



**GREE ELECTRIC APPLIANCES, INC.  
OF ZHUHAI**

**Annual Report 2012**

**April 2013**

## **Section I Important Notice, Table of Contents and Paraphrase**

**The Board of Directors, Board of Supervisors, all directors, supervisors and officers of the Company hereby guarantee that there are not any false records, misleading representations or material omissions in the Report, and shall take all the joint and several responsibilities for the authenticity, accuracy and completeness of the contents hereof.**

**Dong Mingzhu, the Company's responsible person, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution hereby declare and warrant that the financial report in the Report is authentic, accurate and complete.**

**All directors personally attended the meeting of the Board of Directors in respect of deliberation of the Report.**

**The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as below: based on total stock capital of the Company at the end of the year 2012, all directors were distributed a cash dividend of RMB 10 (tax included) per 10 stocks without bonus shares (tax included) and without capitalization from public reserve funds.**

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## Paraphrase

Items	Means	Contents
Company, the Company, GREE ELECTRIC APPLIANCES or GREE	Means	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
GREE GROUP	Means	ZHUHAI GREE GROUP CORP.
Finance Company	Means	Zhuhai Gree Group Finance Company Limited
Jinghai Guaranteed	Means	Hebei Jinghai Guaranteed Investment Co. , Ltd.
CSRC	Means	China Securities Regulatory Commission
Guangdong Securities Regulatory Bureau	Means	Guangdong Regulatory Bureau of CSRC
Report Period	Means	the period from 1 January 2012 to 31 December 2012

## Section II Company Profile

### 1. Company Information

Stock Abbreviation	GREE ELECTRIC APPLIANCES	Stock Code	000651
Stock Exchange	Shenzhen Stock Exchange		
Name in Chinese	珠海格力电器股份有限公司	Name Abbreviation in Chinese	格力电器
Name in Foreign Language	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI	Name Abbreviation in foreign language	GREE
Legal Representative	Dong Mingzhu		
Registered Address and Office Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	Post Code	519070
Website	<a href="http://www.gree.com.cn">http://www.gree.com.cn</a>	Email	gree@gree.com.cn

### 2. Contacts and Contact Information

Board Secretary	Wang Jingdong	Securities Affairs Representative	Yang Yongxing
Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	Tel	0756-8669232
Fax	0756-8622581	Email	gree0651@gree.com.cn

### 3. Information Disclosure and Place of the Report

Newspaper designated by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website specified by CSRC for release of the Annual Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where the Annual Report is available for inspection	Securities Legal Affairs Department of the Company

### 4. Alteration of Registration

Registration Description	Registration Date	Registration Place	Registration Number of Corporate Business License	Tax Registration Number	Organization Code
Initial	13 December 1989	Zhuhai Municipal Administration of Industry and Commerce of Guangdong Province	4400001008614	440401192548256	19254825-6
At the end of the Report Period	20 June 2012	Zhuhai Municipal Administration of Industry and Commerce of Guangdong Province	440000000040686	440401192548256	19254825-6

### 5. Accounting Firm Engaged by the Company

Name of the Accounting Firm	Office Address	Name of Accountant as Signatory
China Audit Asia Pacific Certified Public Accountants Co., Ltd.	22-23/F, Tianxingjian Building, No.47 Fuxing Rd, Haidian District, Beijing	Liu Lianzao, Gong Jingwei

### 6. Sponsor institution engaged by the Company responsible for continuous supervision during the Report Period

Name of Sponsor Institution	Office Address	Name of Sponsor Representative	Period of Continuous Supervision
China Merchants Securities Co., Ltd.	38-45/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen	Wang Suwang, Liu Lihua	6 February 2012 to 31 December 2013

## Section III Summary of Accounting Data and Financial Indices

### 1. Main Accounting Data and Financial Indices:

Item	2012	2011	Increase/Decrease over the previous year (%)	2010
Operating Revenue (Yuan)	99,316,196,265.19	83,155,474,504.59	19.43%	60,431,626,050.46
Net profit attributable to shareholders of listed company (Yuan)	7,379,666,345.09	5,236,938,608.43	40.92%	4,275,721,624.27
Net profit attributable to shareholders of listed company less non-recurring gains and losses (Yuan)	6,995,208,275.30	5,106,435,132.83	36.99%	4,027,201,466.49
Net cash flow generated from operating activities (Yuan)	18,408,746,271.56	3,356,159,992.13	448.51%	615,995,032.63
Basic earnings per share (Yuan per Share)	2.47	1.86	32.80%	1.52
Diluted earnings per share (Yuan per Share)	2.47	1.86	32.80%	1.52
Rate of return on net assets (%)	31.38%	34%	-2.62%	36.51%
Item	At the end of 2012	At the end of 2011	Increase/Decrease over the end of previous year (%)	At the end of 2010
Total Asset (Yuan)	107,566,899,919.95	85,211,594,207.30	26.24%	65,604,378,124.94
Net asset attributable to shareholders of listed company (owners' equity) (Yuan)	26,743,134,404.77	17,606,865,814.24	51.89%	13,302,554,789.94

### 2. Non-recurring Gains and Losses and the Amount Thereof

Unit: RMB

Item	Amount of 2012	Amount of 2011	Amount of 2010
Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part)	-12,332,978.15	-7,015,131.03	-4,161,397.60
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies)	252,844,637.88	145,384,688.32	96,325,946.48
Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company	217,676,678.03	38,495,870.93	139,479,044.07
Non-operating incomes and expenditures other than the above items	16,485,229.47	-27,002,909.26	70,060,723.36
Influence amount of income tax	-86,905,123.66	-20,861,729.40	-48,753,304.95
Influence amount of minority interests (After tax)	-3,310,373.78	1,502,686.04	-4,430,853.58
Total	384,458,069.79	130,503,475.60	248,520,157.78

## Section IV Report of the Board of Directors

### 1. Overview

The year of 2012 is the year during which the pressure exists with opportunities in the household electrical appliances, faced with the recurring international economic crisis, domestic economy staying at a low level toward being stable, depressed domestic and international market demand and downturn in the industry, the Company stuck to independent innovation at the beginning of the year under the guideline of "Guarantee Growth, Deepen Management, Entail Transformation, Attach Importance to Scientific Research", promoted the enterprise transformation by upgrading the technologies, products and management, furthered the innovations in both management and marketing channel based on technological innovation and gave full play to the advantages in the leading technology, quality brand, whole industry chain and scale cost. Moreover, based on asking for economical benefits from management, the Company completely improved its comprehensive profitability by enhancing its level of management, deepening the control of marketing channel and enabling more exports of self-owned brands.

In 2012, the Company achieved a total operating income of RMB 100.11 billion and total profit of RMB 8.763 billion in the whole year; the net profit attributable to shareholders of listed company was RMB 7.38 billion, an increase of 40.92% compared with the previous year; the basic earnings per share was RMB 2.47 per share, an increase of 32.80% compared with the previous year; the total asset was RMB 1,07.567 billion, an increase of 26.24% compared with the previous year; the owners' equity attributable to shareholders of listed company was RMB 26.743 billion, an increase of 51.89% compared with the previous year; the net asset per share attributable to shareholders of listed company was RMB 8.89. The net asset yield based on weighted average was 31.38%.

### 2. Key work of the Company in 2012

#### **(1) Continually strengthen corporate governance, complete the re-election of the Board of Directors and further standardize the business operations of the Company**

A re-election of the Board of Directors was made in May 2012, during which a new Board of Directors headed by the Chairman Dong Mingzhu was elected so as to continually optimize the structure of the Board of Directors, introduce outside directors, substantially improve the independence and speciality level of the Board of Directors and further intensify the organization governance of the Company. (See the "Section VIII Corporate Governance" for more detailed information)

#### **(2) Continually forward the implementation of internal control standards**

As one of the pilot units as selected to implement the internal control standards in Guangdong province in 2011, the Company completed the construction of the internal control standards system in its head office and Finance Company in the current year; And an audit report for internal control containing an unqualified opinion was issued by the auditors at the beginning of 2012. The Company carried out the construction of the internal system in all its branches and subsidiaries and completed the implementation of the internal control standards by the end of the year 2012. (See the "Section IX Internal Control" for more detailed information)

According to the Notice on Further Implementing Issues concerning Cash Dividends of listed Companies (Zheng Jian Fa [2012] No. 37) as promulgated by CSRC and related documents from Guangdong Securities Regulatory Bureau, the Company further perfected its profit decision procedure and distribution policy and modified part of the provisions of its Articles of Association. (See the "XI Profit and Dividend Distribution" for more detailed information)

### **(3) Main Innovations of the Company**

Innovation is the core of GREE culture. "Product Foremost and Quality First" is fundamental to stable and rapid development of GREE, and the quality derives from technology. However, the innovations of GREE ELECTRIC APPLIANCES included not only the innovation in technology but also those in management, marketing channel, talent training. The Company's innovation began with the innovation in the talent training mechanism, was driven by independent technical innovation and furthered the innovations in both management and marketing channel.

#### **1). Innovation in talent training**

Dong Mingzhu, Chairman and President said: "Only the talents who are loyal to the enterprise can guarantee the expansion of the enterprise and innovations in technology, management and marketing channel." Therefore, the Company focused on formation of fair and impartial job competition mechanism, internal promotion mechanism of "Promoting Able Persons and Demoting the Incompetent Ones" and effective material and spiritual incentive mechanism so as to give employees a clear promotion channel and build a platform for their career development.

While the Company created an atmosphere for "Respect Talents, Love Talents and Make the Best Possible Use of Men and Talent", it utilized the culture to keep people, built "HAPPY GREE" together by conducting a series of "Happy Work, Happy Life" activities and increased centripetal force cohesion and sense of belonging of employees.

#### **2). Innovation in independent technology**

During the Report Period, the key technology (also called "1Hz frequency inverter technology") (including the technologies in the automatic torque control, whole software power factor correction, single chip integrated module and self-made inverter compressor) which has been researched and applied in GREE inverter air conditioners was awarded the China National Science & Technology Progress Award, and the Company became the only award-winning specialized household appliance enterprise.

During the Report Period, the "two-stage compressor technology" (research and development and application of two-stage enthalpy gain inverter compressor) globally originated by GREE was unanimously appraised as "World Leading Technology" by the expert team. GREE two-stage inverter compressor holds 19 patents for invention and 2 international patents. Such technology has broken through the operating limit of the traditional air conditioner products, and the "two-stage compressor technology" enables the household appliances to achieve the strong air heating at low temperature below 30°C and strong cooling at high temperature of 54°C. Two-stage enthalpy gain inverter heat pump air conditioner has settled technical difficulties in the ordinary heat pump air conditioner characterized by high failure in low-temperature heating and low energy efficiency, judging from ultra low temperature heating performance, it can meet the heating demand of most of the cold areas in our country; The "two-stage compressor inverter heat pump technology" or "two-stage compressor DC inverter centrifugal pump technology" applied in the products has made a revolutionary change for the heating technology of our country and can creatively improve coal burning pollution in winter in our country and accelerate the development of low carbon, energy conservation and environmental protection industries.

During the Report Period, GREE ELECTRIC APPLIANCES synchronously launched new products such as "Crown" series of air conditioners "I-Crown" and "U-Crown" and Crown series heat pump water heater "H-Crown" products, all of which applied independently developed two-stage inverter compressor achieving high-efficiency heating at low temperature below 30°C and quick cooling at high temperature of 54°C, with the winter heating capacity up more than 40% and the summer cooling capacity up more than 35%, and

they started a new era of "Two-stage Inverter" in China's household appliance industry.

### 3). Management innovation

During the Report Period, the Company internally practiced the management policy of "Be fair; Be open; Be dedicated ", cultivated the management style of leading cadres upholding "Righteous Path, Healthy Trends and Justice" and encouraged the staff to live up to the code of conduct of "Be truthful, work for real; Be principled, work for good; Be committed, work for success ", insisted on doing work in strict accordance with any laws, regulations, systems and standards, and made great efforts to form the "Rationalized, Scientific, Standardized and Network" management.

During the Report Period, the Company set up a department for production automation management and automated R&D and manufacturing institution leading the development of automation equipment with intellectual property right to gradually build a system of automatic machine in the whole process of final assembly, forming a complete set, storage and transport based on the ideas of "Breakthrough of Key-Points, Implementation by stages".

During the Report Period, based on the achievements made by the Company in the product quality control and outstanding contributions to the work of promoting the quality in Asia in terms of quality control theory and practice, Dong Mingzhu, Chairman and President of the Company, won the Asia's most authoritative quality award — " Kaoru Ishikawa Award " (in 2012) and became the first woman who reached such an honor.

### 4). Innovation in marketing channel

The marketing channel is one of the magic weapons which enable the Company to achieve the rapid and stable development, and GREE ELECTRIC APPLIANCES kept carrying on exploration and innovation all the time in terms of its mode of marketing to establish new marketing channels based on integrity and win-win by transforming the commercial spirit with the industrial spirit. Such marketing channel went through the originated "Off-season Interest Rebate" and "Year-end Rebate", regional sales company and speciality store, and the transformation of the past "Profit-making Focus" into "Service Focus".

During the Report Period, the Company regulated the market management of the marketing channel, and based on its expansion transformed and upgraded the marketing channels especially speciality stores from extensive expansion to connotation expansion and from speciality store of household air conditioners to sales service integrator of HVAC equipment, moreover, the Company set up flagship stores and experience stores in the central city with good condition and shifted the focus of work to consumers to really realize all-win among the manufacturer, trader and consumer, for only by ensuring the consumers to get a profit can the marketing channel remain.

