	6,499,053.39	7.90%	553,851.30	8.52%	5,945,202.09
Total	82,236,028.89	100.00%	75,885,018.72	92.28%	6,351,010.17

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

√ Applicable □ Not applicable

Other accounts receivable (unit)	31 December 2016				
	Other accounts receivable	Bad debt provision	% of proportion	Book value	Reason of provision
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	74,296,538.55	74,296,538.55	100%	-	Uncollectible
Wuxi Little Swan Import & Export Co., Ltd	1,111,652.95	1,111,652.95	100%	-	Uncollectible
Total	75,408,191.50	75,408,191.50		-	
Other accounts receivable (unit)	31 December 2015				
	Other accounts receivable	Bad debt provision	% of proportion	Book value	Reason of provision
Jiangsu Littleswan Marketing and	75,736,975.50	75,331,167.42	99.46%	405,808.08	Uncollectible

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

☒ Applicable ☐ Not applicable

Aging	31 December 2016			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book Value
Within 1 year	15,644,811.47	782,240.58	5.00%	14,862,570.89
1 to 2 years	598,900.00	59,890.00	10.00%	539,010.00
2 to 3 years	292,680.00	87,804.00	30.00%	204,876.00
Above 3 years	445,600.00	222,800.00	50.00%	222,800.00
Total	16,981,991.47	1,152,734.58	6.79%	15,829,256.89
Aging	31 December 2015			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Book Value
Within 1 year	5,271,957.76	263,597.88	5.00%	5,008,359.88
1 to 2 years	718,661.00	71,866.10	10.00%	646,794.90
2 to 3 years	179,150.00	53,745.00	30.00%	125,405.00
Above 3 years	329,284.63	164,642.32	50.00%	164,642.31
Total	6,499,053.39	553,851.30	8.52%	5,945,202.09

As at 31 December 2016 and 31 December 2015, there were no material other receivable which were past due.

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

☐ Applicable ☒ Not applicable

Other receivables adopting aging other method for bad debt provision:

☐ Applicable ☒ Not applicable

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

During the year ended 31 December 2016, the net movement of provision for other receivable was RMB 675,907.35 (2015: RMB 895,274.66). There were no provision or reverse of provision for individual significant other receivable

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

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

(d) Other receivables classified by nature

Nature of other receivables	31 December 2016	31 December 2015
Current accounts with subsidiaries	75,755,041.50	75,736,975.50
Deposits	1,477,683.35	878,058.00
Loans to employees	1,719,177.08	3,033,956.98
Others	13,785,131.04	2,587,038.41
Less: Bad debt provision	-76,560,926.08	-75,885,018.72
Total	16,176,106.89	6,351,010.17

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

Name of the entity	Nature of other receivables	31 December 2016	Aging	% of total other receivables	Bad debt provision 31 December 2016
Jiangsu Littleswan Marketing and Sales Co.,Ltd.	Inter-company receivables	74,296,538.56	Between 4 and 5 years	80.12%	74,296,538.55
Shenzhen Midea Payment Technology Co., Ltd	Advance & temporaty payments	6,945,518.53	Within 1 year	7.49%	347,275.93
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Trademark royalty charges	3,428,921.06	Within 1 year	3.70%	171,446.05
Guangzhou Antaida Logistics Corporation	Long-term equity investments Liquidation	2,587,038.41	Within 1 year	2.79%	129,351.92
Wuxi Little Swan Import & Export Co. , Ltd	Inter-company receivables	1,111,652.94	Between 4 and 5 years	1.20%	1,111,652.95
Total		88,369,669.50		95.29%	76,056,265.40

(3) Long-term equity investments

Items	31 December 2016			31 December 2015		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value

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		provision			provision	
Subsidiaries	1,433,285,041.57	57,500,000.00	1,375,785,041.57	1,363,823,041.57	57,500,000.00	1,306,323,041.57
Investment in total	1,433,285,041.57	57,500,000.00	1,375,785,041.57	1,363,823,041.57	57,500,000.00	1,306,323,041.57

(a) Investment in subsidiaries

Name of subsidiaries	Balance at 1 January 2016	Addition	Reduction	Balance at 31 December 2016	Impairment provision	Balance of impairment provision
Wuxi Little Swan Import & Export Co. , Ltd	57,500,000.00	-	-	57,500,000.00	-	57,500,000.00
Jiangsu Little Swan Marketing and Sales Co. , Ltd.	417,550,000.00	-	-	417,550,000.00	-	-
Wuxi Filin Electronics Co. , Ltd.	25,660,308.10	-	-	25,660,308.10	-	-
Wuxi Little Swan General Electric Appliances Co. , Ltd.	19,600,000.00	69,462,000.00	-	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	1,363,823,041.57	69,462,000.00	-	1,433,285,041.57	-	57,500,000.00

As at 31 December 2016, the Company provided credit guarantee for Hefei Midea Washing Machine Limited amounted to RMB 193,143,310.84 (as at 31 December 2015: nil).

(4) Sales and cost of sales

Item	Year ended 31 December 2016		Year ended 31 December 2015	
	Income	Cost of sales	Income	Cost of sales
Operating income	11,476,294,751.16	8,827,790,922.43	9,149,930,217.84	6,884,349,798.71
Other operating income	975,332,449.61	851,332,446.28	694,714,345.12	571,779,495.31
Total	12,451,627,200.77	9,679,123,368.71	9,844,644,562.96	7,456,129,294.02

Other operating income and expenses:

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Item	Year ended 31 December 2016		Year ended 31 December 2015	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sale of materials	958,017,488.25	850,941,124.43	682,563,266.86	570,717,772.88
Others	17,314,961.36	391,321.85	12,151,078.26	1,061,722.43
Total	975,332,449.61	851,332,446.28	694,714,345.12	571,779,495.31

(5) Investment income

Item	Year ended 31 December 2016	Year ended 31 December 2015
Income from disposal of available-for-sale financial assets	66,407,088.82	112,263,580.07
Investment income from holding available-for-sale equity instrument	9,721,111.11	-
Long-term equity investment income measured at equity method	-	-255,029.37
Investment loss from disposal of long-term equity investment	-	-2,180,542.67
Income from disposal of financial assets measured at fair value through profits or losses	-	193,218.65
Total	76,128,199.93	110,021,226.68

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

XVII. Supplementary information**(1) Non-recurring profits or losses**

Item	Year ended 31 December 2016	Year ended 31 December 2015
Net loss on disposal of non-current assets	-1,833,734.45	-280,195.57
Government grants recognized in profits or losses for the current period (exclude for those closely related to the Company and its subsidiaries' operation and received at national statutory standard and amount)	13,872,569.26	31,893,010.09
Gain or loss of debt restructuring	-	2,679,264.25
Other non-operating income and losses other than items above	4,288,097.78	-8,815,676.21
Less: Effect of income tax	- 2,455,096.12	-3,899,799.51
Effect of minority interest	- 1,759,407.99	-5,783,501.47

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Total	12,112,428.48	15,793,101.58
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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.

☐ Applicable ☒ Not applicable

(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	21.14%	1.86	1.86
Net profit attributable to ordinary shareholders of the Company, excluding non-recurring profits or losses	20.92%	1.84	1.84

WUXI LITTLE SWAN CO., LTD.

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Section 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 accounting head for this Report;
- III The original Auditor's Report signed and sealed by the CPAs, as well as sealed by the CPAs firm; and
- IV The originals of all the Company's documents and announcements which were disclosed on Securities Time and Ta Kung Pao (HK) during this Reporting Period.

Wuxi Little Swan Company Limited

Legal representative: Fang Hongbo

March 9, 2017