## 3. Analysis on change of principal business

### (1) Revenues

#### 1). The physical sales revenue of the Company is more than the service revenue.

#### 2). Sales conditions of Top 5 clients

Client ranking	Sales Revenue (Yuan)	Percentage to Annual Sales Revenue of the Company (%)
First	7,347,118,532.86	7.34
Second	5,953,082,337.53	5.95
Third	5,031,691,197.47	5.03
Fourth	4,590,402,583.83	4.59
Fifth	4,563,553,553.01	4.56
Total	27,485,848,204.70	27.47

### (2) Costs

Unit: RMB Yuan

Category of Industry	Item	2012		2011		Increase/Decrease over previous year (%)
		Amount	Proportion to Operating Cost (%)	Amount	Proportion to Operating Cost (%)	
Household Appliances	Raw Material	66,418,900,466.80	90.73%	62,581,990,200.07	91.85%	-1.12%
	Labor Wages	2,556,608,989.34	3.49%	1,991,851,553.15	2.92%	0.57%
	Depreciation	467,268,117.30	0.64%	244,824,397.18	0.36%	0.28%
	Energy Resources	431,066,730.78	0.59%	280,094,842.17	0.41%	0.18%

### Information about Top 5 suppliers of the Company

Name of Supplier	Amount of Purchase (Yuan)	Percentage to Total Amount of Annual Purchase (%)
First	4,328,322,379.07	6.22%
Second	3,781,267,527.70	5.44%
Third	1,352,560,366.33	1.94%
Fourth	1,011,492,536.48	1.45%
Fifth	855,654,615.07	1.23%
Total	11,329,297,424.65	16.28%

### (3) Expenses

Unit: RMB Yuan

Item	2012	2011	Increase/Decrease over previous year (%)	Causes of Change
Sales Expense	14,626,228,488.10	8,050,408,236.13	81.68	As a result of efforts intensified in marketing
Overhead Expense	4,055,809,619.26	2,783,266,091.12	45.72	Because the expanded scale of the Company resulted in increase in the overhead expense

### (4) Cash Flows

Unit: RMB Yuan

Item	2012	2011	Increase/Decrease over previous year (%)	Causes of Change
Net Cash Flow from Operating Activities	18,408,746,271.56	3,356,159,992.13	448.51	Because the expanded sales volume resulted in increase in received payments
Net Cash Flow from Investment Activities	-4,212,523,966.37	-2,767,272,507.87	52.23	Due to increase in investment in bonds
Net Cash Flow from Financing Activities	815,216,460.30	-794,600,707.98	202.59	Because the additional stocks were issued to raise capital

#### 4. Analysis on composition of principal business

Unit: RMB Yuan

Item		Operating Revenue	Operating Cost	Gross Profit Ratio	Increase of Operating Revenue over previous year	Increase of Operating Cost Over previous year	Increase of Gross Profit Ratio Over previous year (Percentage Point)
Industry	Household appliances manufacturing	91,248,254,915.96	66,370,257,422.23	27.26%	18.88%	5.92%	8.90
Product	Air Conditioner	88,886,091,863.25	64,411,756,737.38	27.53%	18.86%	5.66%	9.05
	Small Home Appliances	1,452,989,500.63	1,124,294,624.81	22.62%	12.51%	3.33%	6.87
	Others	909,173,552.08	834,206,060.04	8.25%	34.00%	35.87%	-1.26
Territory	Domestic	75,458,160,917.80	52,784,837,671.57	30.05%	21.30%	7.76%	8.79
	Overseas	15,790,093,998.16	13,585,419,750.66	13.96%	8.55%	-0.70%	8.01

Note: "Others" as stated in the product category under the Item mainly mean the compressor, motor, capacitor, varnished wire and mould etc.

#### 5. Analysis on assets and liabilities

##### (1) Assets

Unit: RMB Yuan

Item	At the end of 2012		At the end of 2011		Change of Proportion (Percentage Point)
	Amount	Proportion to Total Assets	Amount	Proportion to Total Assets	
Monetary Capital	28,943,921,701.45	26.91%	16,040,809,751.08	18.82%	8.09
Accounts Receivable	1,474,872,971.56	1.37%	1,226,793,775.32	1.44%	-0.07
Inventories	17,235,042,562.70	16.02%	17,503,107,339.56	20.54%	-4.52
Fixed Assets	12,700,394,289.32	11.81%	7,709,137,076.07	9.05%	2.76
Construction in Progress	2,304,317,913.92	2.14%	2,171,661,342.21	2.55%	-0.41

##### (2) Liabilities

Unit: RMB Yuan

Item	2012		2011		Change of Proportion (Percentage Point)
	Amount	Proportion to Total Assets	Amount	Proportion to Total Assets	
Short-term Borrowing	3,520,642,063.91	3.27%	2,739,286,399.90	3.21%	0.06
Long-term Borrowing	984,463,173.32	0.92%	2,582,204,889.28	3.03%	-2.11

##### (3) Assets and liabilities measured by fair value

There were no significant changes in the main asset measurement attribute of the Company during the Report Period.

Unit: RMB Yuan

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation on reserves withdrawn during the	Amount of purchase during the	Sales Amount during the period	Amount at the end of the period

				period	period		
Financial assets							
1. Financial assets measured by fair value and their changes recognised in the gains and losses during the current period (excluding derivative financial assets)	16,489,122.00	246,884,832.05					263,460,017.40
2. Derivative financial assets	-49,685,982.31		53,923,084.18				13,752,940.26
3. Available-for-sale financial assets			4,691,512.15				554,912,450.00
Subtotal	-33,196,860.31	246,884,832.05	58,614,596.33	0.00			832,125,407.66
Total	-33,196,860.31	246,884,832.05	58,614,596.33	0.00			832,125,407.66
Financial liabilities	0	0	0	0			0

## 6. Analysis on core competitiveness

Through more than 20 years of sustainable and steady development, the Company has had its own unique competitive advantages in corporate culture, focus strategy, independent innovation, core technology, quality brand, marketing channel, management team, scale cost, client resource and the whole industry chain, among which the core competitive advantage is reflected in the pragmatic corporate culture of "Be fair; Be open; Be dedicated", based on the independent innovation gene and lofty mission of "for the Clear Sky and Greener Earth", the Company enables the excellent products to serve the consumers through independently controlled marketing channel.

## 7. Investment analysis

### (1) Investment in derivatives

#### 1). Open interest regarding the investment in derivatives at the end of the Report Period

Unit: RMB Yuan

Type of Contract	Beginning contract amount	Ending contract amount	Profits and losses during the Report Period	Proportion of the ending contract amount to net assets at the end of the Report Period
Futures Hedging Contract	-49,685,982.31	13,752,940.26	-7,066,222.57	0.05%
Forward Foreign Exchange Contract (Buying in)	46,109,190.11	77,105,135.13	31,624,382.48	0.29%
Forward Foreign Exchange Contract (Selling out)	-29,620,068.11	186,354,882.27	-98,370,695.05	0.70%
Total	-33,196,860.31	277,212,957.66	-73,812,535.14	1.04%

Note: The contract amounts of the open interest at the beginning of the period and at the end of the period mean the fair value of the contract.

#### 2). Form of investment in derivatives

Risk analysis of open interest of derivatives and control measures during the Report Period (including but not limited to market risk, liquidity risk, credit risk, operation risk and legal risk)	In order to evade any risk in the cost of purchase of raw materials by the company which might arise from wide fluctuations of the price of bulk raw materials, the Company carried on the hedging business for part of the raw materials and duly locked the cost of raw materials according to the futures market situation to reduce any uncertainty risk from fluctuations of the market price of the spot goods; meanwhile, the Company carried out foreign exchange transactions by bank's financial instruments to evade any risk in the fluctuations of exchange rate and interest rate, reduce foreign exchange liabilities and conduct the cost locking, and realize the maintenance and increase of the value of foreign exchange assets. The Company laid down the Rules for Hedging Management of Futures and "Internal Control System of Forward Foreign Exchange Transactions to execute the full appraisal and control of the investment in derivatives and risks in open interest, and the detailed description is shown as below:
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	<p>1. Legal and regulatory risk; While the Company carried on hedging and foreign exchange transactions, it was required to follow the laws and regulations and specifically stipulate the rights and obligations with the agency. Control measures: The Company assigned the responsible department to strictly execute the contract review, clarify the rights and obligations, strengthen compliance check and ensure the Company's investment in derivatives and operation of open interest in accordance with any laws and regulations and internal control system of the Company.</p> <p>2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system. Control measures: The Company established the corresponding management system, clarified the division of responsibilities and examination &amp; approval procedures of the hedging and foreign exchange transactions, built more perfect supervision mechanism and effectively reduced any operation risk through business, decision and transaction processes.</p> <p>3. Market risk The price change of bulk goods and uncertainty of fluctuations of exchange rate of foreign exchange market bring a greater market risk to the futures business and foreign exchange transactions. Control measures: The principle of prudent and moderate operation is upheld in the futures hedging and foreign exchange transactions of the Company, in which any speculative transaction is not permitted. As to the hedging business, the Company strictly restricted the number of hedging not to exceed the number of actual spot transaction and the open interest of the futures not to exceed the number of hedged spot goods and implemented the mechanism to stop loss. In respect of the foreign exchange transactions, the Company effectively prevented the market risk by judging the trend of foreign exchange rate and utilizing a contract to lock the settlement of exchange rate.</p>
The detailed usage and related hypothesis and parameter setting should be disclosed in terms of the market price of the invested derivatives or changes in fair value of the products during the Report Period and analysis on the fair value of the derivatives.	The loss under the futures hedging contract during the Report Period was RMB -7,066,222.57; The profit under the forward foreign exchange contract during the Report Period was RMB 180,138,519.48.
Descriptions about whether there were major changes in the accounting policies and detailed accounting principle of the Company's derivatives during the Report Period as compared to the last report period.	No change.
Special opinions of independent directors regarding the investment in derivatives and risk control of the Company	In the opinion of the Company's independent directors, the Company improved its management level by strengthening internal control and carrying out the risk prevention measures as well as stabilizing price fluctuations through futures hedging. It also enhanced its foreign exchange risk control level through foreign exchange transactions. The above investment in derivatives helps to give play to competitive advantages of the Company, so it is feasible for the Company to carry on the investment in derivatives under controllable risk.

## (2) Usage of raised funds

### 1). Overall usage of raised funds

The total amount of the funds raised by the Company in 2012 was RMB 3,195.2870 million, and the total amount of the raised funds used for investment and the accumulated total of the raised funds used for investment was both RMB 2,505.6714 million during the Report Period, and there were no changes in any projects financed by the raised funds. According to the plan of investment of the raised funds, the raised funds invested in projects during the Report Period accounted for 78.42% of the total amount of all raised funds.

## 2). Promised projects of raised funds

Unit: RMB ten thousand yuan

Promised investment project and investment place for over-raised funds	Whether or not the project has been changed (including those changed in part)	Total amount of promised investment of raised funds	Total amount of adjusted investment (1)	Amount of investment during the Report Period	Accumulated amount of investment by the end of the period (2)	Investment progress by the end of the period (%) (3)=(2)/(1)	Date of reaching the intended usage	Benefits realized during the Report Period	Whether or not the project has achieved expected benefits	Whether or not there were any major changes in the feasibility of the project
Promised investment project										
Technical reformation project of commercial air conditioners of GREE HQ.	No	60,000	53,528.7	52,289.18	52,289.18	97.68%	31 October 2012	5,986.67	Yes	No
Wuhan commercial air conditioner project	No	50,000	50,000	50,000	50,000	100%	31 May 2012	-1,378.86	No	No
Zhengzhou household air conditioner project	No	70,000	70,000	70,000	70,000	100%	30 April 2012	-274.98	No	No
New energy-saving household air conditioner compressor project with an annual output of 6 million	No	90,000	90,000	68,946.61	68,946.61	76.61%	31 May 2011	28,092.62	Yes	No
Technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving	No	56,000	56,000	9,331.35	9,331.35	16.66%	31 December 2014	Not applicable	Not applicable	No
Subtotal of the promised investment project		326,000	319,528.7	250,567.14	250,567.14	--	--	32,425.45	--	--
Investment place for over-raised funds										
Total	--	326,000	319,528.7	250,567.14	250,567.14	--	--	32,425.45	--	--
Description and causes for the failure to achieve the planned progress or anticipated revenue (for different specific projects)	1. Wuhan commercial air conditioner project and Zhengzhou household air conditioner project were put into production respectively in May and April 2012, and they have not completely achieved the designed capacity yet, nor have they reached the expected benefit. 2. The technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving failed to achieve the planned progress because the Company postponed the project investment progress due to the changes in the market circumstances, and it is expected that this project will be completed at the end of December 2014.									
Description for major changes in the feasibility of the project	Not applicable									
Amount, purpose and usage progress of over-raised funds	Not applicable									
Change of implementation place of the project financed by raised funds	Not applicable									
Adjustment of implementation method of the project financed by raised funds	Not applicable									

Initial investment and replacement of the project financed by raised funds	Applicable According to the Special Audit Report (Zhong Shen Ya Tai Shen Zi (2012) No. 010075 regarding the advanced investment of self-raised funds in the project by GREE ELECTRIC APPLIANCES which was issued by China Audit Asia Pacific Certified Public Accountants Co., Ltd, as of 31 January 2012, the actual investment amount of the advanced investment of self-raised funds in the project by the Company was RMB 2,255.2865, and the Company deliberated and passed the Proposal on Replacing Self-raised Funds Invested in Advance in the Project Financed by Raised Funds with Raised Funds at the 21 <sup>th</sup> meeting of the 8th session of Board of Directors which was convened on 18 February 2012, in which the Company was allowed to replace the self-raised funds of RMB 2,243.4069 million invested in advance in the project financed by raised funds with the additional raised funds. The details of such replacement are shown as follows: ① Replacing the raised funds of RMB 353.1989 million invested in the technical reformation project of GREE HQ commercial air conditioners; ② Replacing the raised funds of RMB 0.5 billion invested in Wuhan commercial air conditioner project; ③ Replacing the raised funds of RMB 0.7 billion invested in Zhengzhou household air conditioner project; ④ Replacing the raised funds of RMB 637.7616 million invested in the new energy-saving household air conditioner compressor project with an annual output of 6 million; ⑤ Replacing the raised funds of RMB 52.4464 million invested in the technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving;
Temporary supplement of current funds by idle raised funds	Not applicable
Balance of raised funds appearing during the project implementation and Causes	Not applicable
Purpose and investment place of unused raised funds	As of 31 December 2012, the total amount of the unused raised funds was RMB 705.7544 million, including the net interest income of RMB 16.1357 million. The balance of the special account for the raised funds invested in the technical reformation project of commercial air conditioners of GREE HQ was RMB 15.6166 million, including the net interest income of RMB 3.2214 million. The raised funds invested in the project operation by intended increase of funds and replacement was RMB 535.287 million, of which the amount of the actually used funds was RMB 522.8918, accounting for 97.68% of total amount of the raised funds to be invested in the project; The balance of the special account for the raised funds invested in the new energy-saving household air conditioner compressor project with an annual output of 6 million was RMB 215.1674 million, including the net interest income of RMB 4.6334 million. The raised funds invested in the project operation by intended increase of funds and replacement was RMB 0.9 billion, of which the amount of the actually used funds was RMB 689.4661 million, accounting for 76.61% of total amount of the raised funds to be invested in the project; The balance of the special account for the raised funds invested in the technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving was RMB 474.9674 million, including the net interest income of RMB 8.2809 million. The raised funds invested in the project operation by intended increase of funds and replacement was RMB 0.9 billion, of which the amount of the actually used funds was RMB 93.3135 million, accounting for 16.66% of total amount of the raised funds to be invested in the project; The unused raised funds will be invested based on the follow-up investment progress and plan.
Problems or other conditions existing in the usage and disclosure of raised funds.	Not applicable

### (3) Major subsidiaries

Except that Zhuhai Gree Group Finance Company Limited carries on financial service, all the other subsidiaries carry on manufacturing business.

Company Name	Main Product or Service	Registered Capital (ten thousand yuan)	Total Assets (ten thousand yuan)	Net Assets (ten thousand yuan)	Operating Revenue (ten thousand yuan)	Operating Profit (ten thousand yuan)	Net Profit (ten thousand yuan)
Zhuhai Gree Group Finance Company Limited	Financial Services	150,000	1,221,782.24	211,655.93	98,838.06	29,099.09	21,828.03
Gree Electric Appliances (Chongqing) Co., Ltd.	Air Conditioner	23,000	582,347.38	268,827.51	1,299,877.33	88,330.35	75,894.92
Zhuhai Gree Electrical Co., Ltd.	Varnished Wire	16,932	690,59.56	32,614.06	149,642.68	2,986.69	2,784.88
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Motor	8,200	189772.33	33,236.55	274,059.21	375.84	1,086.47
Gree Electric Appliances	Air	15,000	931,354.94	416,548.33	2,052,046.51	149,400.32	134,944.41

(Hefei) Co., Ltd.	Conditioner						
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Small Home Appliances	3,000	50,049.11	13,735.18	93,333.90	5,028.51	4,139.82
Zhuhai Landa Compressor Co., Ltd.	Compressor	9,303	6,430,48.00	199,564.53	585,446.64	56,165.98	48,237.89
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Air Conditioner	2,000	498,939.72	67,110.95	333,986.90	-2,572.26	-844.91
Gree Electric Appliances (Wuhan) Co., Ltd.	Air Conditioner	1,000	321,543.35	47,471.35	216,269.46	-14,751.46	-4,636.88
Gree Electric Appliances (Wuhu) Co., Ltd.	Air Conditioner	2,000	267,708.76	-1,764.70	137,938.97	-4,328.30	-2,829.18
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Air Conditioner	10,000	270,198.19	8,632.04	201,457.01	-260.28	175.16

## 8. Prospects of the Company's future development

### (1) Development strategy

The Company will continually persist in the development ideas of self-expansion, independent innovation and self-owned brand", adhere to professional development, gradually realize the diversified operations in the professional development, strengthen the integration of industries, seek the diversification (HVAC equipment) concerned with horizontal development, strive for the development in breadth and depth and go forward at full speed to horizontal and vertical directions so as to try to realize the sales income of RMB 120 billion in 2013; Taking the realization of the sales income of RMB 100 billion as a new starting point and depending on technical strength, brand tension and channel control, the Company will do its best to achieve a growth of RMB 20 billion in average annual sales income of the future five years to realize the creation of another "GREE" in five years.

### (2) Business ideas in 2013

The Company will internally keep practicing the management policy of "Be fair; Be open; Be dedicated", require the leading cadres to have a sense of crisis, sense of urgency and awareness of unexpected development and to live up to "not to abuse their power to seek personal gains and benefits or to bully others", encourage the staff to fulfill the code of conduct of "Be truthful, work for real; Be principled, work for good; Be committed, work for success", insist on doing work in strict accordance with any laws, regulations, systems and standards, effectively eliminate effects on work from selfish departmentalism and bureaucratism, build fair and impartial working environment, and utilize rules and systems to create a space for fair development and a sharing platform so as to build an enterprise in which everyone is willing to work hard, everyone is given equal opportunities and everyone has a wish.

### (3) Main key work in 2013

- 1). Adhere to consumer-oriented and the principle of "high-tech, high-quality, high performance" to originate excellent products and promote the transformation and upgrading of technologies.
- 2). Persist in setting the quality of excellent products as precondition and energetically perfect the independent quality assurance system with a whole process and all staff involved.
- 3). Persevere in the principle of "Three High" (high quality, high efficiency, high benefit) and accelerate the production automation construction.
- 4). Based on the group management, enhance the overall execution, promote the enterprise information management, integrate and effectively utilize resources, implement scientific management, and improve the quality of decision-making.
- 5). Adhere to the management policy of "openness, impartiality and fairness", quicken the

perfection of the talent training system of "selection, development, placement and retention" and innovate the talent training mechanism; Form the talent selection mechanism with both political integrity and professional competence and moral priority; Train more excellent talents in scientific research, technology, management, production and marketing.

6). Adhere to the people-oriented, improve the living conditions of workers at the production line, set up an institute of technology and build a learning organization to make more employees have opportunities to upgrade their skills and accumulate more positive energy in building a service enterprise of "all for one, one for all" together.

7). Further carry out the standardization and universalization work, persist in the path of "technological patent, patent standardization, standard internationalization", build an advanced standard system to transform achievements of independent innovation into advanced enterprise standard and bring high quality and high benefit by science and technology.

8). Energetically carry on the audit work, gradually build and perfect the company's audit supervision system, give full paly to the functions of internal audit in corporate governance, risk control and internal regulation.

In conclusion, the Company will continue to center on building "Happy Gree" and make the employees' happiness become an original force to urge the enterprise to progress; Based on improving living conditions, constructing ecological geochemistry and serving the human being as the ultimate goal, make greater efforts to execute independent research and development and lead the industry transformation and upgrading; Supported by creating excellent products, taking high quality, high efficiency, high benefit as the principle, focusing on carrying out the automation and informatization construction; Driven by "Four Innovations" (technical innovation, management innovation, channel innovation, talent training innovation), transform the enterprise's ecological responsibility into the company's endogenous driving force, master the core technology and realize the low-carbon green growth based on the lofty mission of "let the sky bluer, the earth more green" so as to win the larger development space for the sustainable development of the Company.

#### **(4) Risk in future development**

The major risks in future development derive from any adverse effects from slowdown in demands of global consumers.

#### **9. Description of changes in the accounting policy, accounting estimates and accounting method compared with the financial report of previous year.**

Not applicable.

#### **10. Description of changes in consolidated financial statements compared with the financial report of previous year.**

**(1) There were no new subsidiaries included in the consolidated financial statements during the Report Period.**

**(2) Subsidiaries not included in the consolidated financial statements during the Report Period**

In May 2012, Hefei Gree Green Resources Recycling Co., Ltd. was cancelled, so as of May 2012 it will not be incorporated in the consolidated financial statements; In November 2012, Ma'anshan Green Resources Recycling Co., Ltd. was cancelled, so as of November 2012 it will not be included in the consolidated financial statements;

#### **11. Profit and Dividend Distribution**

(1) Formulation, execution or adjustment of profit distribution policy (including the cash dividend policy)

The Amendment of Articles of Association and the Shareholders' Return Plan of GREE ELECTRIC APPLIANCES for the Next Three Years (2012 to 2014) which were respectively passed at the 2<sup>th</sup> meeting of the 9th session of Board of Directors as convened by the Company on 5 July 2012 and at the first interim general meeting of shareholders in 2012 as convened by the Company on 24 August 2012 further perfected the Company's profit decision procedure and distribution policy so as to ensure the continuity and stabilization of the profit distribution policy. The Company's Board of Directors guaranteed that it will review the plan every three years to ensure all modifications of such plan as proposed by it not to breach the profit distribution policy as determined in the Articles of Association.

The Company's profit distribution policy conforms to the provisions of the Articles of Association. The Company attaches importance to protection of legal rights and interests of medium and small investors, and any opinions for all previous profit distributions of the Company were expressed by independent directors. The Company also specified dividend standard and payout ratio, and all conditions and procedures for adjustment or change of the Company's profit distribution policy are compliant and transparent.

## (2) Plan (Scheme) of profit distribution and capitalization from capital public reserve for the last three years

### 1). Plan of profit distribution for the year 2012

Upon audit of China Audit Asia Pacific Certified Public Accountants Co., Ltd, based on the net profit of RMB 4,570,064,653.35 realized by the parent company in 2012, calculated by 10% of total amount of the withdrawn statutory surplus reserve equivalent to RMB 457,006,465.34 plus the undistributed profit at the beginning of the year equivalent to RMB 6,205,484,705.91 less the distributed profit of RMB 1,503,932,719.50, the actual distributable profit is RMB 8,814,610,174.42.

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 10.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 3,007,865,439.00 and the balance to be carried forward to the next year.

The plan of profit distribution will not be executed until it is submitted to the general meeting of shareholders of the Company for the year 2012 for approval.

### 2). Scheme of profit distribution for the year 2011

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 5.00 (tax included) per 10 stocks, with the total amount of cashes distributed in such a way up to RMB 1,503,932,719.50 and the balance carried forward to the next year.

### 3). Scheme of profit distribution for the year 2010

Calculated by total stock capital of the Company equivalent to 2,817,888,750 stocks, all directors will be distributed a cash of RMB 3.00 (tax included) per 10 stocks, with the total amount of cashes distributed in such a way up to RMB 845,366,625.00 and the balance carried forward to the next year.

## (3) Cash dividends for the last three year:

Unit: RMB Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to shareholders of listed company in annual consolidated financial statements	Proportion to net profit attributable to shareholders of listed company in consolidated financial statements	Annual distributable profit
2012	3,007,865,439.00	7,379,666,345.09	40.76%	8,814,610,174.42

2011	1,503,932,719.50	5,236,938,608.43	28.72%	6,205,484,705.91
2010	845,366,625.00	4,275,721,624.27	19.77%	4,665,235,884.33

## 12. Social Responsibilities

The Company actively and voluntarily performed its social responsibilities, effectively protected the lawful rights and interests of all stakeholders, won with its strength recognition of the enterprise, brand and products from capital market and consumer market and promoted through various activities the low-carbon green growth in the household appliances industry. (Please refer to the Social Responsibilities Report for the Year 2012 available from huge influx of information network)

## 13. Registration form of reception of activities including research, communication and interviews during the Report Period

Time of Reception	Reception Object, Method and Place of Research	Time of Reception	Reception Object, Method and Place of Research
6 January	Jeffevies Hong Kong Limited, Wellington Management Company	25 July	UBS SDIC Fund Management Co., Ltd.
13 January	Lone Pine Capital LLC	29 August	Everbright Financial Holding Asset Management Co., Ltd.
15 February	Shanghai Xinquan Investment Co., Ltd.	4 September	Cathay Life Insurance Company Ltd., Cathay Securities Investment Trust Co., Ltd.
16 February	Morgan Stanley	6 September	First State
18 February	Harvest Fund Management Co., Ltd.	10 September	Cinda Securities
20 February	HSBC Jintrust Fund Management Co., Ltd., China Merchants Fund Management Co., Ltd.	13 September	Medium and small investors participating in the activity of "Walk into listed Company" organized by Founder Securities Co., Ltd. and the listed Companies Association of Guangdong
22 February	Guangzhou Securities Co., Ltd.	17 September	Heqi Investment, Gangwan Investment, Wudangshan Investment
23 February	Heqi Investment, Yanhuang Investment	19 September	HUATAI SECURITIES
28 February	Huashang Fund Management Co., Ltd., Changjiang Securities Company Limited	25 September	Congrong Investment Management Co., Ltd., ESSENCE FUND Co., Ltd.
1 March	China International Capital Corporation Limited, Changsheng Fund Management Co., Ltd., China Galaxy Securities Co., Ltd., GF Securities Co., Ltd., Orient Fund Management Co., Ltd., SWS MU Fund Management Co., Ltd., Tianhong Asset Management Co., Ltd., CLSA Asia-Pacific Markets, China Merchants Securities Co., Ltd.	9 November	Man Sum Investments, Zhonghai Fund Management Co., Ltd., Huatai-PineBridge Fund Management Co., Ltd., Boshi Fund Management Co., Ltd., Huashang Fund Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd., New China Fund Management Co., Ltd., Lombarda China Fund Management Co., Ltd., Anbang Asset Management Co., Ltd., ChangAn Fund Management Co., Ltd., Shanghai Hexi Investment, Banking Fund, Changjiang Securities Company Limited, Minsheng Securities, Batach-Sophia Investment Management Co., Ltd., Neuberger Berman, Chang Xin Asset Management Co., Ltd., China Universal Asset Management Co., Ltd., New Thinking Investment Management Co., Ltd., Tong Shing Securities Co., Ltd.
2 March	Sinolink Securities Co., Ltd., UBS SDIC Fund Management Co., Ltd., GF Fund Management Co., Ltd.	16 October	Client of Credit Suisse Group
8 March	China International Capital Corporation Limited	17 October	Deutsche Bank AG
12 March	IMPAX Asset Management (Hong Kong) Limited	31 October	Various investors such as securities trader and fund management companies
20 March	BS AG	1 November	Normura Securities Co., Ltd.
22 March	ZBI Asia, BROAD PEAK	1 November	QFII representative of Morgan Stanley, GREAT WALL FUND MANAGEMENT CO., LTD., Haitong Securities Co., Ltd.

3May	China Galaxy Securities Co., Ltd., Fullgoal Fund Management Co., Ltd.	5 November	ESTON PARK, Sealand Securities Co., Ltd.
9 May	Fidelity Investment, Fidelity Funds, Keywise Capital, Keywise Capital, Azentus Capital, UG Investment, Myriad Asset Management, Norges Bank Investment Management, Neuberger Berman, Morgan Stanley	5 December	Fortis Haitong Investment Management Co., Ltd., UBS SDIC Fund Management Co., Ltd., SWS MU Fund Management Co., Ltd., CITIC-Prudential Fund Management Company Ltd., Gfund Management Co., Ltd., China Asset Management Company Limited, Ping An UOB Fund Management Co., Ltd., Sunshine Insurance Group Corporation Limited, Hong Yuan Securities Co., Ltd., China Securities Co., Ltd., Shanghai Elegant Investment Co., Ltd., Heqi Investment, Goldstate Securities Co., Ltd., China Merchants Securities Co., Ltd., Zhesang Fund Management Co., Ltd., Hua An Fund Management Co., Ltd., Soochow Securities Co., Ltd., Changsheng Fund Management Co., Ltd., South Industry Assets Management Co.' Ltd., Minsheng Asset Management Company Ltd., Red Chip Capital, Greenwoods Asset Management Limited, Aegon-Industrial Fund Management Co., Ltd., Shanghai Zexi Investment Management Co., Ltd., GF Securities Co., Ltd., Heying Investment Management Co., Ltd.
9 May	Shenzhen Mai Sheng Investment Co., Ltd.	26 September	APS Fund
18 May	China Galaxy Securities Co., Ltd.	7 November	China International Capital Corporation Limited
11 July	Myriad Asset Management, HSBC Securities, CCB Principal Asset Management Co., Ltd., ICBC Credit Suisse Asset Management Co., Ltd., Haitong Securities Co., Ltd.	8 November	China International Fund Management Co., Ltd., China International Capital Corporation Limited, China Southern Fund Management Co., Ltd., Zhesang Securities Co., Ltd.
5 June	Mapletree Investments Pte Ltd	8 November	China International Capital Corporation Limited
6 June	China International Capital Corporation Limited	6 November	Bank Of China Investment Management Co., Ltd.
6 June	JF Asset Management Limited	13 November	Southwest Securities Co., Ltd.
7 June	Sun Life Everbright Life Asset Management Co., Ltd.	14 November	Sinolink Securities Co., Ltd., China Life Insurance Asset Management Company Ltd.
11June	DBS Vickers Securities (Hong Kong)	15 November	Taiping Pension Company Ltd.
12 June	Keywise Capital Management (HK) Limited	16 November	QFII of China International Capital Corporation Limited, Hanlun Investment Advisers Co., Ltd.
15 June	Merrill Lynch	19 November	CIPATADELFund
25 June	Standard Chartered Bank	21November	China International Capital Corporation Limited
27 June	Credit Suisse Group AG	26 November	UBS
27 June	GENESIS	28 November	BROAD PEAK
28 June	Hamon Investment Group	5 December	E Fund Management Co., Ltd.
4 to 6 July	Chengdu Strategy of China Galaxy Securities Co., Ltd. and SINOLINK SECURITIES CO., LTD.	7 December	Zhuhai Strategy of SINOLINK SECURITIES CO., LTD.
4 July	PICC Asset Management Co., Ltd.	20 July	ZBI Asia
22 May	Taikang Life Insurance Company	25 December	BS AG
13 July	Gaoguan Investment Co., Ltd.	27 December	Mirae Asset Securities Co., Ltd., Lombard Odier Darier Hentsch (Asia) Limited
18 July	Fortune CLSA Securities Limited		
Remark: 1. Unless specially specified, the above reception objects are all institutional investors. 2. Unless specially specified, the above researches are all field researches, and the place of research is in the conference room of the Company. 3. Unless specially specified, all the above receptions mainly refer to production and operation and industry development of the Company.			

## Section V Important Events

### **1. The Company was involved in no major legal action or arbitration during the Report Period.**

### **2. During the Report Period, the Company was involved in no non-operating fund occupation by any controlling shareholders and other related parties.**

In respect of the occupation of the Company's funds by any controlling shareholders and other related parties of the Company, China Audit Asia Pacific Certified Public Accountants Co., Ltd. issued the Description for Special Audit of Fund Occupation by Controlling Shareholders and Other Related Parties of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI for the Year 2012 (Zhong Shen Ya Tai Shen Zi (2013) No.010180-1).

### **3. Sale and purchase of assets and merger and acquisition of the Company during the Report Period.**

On 27 September 2012, the Company purchased from Chongqing Shijijingxin Industries (Group) Co., Ltd. 38.7% of total stocks of CHONGQING PARGO MECHANICAL EQUIPMENT CO., LTD held by it at the transfer price of RMB 8,503,918.85. As of 31 December 2012, the Company actually paid a total sum of stock transfer of RMB 2,551,175.65 and held 11.61% of total stocks of CHONGQING PARGO MECHANICAL EQUIPMENT CO., LTD.

### **4. Major related party transactions of the Company during the Report Period**

On 23 April 2012, the Financial Services Framework Agreement which was signed by and between Zhuhai Gree Group Finance Company Limited as the Company's holding subsidiary and Zhuhai Gree Group Co., Ltd. as the Company's controlling shareholder was deliberated and passed at the 22<sup>th</sup> meeting of the 8th session of Board of Directors, and the transaction under such agreement constituted a related party transaction. The transaction had been approved by independent directors prior to deliberation of such agreement, and the independent directors expressed their independent opinions for such transaction; The related directors all avoided voting on such agreement during the deliberation, and the non-related directors unanimously approved such agreement by voting; The related party transaction was deliberated and passed at the general meeting of shareholders for the year 2011 which was convened by the Company on 25 May 2012.

On 23 April 2012, the Cooperative Agreement for Regional Distribution of Gree Products for the Year 2012 which was signed by and between the Company and Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. was deliberated and passed at the 22<sup>th</sup> meeting of the 8th session of Board of Directors, and the transaction under such agreement constituted a related party transaction. The transaction had been approved by independent directors prior to deliberation of such agreement, and the independent directors expressed their independent opinions for such transaction; The related directors all avoided voting on such agreement during the deliberation, and the non-related directors unanimously approved such agreement by voting; The related party transaction was deliberated and passed at the general meeting of shareholders for the year 2011 which was convened by the Company on 25 May 2012.

On 25 May 2012, the Cooperative Agreement for Regional Distribution of Gree Products for the Year 2012 which was signed by and between the Company and Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. was deliberated and passed at the first meeting of the 9th session

of Board of Directors, and the transaction under such agreement constituted a related party transaction. The transaction had been approved by independent directors prior to deliberation of such agreement, and the independent directors expressed their independent opinions for such transaction; The related directors all avoided voting on such agreement during the deliberation, and the non-related directors unanimously approved such agreement by voting; The related party transaction was deliberated and passed at the first interim general meeting of shareholders in 2012 which was convened by the Company on 5 July 2012.

**5. The Company was involved in no trusteeship, contracting and lease of assets of other companies during the Report Period.**

**6. The Company was involved in no major external securities during the Report Period.**

**7. During the Report Period, the Company did not entrust others to execute any cash asset management.**

**8. The Company or shareholders holding more than 5% of total stocks of the Company did not disclose any commitments in public during the Report Period.**

**9. Engagement and disengagement of accounting firm and payment of remuneration**

On 25 May 2012, the Re-engaging China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the Company's Audit Institution in 2012 was deliberated and passed at the general meeting of shareholders in 2011 which was convened by the Company, in which China Audit Asia Pacific Certified Public Accountants Co., Ltd. was re-engaged as the Company's Audit Institution in 2012. The amount of remuneration paid for the audit in 2012 by the Company to the accounting firm was RMB 3.1 million (excluding travel expenses).

China Audit Asia Pacific Certified Public Accountants Co., Ltd. will render the Company the audit services for 10 consecutive years.

**10. The Company and its directors, supervisors, senior management personnel, controlling shareholders and actual controllers were not subject to any inspection, administrative penalty, or public criticism from CSRC or any public censure from the Stock Exchanges during the Report Period.**

Name of Shareholder Holding more than 5% of total stocks	Amount of recovered incomes from suspected illegal purchase and sale of the Company's stocks	Time of Recovery
Hebei Jinghai Guaranteed Investment Co. , Ltd.	RMB 138,968.00	10 December 2012

## Section VI Changes in Stock Capital & Information of Shareholders

### 1. Changes in stock capital

(1) As the Company implemented public issuance of 189,976,689 A stocks during the Report Period, the total number of stocks of the Company changed from the former 2,817,888,750 stocks to 3,007,865,439 stocks. Meanwhile, according to the related provisions, Mr. Zhu Jianghong, the former Chairman of the Board of Directors, and Mr. Shi Xiaolei, the former Chairman of the board of supervisors retired on 25 May 2012, and the sale of their stocks was required to be completed within a limited period of six months from the date of departure, upon expiration of such period, the restricted sale of stocks will be cancelled.

Unit: Stocks

	Before the change		Increase/Decrease (+, -)					After the change	
	Number	Percentage (%)	New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	Number	Percentage (%)
1. Stocks with trading restriction conditions	37,815,375	1.34%				-16,161,500	-16,161,500	21,653,875	0.72%
Stocks held by senior management personnel	37,815,375	1.34%				-16,161,500	-16,161,500	21,653,875	0.72%
2. Tradable Stocks without trading restriction conditions	2,780,073,375	98.66%	189,976,689			16,161,500	206,138,189	2,986,211,564	99.28%
RMB ordinary stocks	2,780,073,375	98.66%	189,976,689			16,161,500	206,138,189	2,986,211,564	99.28%
3. Total of stocks	2,817,888,750	100%	189,976,689			0	189,976,689	3,007,865,439	100%

### (2) Approval of changes in stock capital

The Company was approved to issue additional A stocks in public after having received the Approval Regarding Issuance of Additional Stocks by GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (Zheng Jian Xu Ke [2011] No. 1500) from CSRC on 20 September 2011; Upon approval of Shenzhen Stock Exchange, the new stocks with a total of 189,976,689 stocks which were issued in public by the Company in 2012 were listed on 3 February 2012.

### 2. Issuance and listing of stocks

#### (1) Issuance of stocks in the last three years:

According to the Approval Regarding Issuance of Additional Stocks by GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (Zheng Jian Xu Ke [2011] No. 1500) from CSRC, the Company issued in public 189,976,689 stocks at the price of RMB 17.16 per stock in 2012, and total amount of raised funds was RMB 3,259,999,983.24, from which the issuance cost of RMB 64,712,976.37 was deducted, the net amount of raised funds was RMB 3,195,287,006.87.

Upon approval of Shenzhen Stock Exchange, these new stocks issued by the Company had a

total of 189,976,689 stocks, and they were listed on 3 February 2012.

(2) Changes in total amount of stocks and shareholding structure

As the Company implemented public issuance of 189,976,689 A stocks during the Report Period, the total number of stocks of the Company changed from the former 2,817,888,750 stocks to 3,007,865,439 stocks.

See the Paragraph "1. Changes in stock capital" under this Section for the changes in shareholding structure.

(3) Existence of no internal employee stock in the Company.

(4) Information of shareholders

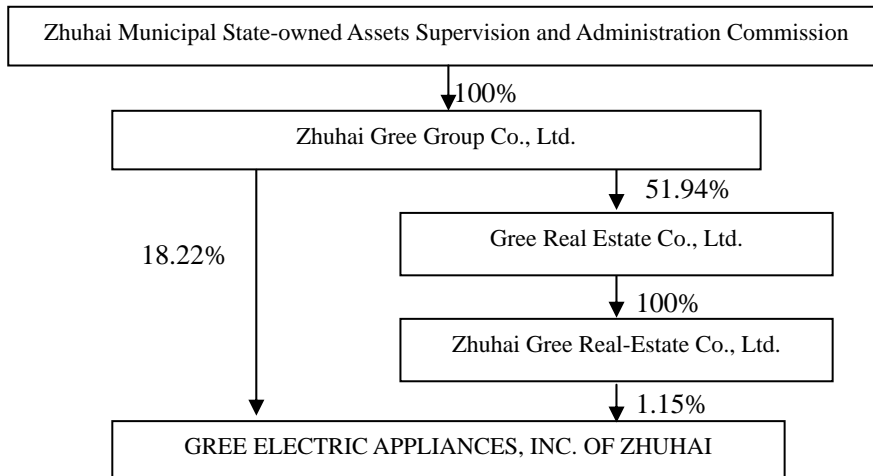
Total number of shareholders at the end of the Report Period		58,571		Total number of shareholders at the end of the 5th trading day before disclosure date of the annual report		64,291		
Shareholding of the shareholders holding more than 5% of total stocks								
Name of shareholders	Nature of shareholders	Shareholding Proportion (%)	Total number of the stocks held at the end of the Report Period	Increase/Decrease in the Report Period	Number of the trading restricted stocks held	Number of the trading unrestricted stocks held	Pledge or Freezing	
							Stock status	Number
Zhuhai Gree Group Co., Ltd.	State-owned legal person	18.22%	548,127,812			548,127,812	Pledged	464,073,750
Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state-owned legal person	8.46%	254,429,476	-27,335,000		254,429,476		
Shareholding of the top 10 shareholders (no other shareholders holding the stocks with trading restriction conditions other than directors and senior management personnel of the Company)								
Name of shareholders					Number of the trading unrestricted stocks held at the end of the year	Type of stocks		
						Type of stocks	Number	
Zhuhai Gree Group Co., Ltd.					548,127,812	RMB ordinary stocks	548,127,812	
Hebei Jinghai Guaranteed Investment Co., Ltd.					254,429,476	RMB ordinary stocks	254,429,476	
MORGAN STANLEY & CO. INTERNATIONAL PLC					63,444,445	RMB ordinary stocks	63,444,445	
Haitong Securities Co., Ltd. — HSBC — MERRILL LYNCH INTERNATIONAL					60,266,361	RMB ordinary stocks	60,266,361	
UBS AG					50,807,983	RMB ordinary stocks	50,807,983	
YALE UNIVERSITY					49,843,526	RMB ordinary stocks	49,843,526	
CITIGROUP GLOBAL MARKETS LIMITED					48,543,716	RMB ordinary stocks	48,543,716	
Industrial & Commercial Bank of China — E Fund Value Growth Mixed Securities Investment Fund					39,800,000	RMB ordinary stocks	39,800,000	
Bank of China - E Shenzhen 100 transactions Open Index Securities Investment Fund					35,961,993	RMB ordinary stocks	35,961,993	
Zhuhai Gree Real-Estate Co., Ltd.					34,452,437	RMB ordinary stocks	34,452,437	
Description for affiliated relationship or concerted action between the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and the top 10 shareholders					Zhuhai Gree Real-Estate Co., Ltd. is a grandson company of Zhuhai Gree Group Co., Ltd.			

(5) Information of the controlling shareholders of the Company

Name	Legal Representative/ Person in Charge	Date of Establishment	Organization Code	Registered Capital (ten thousand yuan)	Principal Business
Zhuhai Gree Group Co., Ltd.	Dong Mingzhu	15 December 1990	19253718-6	80,000	Investment and asset management; enterprise management service; enterprise planning; other

					business services (excluding any licensed business items)
Operating results, financial position, cash flows and future development strategy	<p>Gree Group, as one of the present largest and the most powerful enterprise groups in the state-owned enterprises of Zhuhai city, took the ninth position in the top 50 large enterprises with the most powerful comprehensive strength in Guangdong province in 2011 and is the only enterprise in the list in Zhuhai. In recent years, Gree Group has implemented the development pattern of "Group Diversification and Subsidiaries Specialization" and has formed a comprehensive development pattern with industrial and real estate businesses. Meanwhile, the group company has actively got involved in development of island tourism through subsidiaries, entered new field of energy, made great efforts to create new business segments and sought for a new profit growth. Besides, Gree Group has undertaken artificial islands reclamation project for the Hong Kong-Zhuhai-Macao Bridge and upper Zhuhai port project and invested in China Aviation Industry General Aircraft Co., Ltd. and other government projects.</p>				
Information regarding holding equity interests of other domestic and oversea listed companies by controlling shareholders during the Report Period	<p>Gree Group directly holds 51.94% of total stocks of Gree Real Estate Co., Ltd. except for that of the Company.</p>				

(6) Diagram of relationship of shareholding and control between the Company and its actual controller:



## Section VII Directors, Supervisors, Senior Management Personnel and Employees

### 1. Shareholding changes of directors, supervisors, senior management personnel

Name	Title	Gender	Age	Termination of Term of Office	Stocks held at the beginning of the Period (Stocks)	Stocks reduced during the Period (Stocks)	Stocks held at the end of the Period (Stocks)
Zhu Jianghong	Chairman (Retired)	M	67	25 May 2012	21,507,416	9,121,769	12,385,647
Shi Xiaolei	Chairman of Board of Supervisors (Retired)	M	62	25 May 2012	41,251	20,000	21,251
Total	--	--	--	--	21,548,667	9,141,769	12,406,898

During the Report Period, there were no changes in the number of stocks held by the incumbent directors and senior management personnel, and the specific shareholding is as follows:

Name	Title	Gender	Age	Commencement of Term of Office	Termination of Term of Office	Stocks held at the beginning of the Period or held at the end of the Period (Stocks)
Dong Mingzhu	Chairman & President	F	58	25 May 2012	25 May 2015	21,148,846
Lu Junsi	Director	M	47	25 May 2012	25 May 2015	0
Huang Hui	Director, Vice President and Chief Engineer	M	49	25 May 2012	25 May 2015	3,847,500
Zhang Jundu	Director	M	52	25 May 2012	25 May 2015	0
Feng Jiyong	Director	M	41	25 May 2012	25 May 2015	0
Qian Aimin	Independent Director	F	42	25 May 2012	25 May 2015	0
Zhu Hengpeng	Independent Director	M	43	25 May 2012	25 May 2015	0
He Xiaoyong	Independent Director	M	40	25 May 2012	25 May 2015	0
Chen Hui	Chairman of Board of Supervisors	M	41	25 May 2012	25 May 2015	0
Guo Shuzhan	Supervisor	M	56	25 May 2012	25 May 2015	0
Xu Peng	Staff Supervisor	M	33	25 May 2012	25 May 2015	0
Zhuang Pei	Vice President	M	48	25 May 2012	25 May 2015	3,227,601
Wang Jingdong	Vice President, Finance Chief, Board Secretary	M	42	25 May 2012	25 May 2015	647,888
Total	--	--	--	--	--	28,871,835

### 2. Positions of directors, supervisors and senior management personnel

(1) Main work experience of incumbent directors, supervisors and senior management personnel

#### ○ Ms. Dong Mingzhu, Chairman & President

She has served as president of the Company since April 2001; she has served as chairman of the Company since May 2012.

Since she joined the Company in 1990, she has served as business manager, deputy secretary and secretary of management department, manager, vice-general manager, general manager and vice chairman of sales company; At present, she concurrently serves as chairman of Gree

Group, Hefei Gree, Wuhan Gree, Zhengzhou Gree and Shijiazhuang Gree; Since August 2012, she has served as non-executive director of Kingdee International Software Group Company Limited; She consecutively served as deputy to the tenth, eleventh and twelfth National People's Congresses and concurrently serves as a member of the Central Committee of China Democratic National Construction Association and the tenth Executive Committee of the All-China Women's Federation, vice chairman of China Home Appliances Association, director of Board of Directors China Social Economic Investigation Research Center, member of Executive Committee of Guangdong Provincial Women's Federation, vice chairman of Guangdong Province Association of Women Entrepreneurs, chairman of Zhuhai Municipal Association of Women Entrepreneurs and honorary president of Zhuhai Red Cross Society. She was successively engaged by Northwest University, College of Management National Sun Yat-sen University and Shandong University as part-time professor, engaged by School of Management, Nanjing University of Technology as "MBA off-campus tutor", and engaged by School of Management, University of Science and Technology of China as MBA "Course Professor". She was engaged by Beijing Normal University Zhuhai Campus and University of International Business and Economics as visiting professor, part-time professor of Zhongnan University of Economics and Law and member of MBA Education Advisory Committee, engaged by Guangdong Provincial Government as entrepreneurs consultant, member of government decision-making advisory committee and engaged by Hefei municipal government as (household electric appliances) industrial development consultant, etc.

○ Mr. Lu Junsi, Director:

He has served as director of the Company since May 2006. He has served as chairman of Zhuhai Gree Real Estate Co., Ltd. and Zhuhai Gree Zhisheng Real Estate Co., Ltd. since September 2006. He has served as chairman (concurrently as general manager since November 2009) of Gree Real Estate Co., Ltd. since June 2008. He has served as chairman of Zhuhai Gree Group Co., Ltd. since May 2012, and concurrently as director of China Civil Engineering Society, executive vice president of Guangdong Provincial Real Estate Association and standing committee member of the 8th CPPCC National Committee of Zhuhai city.

○ **Mr. Huang Hui, Director, Vice President, Chief Engineer:**

Since August 2000, he has served as vice president of the Company; since May 2007, he has served as chief engineer of the Company; since May 2012, he has served as director of the Company, and concurrently as chairman of Zhuhai Gree Dakin Device Co., Ltd., director of Chinese National Engineering Research Center of Green Refrigeration Equipment, vice president of Household Electrical Appliance Branch of China Electrical Equipment Industrial Association, director of Light Industry Branch of China Quality Management Association, vice president of Guangdong Provincial Institute of refrigeration, vice-chairman of Guangdong Light Industry Association, expert of Guangdong Province Science and technology Consultant Experts, member of Zhuhai municipal Mayor Quality Award Evaluation Committee, director of Chinese Mechanical Engineering Society, director of China Light Industry Federation, vice president of Chinese Association of Refrigeration, member of Commission B2 of the International Institute of Refrigeration, editorial board member of Journal of refrigeration, deputy director of editorial board of Electrical Appliances and part-time professor of Huazhong University of Science and Technology.

○ **Mr. Zhang Jundu, Director:**

Since September 1999, he has served as chairman of Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. From November 2004 to 2012, he concurrently served as chairman of Zhejiang Gree Small Home Appliances Sales Co., Ltd. Since August 2012, he has concurrently served as general manager of Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. Since May 2012, he has served as director of the Company.

○ **Mr. Feng Jiyong, Director:**

Since 2007, he has been a partner of Beijing Zhong Lun Law Firm. Since May 2012, he has served as director of the Company. He now serves as member of the All-China Lawyers Association, member of Beijing Lawyers Association and concurrently as deputy director of Private Equity and Venture Investment Committee of Beijing Lawyers Association, secretary general of Renmin University of China Gaoli Institute and visiting professor of Renmin University of China Law School.

○ **Mr. Zhu Hengpeng, Independent Director:**

Since July 2006, he has served as researcher (professor) of Institute of Economics of the Chinese Academy of Social Sciences and doctoral supervisor. Since January 2009, he has served as head of microeconomic research room of Institute of Economics of the Chinese Academy of Social Sciences and director of the center for public policy research. Since June 2008, he has served as independent director of the Company.

○ **Ms. Qian Aimin, Independent Director:**

Since July 2000, she has been teaching in the University of International Business and Economics. She now serves as deputy director of Accounting Department of the University of International Business and Economics International Business School, professor of accountancy and doctoral supervisor. Since June 2008, she has served as independent director of the Company. Since May 2010, she has successively served as independent director of Zhejiang IDC Fluid Control Co., Ltd., Land Ocean Energy Services Co., Ltd., Minsheng Investment Management Co., Ltd. and Xinjiang Tebian Electric Apparatus Stock Co., Ltd.

○ **Mr. He Xiaoyong, Independent Director:**

Since March 2006, he has been a professor and doctoral supervisor of International Economic Law in East China University of Political Science and Law. Since 2012, he has served as library director in East China University of Political Science and Law. Since May 2008, he has served as independent director of Jiangsu Tongda Power Technology Co., Ltd. Since April 2009, he has served as independent director of Bluedon Information Security Technology Co., Ltd. Since May 2009, he has served as independent director of the Company.

○ **Mr. Chen Hui, Chairman of Board of Supervisors:**

From March 2008 to October 2012, he served as full-time director, supervisor and Chief Financial Officer of Zhuhai Municipal State-owned Assets Supervision and Administration Commission; From May 2008 to October 2011, he concurrently served as supervisor of Gree Group; From August 2008 to June 2009, he served as supervisor of Zhuhai Port Holdings Group Co., Ltd.; From December 2008 to May 2012, he concurrently served as director of Zhuhai Port Co., Ltd.; From October 2011 to October 2012, he concurrently served as director and Chief Financial Officer of Zhuhai Gree Group Co., Ltd.; From October 2011 to October 2012, he concurrently served as Chief Financial Officer of Zhuhai Airshow Co., Ltd.; From February 2012 to September 2012, he concurrently served as supervisor of Gree Real Estate Co., Ltd.; Since October 2012, he served as board secretary of Zhuhai Financial Investment Holdings Co., Ltd. From May 2009 up to now, he has served as supervisor of the Company. From May 2012 up to now, he has served as chairman of Board of Supervisors of the Company.

○ **Mr. Guo Shuzhan, Supervisor:**

Since August 2006, he has served as chairman of Hebei Jinghai Guaranteed Investment Co., Ltd. and concurrently as member of Zhengzhou Committee of the Chinese People's Political Consultative Conference; From August 2006 to 2012, he served as general manager of Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.; From June 2007 to May 2012, he served as director of the Company. In August 2012, he served as general manager of Henan Shengshi Xinxing Gree Trading Co., Ltd.; From May 2012 up to now, he served as supervisor

of the Company.

○ **Mr. Xu Peng, Staff Supervisor:**

From March 2007 to June 2009, he served as assistant factory manager and person in charge of the fourth air conditioners branch of the Company; From June 2009 to October 2012, he served as deputy head of the human resources department of the Company; From October 2012 up to now, he served as deputy director of the first air conditioners branch of the Company; Since July 2010, he has served as staff supervisor.

○ **Mr. Zhuang Pei, Vice President**

From 2002 to April 2003, he served as assistant president of the Company; From April 2003 up to now, he served as vice president of the Company.

○ **Mr. Wang Jingdong, Vice President, Finance Chief, Board Secretary**

From November 2002 to April 2006, he served as head of finance department, head of purchase department and chief of Audit Department; From April 2006 to September 2009, he served as assistant president of the Company; From January 2008 up to now, he served as finance chief of the Company; From July 2009 up to now, he served as board secretary of the Company; From October 2009 up to now, he served as vice president, finance chief and board secretary of the Company;

(2) Information of positions of incumbent directors and supervisors in shareholders:

Name	Name of Shareholder	Position	Term of Office
Dong Mingzhu	Zhuhai Gree Group Co., Ltd.	Chairman & legal representative	From May 2012 up to now
Lu Junsi	Zhuhai Gree Group Co., Ltd.	Vice chairman	From May 2012 up to now
	Zhuhai Gree Real-Estate Co., Ltd.	Chairman & legal representative	From September 2006 up to now
Guo Shuzhan	Hebei Jinghai Guaranteed Investment Co., Ltd.	Chairman & legal representative	From August 2006 up to now

### 3. Remuneration of directors, supervisors and senior management personnel

(1) Decision making procedures regarding the remuneration of directors, supervisors and senior management personnel and basis to determine their remunerations.

The Board of Directors of the Company laid down the Trial Measures for Annual Salary System of Managers, and the annual salary includes basic post salary and incentive salary. The Board of Directors will, based on the operating performance of the Company, determine the remuneration payable to the managers in accordance with the Trial Measures for Annual Salary System of Managers. The incumbent directors and supervisors shall be treated as the managers to receive their remunerations, and the directors and supervisors who assume no other positions in the Company shall receive no remunerations from the Company.

(2) Receiving the remunerations by directors, supervisors and senior management personnel from the Company during the Report Period:

Name	Title	Total remuneration received from the Company
Dong Mingzhu	Chairman & President	4.75 million
Zhu Jianghong	Former Chairman (Retired in May 2012)	2.48 million
Zhu Hengpeng	Independent Director	0.12 million
Qian Aimin	Independent Director	0.12 million
He Xiaoyong	Independent Director	0.12 million

Xu Peng	Staff Supervisor	0.49 million
Huang Hui	Vice President & Chief Engineer	3.99 million
Zhuang Pei	Vice President	2.25 million
Wang Jingdong	Vice President, Finance Chief, Board Secretary	2 million
Total		16.32 million

#### 4. Elected and retired directors and supervisors, and appointment or removal of senior management personnel during the Report Period

During the Report Period, the Company held a general election of a new board of directors and board of supervisors, in which the former chairman Zhu Jianghong, chairman of Board of Directors Shi Xiaolei, director Sun Jiangtao and director Guo Shuzhan left their post due to expiration of their term of office. Dong Mingzhu, Lu Junsi, Huang Hui, Zhang Jundu, Feng Jiyong, Zhu Hengpeng, Qian Aimin and He Xiaoyong were elected as directors of the ninth session of board of directors; Chen Hui, Guo Shuzhan and Xu Peng were elected as supervisors of the 9<sup>th</sup> session of board of supervisors; Huang Hui and Zhuang Pei were appointed as vice president, and Wang Jingdong was appointed as vice president, finance chief and board secretary.

#### 5. Change of the core technical team or key technical personnel (other than directors, supervisors and senior management personnel) during the Report Period

During the Report Period, the Company's core technical team or key technical personnel (other than directors, supervisors and senior management personnel) that have substantial influence on the core-competitiveness of the Company remained stable.

#### 6. Employees of the Company

As of 31 December 2012, the Company had 80,189 on-the-job employees.

##### (1) Formation of employees' specialties:

Formation of specialties	Number of Employees	Proportion
Manufacturing Personnel	69,480	86.65%
Scientific Researchers	5,709	7.12%
Administrative Personnel	3,720	4.64%
Marketing Personnel	854	1.06%
Financial Personnel	426	0.53%
Total	80,189	100.00%

##### (2) Education Level:

Education Level	Number of Employees	Proportion
College Degree/Technical Secondary School Education	40,536	50.55%
Bachelor Degree	9,474	11.81%
Master Degree or above	432	0.54%
Others	29,747	37.10%
Total	80,189	100.00%

(3) The retirees requiring the Company to bear costs has a total of 222 persons.

(4) Employee remuneration policy

The Company provides employees with competitive salary level in the industry and region according to the macro economic environment and its business benefits; Besides, the Company established standardized and systematized salary management system in accordance with the national laws and regulations and actual conditions of the enterprise to provide a guarantee for obtaining legal and due labor remuneration by employees. Moreover, the Company set up double track occupational development mechanism to offer the personnel who are competent and have good performance multi-ways occupational development path and comprehensively built the employing mechanism attracting, retaining and inspiring talents.

(5) Employee training plan

The Company will lay down a training plan for a new year on the basis of a questionnaire survey regarding employee training needs made by the human resources department by discussion, interview and questionnaires at the end of the year in combination with the development strategy of the Company, and each unit should draw up its own annual training plan according to the Company's annual training plan, performance and requirements for both personal occupation career development and enhancement of job skills of its working personnel at each post, meanwhile, the Company will form a structured and focused three-level training system together with the team training.

In terms of the training method, except for the traditional class teaching, the Company will introduce many methods such as multimedia, network learning, salon, outdoor expend training, visit and review and working overseas to enhance the skills of on-the-job personnel. Meanwhile, the Company will set up contest reward and tuition reimbursement policy to encourage employees to carry out self learning and promotion by taking part in the labor skills competition held by the Company and branches and participating in-service education. For new recruits, the Company will conduct internal training for them in many ways such as company training, workshop practice, on-the-job training, tutor system and apprenticeship.

The Company as always attached importance to the employee training and development work in 2012, and the Company's one-level training in 2012 consisted of 95 courses, and actually 95 courses were taught, with a rate of completion up to 100%. The training hours of the entire personnel in the whole year exceed 40 hours per person.

## Section VIII Corporate Governance

### 1. Basic conditions of corporate governance

In strict accordance with the Company Law, Securities Law and other relevant national laws and regulations and Instructions on Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Company establishes normative corporate governance structure and rules of procedure for the General Meeting of Shareholders, Board of Directors and Board of Supervisors, clarifies the responsibilities and authorities in decision-making, performance and supervision, forms effective division of responsibilities and balance mechanism, continuously promotes the level of normal operation and safeguards the interests of investors and the Company.

The corporate governance conforms to the Company Law and requirements of CSRC for governance of listed companies.

During the Report Period, the Company formulated Working System of Secretary to Directorate and Shareholders' Return Plan for the Next Three Years (2012 to 2014) and amended the Articles of Association, Rules of Procedure of the General Meeting of Shareholders, Rules of Procedure of the Board of Directors and Measures for the Administration of Foreign Investment.

During the Report Period, according to the Notice on Special Inspection of Promised Performance of Listed Companies and Related Subjects (Guang Dong Zheng Jian [2012] No. 185) from Guangdong Securities Regulatory Bureau, the Company carried out a special inspection for promised performance of the shareholders, related parties and companies, so far, the shareholders, related parties and companies have not breached their promise, nor have they failed to perform their promise within the specified time limit. The promises of the shareholders, related parties and companies over the years have been performed. The Announcement on Special Inspection of Promised Performance of Companies and Related Subjects (2012-48) showing the details has been published on huge influx of information network.

During the Report Period, the Company can disclose the true, accurate, complete and timely information in strict accordance with the laws, regulations, Articles of Association and Administrative Measures on External Information Disclosure. Besides, the Company does well in information management and in particular the standard management of inside information in strict compliance with the Information Management Method, Measures for the Confidentiality Management of the Company, Internal Reporting System of Significant Information and Reporting and Filing System of Insiders of Inside Information so as to practically avoid disclosure of inside information and occurrence of insider trading behavior.

### 2. Convening of the general meeting of shareholders during the Report Period

#### (1) Annual general meeting of shareholders

Session of Meeting	Date of Meeting	Name of Proposals	Resolution	Date of Disclosure	Disclosure Index
Annual general meeting of shareholders for the year 2011	25 May 2012	Work Report of the Board of Directors for the Year 2011, Work Report of the Board of Supervisors for the Year 2011, Financial Report for the Year 2011, Annual Report for the Year 2011 and its Summary, Profit Distribution Plan for the Year 2011, Re-engaging China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the Company's Audit Institution in 2012, Special Report for Foreign Exchange Transactions of the Company in 2012, Proposal on Daily Related Transactions in 2012, Proposal on General Election of Board of Directors of the Company, Proposal on General Election of Board of Supervisors of the Company	All passed	26 May 2012	Announcement on Resolutions of the General Meeting of Shareholders for the Year 2011 published on huge influx of information network (2012-33)

## (2) Interim general meeting of shareholders

Session of Meeting	Date of Meeting	Name of Proposals	Resolution	Date of Disclosure	Disclosure Index
The first temporary general meeting of shareholders for the year 2012	28 August 2012	Amendment of Articles of Association, Shareholders' Return Plan of Gree Electric Appliances for the Next Three Years (2012 to 2014), Amendment of Rules of Procedures of the General Meeting of Shareholders, Amendment of Rules of Procedures of the Board of Directors, Proposal on Newly Increased Daily Related Transactions for the Year 2012	All passed	29 August 2012	Announcement on Resolutions of the General Meeting of Shareholders for the Year 2011 published on huge influx of information network (2012-46)

## 3. Performance of duties by independent directors during the Report Period

### (1) Attendance of independent directors at meetings of the Board of Directors

Name	Number of Meetings Requiring Attendance	Attendance in Person (Times)	Attendance on site (Times)	Attendance via Communications (Times)	Attendance by Proxy (Times)
Zhu Hengpeng	8	7	1	6	1
Qian Aimin	8	8	2	6	0
He Xiaoyong	8	8	2	6	0
Number of Attendance of Independent Directors at the General Meetings of Shareholders				2	0

### (2) Objection raised by independent directors to relevant issues of the Company

Within the Report Period, no objection has been raised by any independent directors of the Company to the proposals of board meetings and other issues this year.

### (3) Other descriptions for performance of duties by independent directors

Within the Report Period, the independent directors of the Company were able to act in the best interest of the Company and its shareholders, faithfully perform their own duties in accordance with the relevant provisions, attend the meetings of the Board of Directors, review and discuss various proposals carefully, fully express their suggestions and opinions for the operation and management of the Company, play an active role in making correct decisions, improving management level and standardizing business operations by the Board of Directors of the Company, and practically safeguard the interests of minority stock holders.

## 4. Performance of duties by special committees under the Board of Directors during the Report Period

### (1) Performance of duties by audit committee under the Board of Directors

According to the Rules of Procedure of Audit Committee, the audit committee was mainly responsible for communication, supervision and check for internal and external audits:

- 1). The audit committee carried out full communications with the accounting firm responsible for the annual audit of the Company in respect of audit plan, engagement letter and risk and control, etc.
- 2). Before the annual audit certified public accountants accessed to the site, the audit committee reviewed the preliminarily prepared financial statements of the Company and held that these statements reflected the present financial position of the Company in all major aspects.
- 3). After the annual audit certified public accountants issued preliminary opinions, the audit

committee reviewed financial statements of the Company, communicated with the accounting firm in respect of material particulars and significant accounting estimates, audit adjustments and significant accounting policies which might have potential influence on the financial statements and held that the financial statements of the Company gave a true, accurate and complete view of the whole position of the Company and agreed to prepare the annual report for the year 2012 on the basis of these financial statements.

4). The audit committee reviewed the financial statements for the year 2012 which had been audited by the auditors and held that these financial statements gave a fair view of the financial position of the Company ended 31 December 2012 and operating results and cash flows for the year 2012 in all major aspects and agreed to submit them to the Board of Directors for deliberation.

5). The audit committee summarized and evaluated the audit work for this year as done by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and held that the annual audit certified public accountants performed their audit work in strict accordance with the Independent Auditing Standards for Chinese Certified Public Accountants and suggested the Company re-engage China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the audit institution for the year 2013.

(2) Performance of duties by the remuneration and appraisal committee under the Board of Directors

The remuneration and appraisal committee under the Board of Directors carried out the work in accordance with the Rules of Procedure of the Remuneration and Appraisal Committee, reviewed the annual remunerations disclosed by the directors, supervisors and senior management personnel of the Company according to the Trial Measures for Annual Salary System of Managers, and upon review held that the annual remunerations disclosed by the directors, supervisors and senior management personnel of the Company were consistent with those received actually by them from the Company. The remunerations of the directors, supervisors and senior management personnel of the Company were paid according to the provisions for wages management of the Company.

(3) Nomination committee

The nomination committee under the Board of Directors carried out the work in accordance with the Rules of Procedure of the Nomination Committee, during the Report Period, it deliberated the proposals on general election of the Board of Directors and appointment of senior management personnel and checked the qualifications of related persons.

## **5. Work of the Board of Supervisors**

During the Report Period, the Board of Supervisors of the Company carefully performed the duties as stated in the Articles of Association, fully played the functions of supervision, carried out the check of the Company's operation and implementation of internal rules and regulations and supervised the performance of duties by the directors, supervisors and senior management personnel of the Company; The Board of Supervisors of the Company did not find any risks existing in the Company in the supervisory activity and had no objection to the supervision.

During the Report Period, the Board of Supervisors convened seven meetings, for the details of the relevant work, please refer to the Work Report of the Board of Supervisors for the Year 2012 as released by the Company on the huge influx of information network.

## **6. Separation of business operation, personnel, assets, organization and finance between the Company and controlling shareholder**

The Company has a sound corporate governance structure and completely separates from

Gree Group as the controlling shareholder in business operation, personnel, assets, organization and finance, and the Company has independent and complete business operation and independent management capability.

**7. There was no horizontal competition between the Company and Gree Group as the controlling shareholder**

**8. Establishment and implementation of performance review and incentive mechanism and incentive system for senior management personnel**

Within the Report Period, the Board of Directors of the Company conducted the performance review of the achievements and performance of duties of the senior management personnel and implemented the assignment assessment system regarding the working results in ethic, competence, diligence and achievement. The Company adhered to the principle of rationality, fairness and justice and laid emphasis on combination of material incentive and spiritual incentive. As for the material incentive, the Company paid attention to reasonably controlling reward grade and properly opening the reward gap and emphasized the time and frequency of reward. As for the spiritual incentive, the Company paid attention to combining the corporate objectives with the spirit of dedication, sense of social responsibility and career achievement of the senior management personnel.

## Section IX Internal Control

### 1. Construction of internal control

As one of the pilot units as selected from the first batch of listed companies of Guangdong province to implement the internal control standards, the Company completed the construction of the internal control standards system in the corporate HQ and Finance Company in 2011 according to the Basic Rules for Internal Control of Enterprises and its ancillary guidance issued by five ministries including the Ministry of Finance and Audit Commission. And an audit report for internal control containing an unqualified opinion was issued by the auditors at the beginning of 2012.

At the beginning of the year 2012, the Company sent a notice requiring the subsidiary companies to establish the internal control standards system based on the implementation of the Basic Rules for Internal Control of Enterprises and its ancillary guidance. The subsidiary companies set up project implementation teams, prepared an implementation plan of the internal control standards and carried out trainings regarding internal control specification; moreover, according to the requirements of the internal control standards, they streamlined the system process, identified risk points, conducted risk evaluation and set up their own risk pools. By carrying out the self-examination and self-correction work in the internal control and revising the system, they will complete the rectification of risk points and complete the implementation of the internal control standards by the end of the year 2012.

On the basis of successful integration and effective operation of the quality management system, occupational health and safety management system, environmental management system, restricted substance management system and consumer management system, effectively combining the excellent performance management model implemented by the Company for many years and integrating the implementation of the internal control standards and promotion of the internal management level, the Company established sound internal control management system and elaborated the monitoring of key control activities for the business processes. The relevant control policies and procedures established by the Company mainly include the controlling over separation of incompatible duties, trading authorization and approval, accounting system, asset protection, budget, operation analysis and performance review.

### 2. Statement of the Board of Directors concerning internal control responsibility

The Company's Board of Directors has considered and approved the Self-evaluation Report on Internal Control for the Year 2012, and the Company's Board of Directors and all directors guarantee that there are not any false records, misleading representations or material omissions in this self-evaluation report, and shall take all the joint and several responsibilities for the authenticity, accuracy and completeness of the contents hereof.

Establishing and perfecting the internal control systems and effectively implementing them are the responsibilities of the Board of Directors of the Company; the Board of Supervisors carries out the supervision for the establishment and implementation of the internal control systems by the Board of Directors; the manager is responsible for daily operation of the internal control systems.

The Company's internal control systems aim at reasonably ensuring the legality and compliance of the operation and management of the Company, assets safety, authenticity and completeness of financial report and relevant information, improving the efficiency and effectiveness of operation and realizing the development strategy of the Company. Owing to the inherent limitations of the internal control systems, the Company can only provide

reasonable guarantee for achieving the above objectives. The effectiveness of the internal control systems might change with the internal and external environment and business operations of the Company, once any defects in the internal control systems are discovered during the operation of the inspection and supervision mechanism of the internal control of the Company, the Company will immediately take rectification measures to ensure the internal control systems free from any significant omissions.

### **3. Basis to establish the internal control systems as to financial report**

The Company has set up internal control systems with respect to financial report based on the Company Law, Accounting Law, Code of Corporate Governance for Listed Companies in China, Basic Rules for Internal Control of Enterprises and its ancillary guidance, Internal Accounting Control Standard issued by the Ministry of Finance, Instructions on Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange and the Circular concerning Properly Handling the Internal Control Regulations of Listed Companies from Guangdong Securities Regulatory Bureau.

### **4. Self-evaluation Report on Internal Control**

On 27 April 2013, the Company released the Self-evaluation Report on Internal Control for the Year 2012 on the huge influx of information network. During the Report Period, the Company established the internal control systems for the businesses and items included within the scope of evaluation and enabled it to be effectively implemented and achieve the objective of the internal control of the Company without major defects.

There were no major changes in the internal control systems that might have substantial influence on the evaluation conclusion from the base date of the self-evaluation report on internal control to the date of sending out such report.

### **5. Audit Report on Internal Control**

China Audit Asia Pacific Certified Public Accountants Co., Ltd. reviewed the recognition of effectiveness of the internal control systems of the Company ended 31 December 2012 and issued the Audit Report on Internal Control Zhong Shen Ya Tai Shen Zi (2013) No. 010180-2Gree Electric Appliances has maintained effective internal control of the financial report ended 31 December 2012 in all major aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant provisions. This report was published on the huge influx of information network dated 27 April 2013.

### **6. Establishment and implementation of the system of accountability for significant errors in the disclosure of annual report**

In order to further perfect the Company's internal control systems, improve the quality and transparency of disclosure of the information about annual report of the Company, enhance the responsibility consciousness of information disclosure, make greater efforts to call to account the person responsible for the disclosure of the information about annual report, the Company formulated the System of Accountability for Significant Errors in the Disclosure of Annual Report which detailedly standardized the recognition of significant errors in the disclosure of annual report of the Company and procedures, forms and types of accountability. During the Report Period, there were no corrections of significant accounting errors, supplement of major missing information and corrections of profit announcement.

## Section X Financial Report

### 1. Audit report

Zhong Shen Ya Tai Shen Zi (2013) No. 010180

All shareholders of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI:

We have audited the accompanying financial statements of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "GREE ELECTRIC APPLIANCES"), including the consolidated and parent company's balance sheets ended 31 December 2012 and consolidated and parent company's income statements, consolidated and parent company's cash flow statements and consolidated and parent company's statements of changes in owners' equity and notes to financial statements for the year 2012.

#### 1. Responsibility of management for financial statements

Preparing and fairly presenting these financial statements are the responsibilities of the management of GREE ELECTRIC APPLIANCES. These responsibilities include: (1) Preparing these financial Statements in accordance with the Accounting Standards for Business Enterprises and enabling them to achieve a fair reflection; (2) designing, implementing and maintaining the necessary internal control to make these financial statements free of any material misstatement resulting from cheating.

#### 2. Responsibility of certified public accountants

Our responsibility is to express an opinion on audit of these financial statements on the basis of implementation of audit work. We have conducted our audit work according to the provisions of Audit Standards for Certified Public Accountants of China. The Audit Standards for Certified Public Accountants of China require us to observe the code of professional ethics for Chinese certified public accountants and plan and implement audit work so as to reasonably assure the financial statements free of material misstatement.

Our audit work involves implementation of audit procedures to obtain the audit evidences relating to amount and disclosure of financial statements. The selection of audit procedures depends on judgment of certified public accountants, including the appraisal of material misstatement risk of the financial statements resulting from cheating or errors. During the execution of risk appraisal, the certified public accountants have considered the internal control relating to preparation and fair presentation of financial statements to design proper audit procedures, but the purpose is not to express an opinion on validity of internal control. The audit work also includes appraising whether the management applied proper accounting policy and made reasonable accounting estimate and appraising the overall presentation of these financial statements.

We believe the audit evidences obtained by us are sufficient and proper and shall provide the basis for expressing our audit opinion.

#### 3. Audit opinion

In our opinion, these financial statements of GREE ELECTRIC APPLIANCES have been prepared in all material aspects in accordance with the Accounting Standards for Business Enterprises and fairly reflected the consolidated and parent company's financial position of GREE ELECTRIC APPLIANCES ended 31 December 2012 and consolidated and parent company's operating results and cash flows for the year 2012.

China Audit Asia Pacific Certified Public Accountants Co., Ltd. Chinese CPA: Liu Lianzao  
(Seal)

Chinese CPA: Gong Jingwei

Beijing, China

25 April 2013

## **2. Financial statements and their notes**

## Consolidated Balance Sheet

31 December 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital	5 (1)	28,943,921,701.45	16,040,809,751.08	Short-term Borrowing	5 (21)	3,520,642,063.91	2,739,286,399.90
Settlement Reserves				Borrowings from the Central Bank			
Lending funds				Deposits from customers and interbank	5 (22)	81,078,010.98	51,342,781.50
Trading financial assets	5 (2)	263,460,017.40	16,489,122.00	Loans from other banks	5 (23)		200,000,000.00
Notes receivable	5 (3)	34,292,168,999.99	33,665,090,026.64	Trading financial liabilities			
Accounts Receivable	5 (4)	1,474,872,971.56	1,226,793,775.32	Notes payable	5 (24)	7,983,581,180.17	10,644,121,238.23
Prepayments	5 (5)	1,739,713,886.10	2,315,615,532.19	Accounts payable	5 (25)	22,665,011,613.66	15,636,363,281.52
Premiums receivable				Advance received from customers	5 (26)	16,630,113,200.83	19,752,693,733.70
Reinsurance accounts receivable				Financial assets sold for repurchase	5 (27)	350,000,000.00	
Reinsurance contract reserve				Handling charges and commissions payable			
Interests receivable	5 (6)	710,865,583.57	242,739,720.96	Payroll payable	5 (28)	1,357,672,403.95	729,428,961.21
Dividends receivable				Taxes payable	5 (29)	2,522,100,351.45	-679,569,415.94
Other receivables	5 (7)	290,356,401.60	634,476,234.68	Interests payable	5 (30)	20,199,098.55	16,594,175.22
Buying back the sale of financial assets				Dividends payable	5 (31)	707,913.60	707,913.60
Inventories	5 (8)	17,235,042,562.70	17,503,107,339.56	Other payables	5 (32)	5,441,614,890.93	3,336,435,940.10
Non-current assets due within one year				Reinsurance accounts payable			
Other current assets	5 (9)	137,242,997.76	110,488,963.00	Insurance contract reserves			
<b>Total current assets</b>		<b>85,087,645,122.13</b>	<b>71,755,610,465.43</b>	Customer brokerage deposits			
				Securities underwriting brokerage deposits			
Non-current assets				Non-current liabilities due within one year	5 (33)	2,513,763,694.23	2,176,615,725.96
Total disbursement of loans and advances	5 (10)	2,088,903,434.99		Other current liabilities	5 (34)	15,743,875,054.32	9,588,994,870.56
Available-for-sale financial assets	5 (11)	554,912,450.00		<b>Total current liabilities</b>		<b>78,830,359,476.58</b>	<b>64,193,015,605.56</b>
Held-to-maturity investment				Non-current liabilities:			
Long-term receivables				Long-term borrowing	5 (35)	984,463,173.32	2,582,204,889.28
Long-term equity investment	5 (13)	28,159,992.30	16,876,644.41	Bonds payable			
Investment real estate	5 (14)	208,009,129.76	197,630,453.93	Long-term payables			
Fixed assets	5 (15)	12,700,394,289.32	7,709,137,076.07	Special payables			
Construction in Progress	5 (16)	2,304,317,913.92	2,171,661,342.21	Accrued liabilities			
Project goods and materials				Deferred income tax liabilities	5 (19)	160,405,437.91	43,167,808.12
Fixed assets in liquidation		110,093.59	624,698.11	Other non-current liabilities	5 (36)	11,469,703.49	16,051,361.73
Productive biological assets				<b>Total non-current liabilities</b>		<b>1,156,338,314.72</b>	<b>2,641,424,059.13</b>
Oil and gas assets				<b>Total liabilities</b>		<b>79,986,697,791.30</b>	<b>66,834,439,664.69</b>
Intangible assets	5 (17)	1,635,272,965.12	1,622,164,402.29	Owners' equity (or Shareholders' equity):			
Development expenditures				Paid-up capital (or stock capital)	5 (37)	3,007,865,439.00	2,817,888,750.00
Business reputation				Capital reserves	5 (38)	3,187,175,872.28	110,167,026.08
Long-term	5 (18)	48,089,330.59	48,156,578.28	Less: Treasury stock			

deferred expenses							
Deferred income tax assets	5 (19)	2,911,085,198.23	1,689,732,546.57	Special reserves			
Other non-current assets				Surplus reserve	5 (39)	2,958,088,564.43	2,501,082,099.09
<b>Total non-current assets</b>		<b>22,479,254,797.82</b>	<b>13,455,983,741.87</b>	General risk provisions		7,593,539.68	5,645,388.34
				Undistributed profit	5 (40)	17,572,277,003.95	12,155,497,995.04
				Foreign currency translation differences		10,133,985.43	16,584,555.69
				<b>Total owners' equity attributable to parent company</b>		<b>26,743,134,404.77</b>	<b>17,606,865,814.24</b>
				Minority equity		837,067,723.88	770,288,728.37
				<b>Total owners' equity</b>		<b>27,580,202,128.65</b>	<b>18,377,154,542.61</b>
<b>Total assets</b>		<b>107,566,899,919.95</b>	<b>85,211,594,207.30</b>	<b>Total liabilities and owners' equity</b>		<b>107,566,899,919.95</b>	<b>85,211,594,207.30</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Balance Sheet of Parent Company

31 December 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital		28,976,465,567.30	13,689,162,601.97	Short-term Borrowing		1,054,582,450.48	1,589,228,024.70
Trading financial assets		77,105,135.13	46,109,190.11	Trading financial liabilities			
Notes receivable		32,448,619,946.58	28,160,227,683.04	Notes payable		8,932,104,943.20	8,427,343,385.50
Accounts Receivable	11 (1)	757,987,897.69	545,356,125.00	Accounts payable		23,585,567,656.95	15,357,523,378.89
Prepayments		2,454,609,223.59	2,322,895,865.36	Advance received from customers		18,864,469,264.72	21,951,085,006.98
Interests receivable		690,977,494.55	227,997,728.78	Payroll payable		868,111,530.22	424,878,009.16
Dividends receivable				Taxes payable		2,237,887,644.27	-1,011,041,464.68
Other receivables	11 (2)	738,057,453.90	1,033,379,666.48	Interests payable		3,703,376.35	16,294,753.29
Inventories		12,774,675,268.70	14,029,483,167.02	Dividends payable		602,881.87	602,881.87
Non-current assets due within one year				Other payables		857,366,654.74	328,599,755.11
Other current assets		137,242,997.76	110,488,963.00	Non-current liabilities due within one year		725,265,675.00	350,805,827.96
<b>Total current assets</b>		<b>79,055,740,985.20</b>	<b>60,165,100,990.76</b>	Other current liabilities		15,726,537,705.74	9,580,311,963.77
Non-current assets				<b>Total current liabilities</b>		<b>72,856,199,783.54</b>	<b>57,015,631,522.55</b>
Available-for-sale financial assets				Non-current liabilities:			
Held-to-maturity investment				Long-term borrowing		418,749,345.32	718,405,514.70
Long-term receivables				Bonds payable			
Long-term equity investment	11 (3)	5,486,555,135.75	3,419,496,558.90	Long-term payables			
Investment real estate		35,304,673.09	36,549,611.53	Special payables			
Fixed assets		3,458,656,601.56	3,718,170,939.56	Accrued liabilities			
Construction in Progress		399,439,861.45	238,310,186.24	Deferred income tax liabilities		117,275,335.49	41,116,037.84
Project goods and materials				Other non-current liabilities		3,620,000.00	3,759,795.70
Fixed assets in liquidation			624,698.11	<b>Total non-current liabilities</b>		<b>539,644,680.81</b>	<b>763,281,348.24</b>
Productive biological assets				<b>Total liabilities</b>		<b>73,395,844,464.35</b>	<b>57,778,912,870.79</b>
Oil and gas assets				Owners' equity (or Shareholders' equity)			
Intangible assets		223,104,712.38	225,579,455.01	Paid-up capital (or stock capital)		3,007,865,439.00	2,817,888,750.00
Development expenditures				Capital reserves		3,190,561,566.23	117,739,894.64
Business reputation				Less: Treasury stock			
Long-term deferred expenses				Special reserves			
Deferred income tax assets		2,705,610,706.72	1,614,718,348.04	Surplus reserve		2,955,531,032.15	2,498,524,566.81
Other non-current assets				Undistributed profit		8,814,610,174.42	6,205,484,705.91
				Foreign currency translation differences			
<b>Total non-current assets</b>		<b>12,308,671,690.95</b>	<b>9,253,449,797.39</b>	<b>Total owners' equity (or shareholders' equity)</b>		<b>17,968,568,211.80</b>	<b>11,639,637,917.36</b>
<b>Total assets</b>		<b>91,364,412,676.15</b>	<b>69,418,550,788.15</b>	<b>Total liabilities and owners' equity (or shareholders' equity)</b>		<b>91,364,412,676.15</b>	<b>69,418,550,788.15</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

## Consolidated Income Statement

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Total operating revenues</b>	5 (41)	<b>100,110,108,848.26</b>	<b>83,517,252,467.96</b>
Including: Operating Revenue	5 (41)	99,316,196,265.19	83,155,474,504.59
Interest revenue	5 (41)	793,747,561.64	361,748,344.41
Earned premium			
Fee and commission income	5 (41)	165,021.43	29,618.96
<b>2. Total operating costs</b>		<b>92,310,191,516.72</b>	<b>79,008,475,464.06</b>
Including: Operating Cost	5 (41)	73,203,077,425.32	68,132,115,324.93
Interest expense	5 (41)	230,659,033.39	17,867,453.89
Handling charges and commission expenses	5 (41)	273,817.71	212,624.08
Refunded premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Expenditures dividend policy			
Amortized reinsurance expenditures			
Business taxes and surcharges	5 (42)	589,953,598.68	497,908,049.44
Sales expense	5 (43)	14,626,228,488.10	8,050,408,236.13
Overhead Expense	5 (44)	4,055,809,619.26	2,783,266,091.12
Financial expense	5 (45)	-461,347,589.66	-452,707,594.56
Asset impairment loss	5 (46)	65,537,123.92	-20,594,720.97
Add: Profits or losses on the changes in fair value (losses expressed with "-")	5 (47)	246,884,832.05	-57,508,666.64
Income from investments (losses expressed with "-")	5 (48)	-20,494,376.82	91,094,084.92
Including: Investment incomes from joint venture and partnership		8,732,172.23	-4,910,452.65
Exchange gains (losses expressed with "-")		96.30	-55,997.98
<b>3. Operating profit (losses expressed with "-")</b>		<b>8,026,307,883.07</b>	<b>4,542,306,424.20</b>
Add: Non-operating revenues	5 (49)	760,383,226.00	1,845,785,553.25
Less: Non-operating expenses	5 (50)	23,981,836.80	59,531,551.97
Including: Losses from disposal of non-current assets		14,294,914.48	7,015,131.03
<b>4. Total profit (total losses expressed with "-")</b>		<b>8,762,709,272.27</b>	<b>6,328,560,425.48</b>
Less: Income tax expenses	5 (51)	1,316,781,289.57	1,031,219,882.41
<b>5. Net profit (net loss expressed with "-")</b>		<b>7,445,927,982.70</b>	<b>5,297,340,543.07</b>
Net profit attributable to owners of parent company		7,379,666,345.09	5,236,938,608.43
Minority interest income		66,261,637.61	60,401,934.64
<b>6. Earnings per share:</b>			
(1) Basic earnings per share	5 (52)	2.47	1.86
(2) Diluted earning per share	5 (52)	2.47	1.86
<b>7. Other comprehensive income</b>	5 (53)	<b>52,177,046.43</b>	<b>-86,785,889.32</b>
<b>8. Total comprehensive income</b>		<b>7,498,105,029.13</b>	<b>5,210,554,653.75</b>
Total comprehensive income attributable to owners of parent company		7,431,326,033.62	5,149,677,649.15
Total comprehensive income attributable to minority shareholders		66,778,995.51	60,877,004.60

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Income Statement of Parent Company

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Operating revenues</b>	11 (4)	<b>96,826,436,400.15</b>	<b>81,513,590,983.41</b>
Less: Operating Cost	11 (4)	76,484,384,303.03	71,357,344,804.45
Business taxes and surcharges		408,426,398.67	303,391,572.74
Sales expense		14,131,075,887.18	7,593,211,212.35
Overhead Expense		2,051,591,692.63	1,463,454,763.41
Financial expense		-899,960,141.16	-526,658,247.21
Asset impairment loss		-116,091,297.33	28,187,141.61
Add: Profits or losses on the changes in fair value (losses expressed with "-")		30,995,945.02	-70,745,716.59
Income from investments (losses expressed with "-")	11 (5)	40,356,554.71	185,329,116.48
Including: Investment incomes from joint venture and partnership		8,732,172.23	-4,910,452.65
<b>2. Operating profit (losses expressed with "-")</b>		<b>4,838,362,056.86</b>	<b>1,409,243,135.95</b>
Add: Non-operating revenues		525,831,283.66	1,704,934,465.64
Less: Non-operating expenses		12,612,329.57	14,783,257.85
Including: Losses from disposal of non-current assets		7,312,428.97	1,156,588.88
<b>3. Total profit (total losses expressed with "-")</b>		<b>5,351,581,010.95</b>	<b>3,099,394,343.74</b>
Less: Income tax expenses		781,516,357.60	448,710,514.37
<b>4. Net profit (net loss expressed with "-")</b>		<b>4,570,064,653.35</b>	<b>2,650,683,829.37</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

## Consolidated Cash Flow Statement

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		70,077,120,666.33	52,754,640,187.86
Net increase in deposits and due from banks		29,735,229.48	-388,857,458.15
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions		150,000,000.00	-818,000,000.00
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from policyholders			
Net increase from disposal of tradable financial assets			
Cash received from interests, fees and commissions		765,588,687.61	393,896,063.67
Net increase in placements from other financial institutions			
Net increase in repurchase business capital			
Refund of tax and levies		1,322,558,249.72	956,970,601.37
Other cash received relating to operating activities	5 (54) 1.	3,206,677,262.60	3,851,828,770.36
<b>Sub-total of cash inflows from operating activities</b>		<b>75,551,680,095.74</b>	<b>56,750,478,165.11</b>
Cash payments for goods acquired and services received		40,446,157,770.68	43,717,025,343.93
Net increase in loans and advances to customers		2,153,587,920.51	-2,936,629,181.78
Net increase in deposits with central bank and other financial institutions		24,866,758.68	-1,595,831,193.65
Cash paid for indemnity of original insurance contract			
Cash paid for interests, fees and commissions		198,508,959.70	22,125,694.52
Cash paid for policy dividends			
Cash paid to and on behalf of employees		4,486,362,315.68	3,845,593,704.56
Payments of all types of taxes		5,162,515,472.32	4,194,529,580.21
Other cash paid relating to operating activities	5 (54) 2.	4,670,934,626.61	6,147,504,225.19
<b>Sub-total of cash outflows from operating activities</b>		<b>57,142,933,824.18</b>	<b>53,394,318,172.98</b>
<b>Net Cash Flow from Operating Activities</b>		<b>18,408,746,271.56</b>	<b>3,356,159,992.13</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		1,005,567,326.03	1,323,369,350.00
Cash received from return of investments		47,292,902.09	220,221,644.48
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		469,211.04	6,185,679.20
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	5 (54) 3.	6,902,514.16	771,130,158.42
<b>Sub-total of cash inflows from investing activities</b>		<b>1,060,231,953.32</b>	<b>2,320,906,832.10</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		3,602,409,280.98	4,777,743,528.52
Cash paid for acquisition of investments		1,558,356,464.32	249,100,500.00
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities	5 (54) 4.	111,990,174.39	61,335,311.45
<b>Sub-total of cash outflows from investing activities</b>		<b>5,272,755,919.69</b>	<b>5,088,179,339.97</b>
<b>Net Cash Flow from Investing Activities</b>		<b>-4,212,523,966.37</b>	<b>-2,767,272,507.87</b>
<b>3. Cash flows from financing activities:</b>			
cash received from absorbing investment		3,197,870,006.87	263,879.42
Including: Cash received from minority shareholder investment by subsidiary			
Cash received from borrowings		3,763,017,594.54	4,910,487,165.91
Cash received from bond issue			
Other cash received relating to financing activities	5 (54) 5.	1,127,918,464.58	
<b>Sub-total of cash inflows from financing activities</b>		<b>8,088,806,065.99</b>	<b>4,910,751,045.33</b>
Cash repayments of amounts borrowed		5,597,189,502.64	1,614,612,508.16
Cash paid for dividend and profit distribution or interest payment		1,673,817,103.05	976,911,571.41
Including: Dividends and profits paid to minority shareholders of the subsidiaries			
Other cash paid relating to financing activities	5 (54) 6.	2,583,000.00	3,113,827,673.74
<b>Sub-total of cash outflows from financing activities</b>		<b>7,273,589,605.69</b>	<b>5,705,351,753.31</b>
<b>Net Cash Flow from Financing Activities</b>		<b>815,216,460.30</b>	<b>-794,600,707.98</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		20,220,164.22	-165,974,089.59
<b>5. Net increase in cash and cash equivalents</b>			
		15,031,658,929.71	-371,687,313.31
Add: Beginning balance of cash and cash equivalents		6,338,827,761.32	6,710,515,074.63
<b>6. Ending balance of cash and cash equivalents</b>		<b>21,370,486,691.03</b>	<b>6,338,827,761.32</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

## Cash Flow Statements of Parent Company

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		57,337,401,055.26	38,225,183,361.18
Refund of tax and levies		1,306,673,853.16	940,181,936.09
Other cash received relating to operating activities		1,646,395,492.81	2,247,862,112.09
<b>Sub-total of cash inflows from operating activities</b>		<b>60,290,470,401.23</b>	<b>41,413,227,409.36</b>
Cash payments for goods acquired and services received		34,473,030,420.82	30,567,838,417.69
Cash paid to and on behalf of employees		2,002,706,623.54	1,942,915,396.21
Payments of all types of taxes		3,023,334,831.80	2,713,958,892.70
Other cash paid relating to operating activities		4,501,917,658.94	4,216,491,762.23
<b>Sub-total of cash outflows from operating activities</b>		<b>44,000,989,535.10</b>	<b>39,441,204,468.83</b>
<b>Net Cash Flow from Operating Activities</b>		<b>16,289,480,866.13</b>	<b>1,972,022,940.53</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments			
Cash received from return of investments		25,502,912.32	189,365,569.13
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		325,518.97	205,920.00
Net cash received from disposal of subsidiaries and other business units		107,000,000.00	
Other cash received relating to investing activities		6,902,514.16	3,761,297,200.00
<b>Sub-total of cash inflows from investing activities</b>		<b>139,730,945.45</b>	<b>3,950,868,689.13</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		529,967,271.15	986,900,889.58
Cash paid for acquisition of investments		182,551,175.65	104,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		1,121,000.00	
<b>Sub-total of cash outflows from investing activities</b>		<b>713,639,446.80</b>	<b>1,090,900,889.58</b>
<b>Net Cash Flow from Investment Activities</b>		<b>-573,908,501.35</b>	<b>2,859,967,799.55</b>
<b>3. Cash flows from financing activities:</b>			
cash received from absorbing investment		3,197,870,006.87	
Cash received from borrowings		1,230,538,844.24	1,175,462,913.11
Other cash received relating to financing activities		1,270,107,152.23	
<b>Sub-total of cash inflows from financing activities</b>		<b>5,698,516,003.34</b>	<b>1,175,462,913.11</b>
Cash repayments of amounts borrowed		3,045,137,360.67	799,966,772.40
Cash paid for dividend and profit distribution or interest payment		1,581,236,479.47	895,421,277.03
Other cash paid relating to financing activities		2,583,000.00	1,734,796,780.17
<b>Sub-total of cash outflows from financing activities</b>		<b>4,628,956,840.14</b>	<b>3,430,184,829.60</b>
<b>Net Cash Flow from Financing Activities</b>		<b>1,069,559,163.20</b>	<b>-2,254,721,916.49</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		14,278,589.58	-73,763,448.19
<b>5. Net increase in cash and cash equivalents</b>		<b>16,799,410,117.56</b>	<b>2,503,505,375.40</b>
Add: Beginning balance of cash and cash equivalents		7,783,477,068.97	5,279,971,693.57
<b>6. Ending balance of cash and cash equivalents</b>		<b>24,582,887,186.53</b>	<b>7,783,477,068.97</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Consolidated Statement of Changes In Owners' Equity

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period									
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Minority equity	Total owners' equity
<b>1. Ending balance for the previous year</b>	<b>2,817,888,750.00</b>	<b>110,167,026.08</b>			<b>2,501,082,099.09</b>	<b>5,645,388.34</b>	<b>12,155,497,995.04</b>	<b>16,584,555.69</b>	<b>770,288,728.37</b>	<b>18,377,154,542.61</b>
Add: Changes in accounting policies										
Early error correction										
Others										
<b>2. Beginning balance for the current year</b>	<b>2,817,888,750.00</b>	<b>110,167,026.08</b>			<b>2,501,082,099.09</b>	<b>5,645,388.34</b>	<b>12,155,497,995.04</b>	<b>16,584,555.69</b>	<b>770,288,728.37</b>	<b>18,377,154,542.61</b>
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>	<b>189,976,689.00</b>	<b>3,077,008,846.20</b>			<b>457,006,465.34</b>	<b>1,948,151.34</b>	<b>5,416,779,008.91</b>	<b>-6,450,570.26</b>	<b>66,778,995.51</b>	<b>9,203,047,586.04</b>
(1) Net profit							7,379,666,345.09		66,261,637.61	7,445,927,982.70
(2) Other comprehensive income		58,110,258.79						-6,450,570.26	517,357.90	52,177,046.43
Sub-total of the above Item (1) and Item (2)		58,110,258.79					7,379,666,345.09	-6,450,570.26	66,778,995.51	7,498,105,029.13
(3) Capital contribution or decrease in capital by shareholders	189,976,689.00	3,005,310,317.87								3,195,287,006.87
1). Capital contribution shareholders	189,976,689.00	3,005,310,317.87								3,195,287,006.87
2). Amounts of share-based payments recognized into shareholders' equity										
3). Others										
(4) Profit distribution					457,006,465.34	1,948,151.34	-1,962,887,336.18			-1,503,932,719.50
1). Appropriation to surplus reserves					457,006,465.34		-457,006,465.34			
2). Appropriation to general risk provisions						1,948,151.34	-1,948,151.34			
3). Allocation to owners (or shareholders)							-1,503,932,719.50			-1,503,932,719.50
4). Others										
(5) Internal carry-over of shareholders' equity										
1). Transfer of capital reserves into capital (or stock capital)										
2). Transfer of surplus reserves into capital (or stock capital)										
3). Surplus reserves for making up losses										
4). General risk provisions for making up losses										
5). Others										
(6) Appropriative reserve										
1). Amount withdrawn for the period										
2). Amount used for the period										
(7) Others		13,588,269.54								13,588,269.54
<b>4. Ending balance for the current period</b>	<b>3,007,865,439.00</b>	<b>3,187,175,872.28</b>			<b>2,958,088,564.43</b>	<b>7,593,539.68</b>	<b>17,572,277,003.95</b>	<b>10,133,985.43</b>	<b>837,067,723.88</b>	<b>27,580,202,128.65</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

### Consolidated Statement of Changes In Owners' Equity

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the previous period									
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Minority equity	Total owners' equity
<b>1. Ending balance for the previous year</b>	2,817,888,750.00	190,830,012.17			2,236,013,716.15	4,163,868.04	8,030,475,914.70	23,182,528.88	709,153,431.05	14,011,708,220.99
Add: Changes in accounting policies										
Early error correction										
Others										
<b>2. Beginning balance for the current year</b>	2,817,888,750.00	190,830,012.17			2,236,013,716.15	4,163,868.04	8,030,475,914.70	23,182,528.88	709,153,431.05	14,011,708,220.99
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>		-80,662,986.09			265,068,382.94	1,481,520.30	4,125,022,080.34	-6,597,973.19	61,135,297.32	4,365,446,321.62
(1) Net profit							5,236,938,608.43		60,401,934.64	5,297,340,543.07
(2) Other comprehensive income		-80,662,986.09						-6,597,973.19	475,069.96	-86,785,889.32
Sub-total of the above Item (1) and Item (2)		-80,662,986.09					5,236,938,608.43	-6,597,973.19	60,877,004.60	5,210,554,653.75
(3) Capital contribution or decrease in capital by shareholders									258,292.72	258,292.72
1). Capital contribution shareholders									258,292.72	258,292.72
2). Amounts of share-based payments recognized into shareholders' equity										
3). Others										
(4) Profit distribution					265,068,382.94	1,481,520.30	-1,111,916,528.09			-845,366,624.85
1). Appropriation to surplus reserves					265,068,382.94		-265,068,382.94			
2). Appropriation to general risk provisions						1,481,520.30	-1,481,520.30			
3). Allocation to owners (or shareholders)							-845,366,624.85			-845,366,624.85
4). Others										
(5) Internal carry-over of shareholders' equity										
1). Transfer of capital reserves into capital (or stock capital)										
2). Transfer of surplus reserves into capital (or stock capital)										
3). Surplus reserves for making up losses										
4). General risk provisions for making up losses										
5). Others										
(6) Appropriative reserve										
1). Amount withdrawn for the period										
2). Amount used for the period										
(7) Others										
<b>4. Ending balance for the current period</b>	2,817,888,750.00	110,167,026.08			2,501,082,099.09	5,645,388.34	12,155,497,995.04	16,584,555.69	770,288,728.37	18,377,154,542.61

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

### Statement of Changes In Owners' Equity of Parent Company

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period								
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Total owners' equity
<b>1. Ending balance for the previous year</b>	<b>2,817,888,750.00</b>	<b>117,739,894.64</b>			<b>2,498,524,566.81</b>		<b>6,205,484,705.91</b>		<b>11,639,637,917.36</b>
Add: Changes in accounting policies									
Early error correction									
Others									
<b>2. Beginning balance for the current year</b>	<b>2,817,888,750.00</b>	<b>117,739,894.64</b>			<b>2,498,524,566.81</b>		<b>6,205,484,705.91</b>		<b>11,639,637,917.36</b>
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>	<b>189,976,689.00</b>	<b>3,072,821,671.59</b>			<b>457,006,465.34</b>		<b>2,609,125,468.51</b>		<b>6,328,930,294.44</b>
(1) Net profit							4,570,064,653.35		4,570,064,653.35
(2) Other comprehensive income		53,923,084.18							53,923,084.18
Sub-total of the above Item (1) and Item (2)		53,923,084.18					4,570,064,653.35		4,623,987,737.53
(3) Capital contribution or decrease in capital by shareholders	189,976,689.00	3,005,310,317.87							3,195,287,006.87
1). Capital contribution shareholders	189,976,689.00	3,005,310,317.87							3,195,287,006.87
2). Amounts of share-based payments recognized into shareholders' equity									
3). Others									
(4) Profit distribution					457,006,465.34		-1,960,939,184.84		-1,503,932,719.50
1). Appropriation to surplus reserves					457,006,465.34		-457,006,465.34		
2). Appropriation to general risk provisions									
3). Allocation to owners (or shareholders)							-1,503,932,719.50		-1,503,932,719.50
4). Others									
(5) Internal carry-over of shareholders' equity									
1). Transfer of capital reserves into capital (or stock capital)									
2). Transfer of surplus reserves into capital (or stock capital)									
3). Surplus reserves for making up losses									
4). General risk provisions for making up losses									
5). Others									
(6) Appropriative reserve									
1). Amount withdrawn for the period									
2). Amount used for the period									
(7) Others		13,588,269.54							13,588,269.54
<b>4. Ending balance for the current period</b>	<b>3,007,865,439.00</b>	<b>3,190,561,566.23</b>			<b>2,955,531,032.15</b>		<b>8,814,610,174.42</b>		<b>17,968,568,211.80</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

### Statement of Changes In Owners' Equity of Parent Company

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the previous period								
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Total owners' equity
<b>1. Ending balance for the previous year</b>	<b>2,817,888,750.00</b>	<b>202,511,852.56</b>			<b>2,233,456,183.87</b>		<b>4,665,235,884.33</b>		<b>9,919,092,670.76</b>
Add: Changes in accounting policies									
Early error correction									
Others									
<b>2. Beginning balance for the current year</b>	<b>2,817,888,750.00</b>	<b>202,511,852.56</b>			<b>2,233,456,183.87</b>		<b>4,665,235,884.33</b>		<b>9,919,092,670.76</b>
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>		<b>-84,771,957.92</b>			<b>265,068,382.94</b>		<b>1,540,248,821.58</b>		<b>1,720,545,246.60</b>
(1) Net profit							<b>2,650,683,829.37</b>		<b>2,650,683,829.37</b>
(2) Other comprehensive income		-84,771,957.92							-84,771,957.92
Sub-total of the above Item (1) and Item (2)		-84,771,957.92					<b>2,650,683,829.37</b>		<b>2,565,911,871.45</b>
(3) Capital contribution or decrease in capital by shareholders									
1). Capital contribution shareholders									
2). Amounts of share-based payments recognized into shareholders' equity									
3). Others									
(4) Profit distribution					265,068,382.94		<b>-1,110,435,007.79</b>		<b>-845,366,624.85</b>
1). Appropriation to surplus reserves					265,068,382.94		<b>-265,068,382.94</b>		
2). Appropriation to general risk provisions									
3). Allocation to owners (or shareholders)							-845,366,624.85		<b>-845,366,624.85</b>
4). Others									
(5) Internal carry-over of shareholders' equity									
1). Transfer of capital reserves into capital (or stock capital)									
2). Transfer of surplus reserves into capital (or stock capital)									
3). Surplus reserves for making up losses									
4). General risk provisions for making up losses									
5). Others									
(6) Appropriative reserve									
1). Amount withdrawn for the period									
2). Amount used for the period									
(7) Others									
<b>4. Ending balance for the current period</b>	<b>2,817,888,750.00</b>	<b>117,739,894.64</b>			<b>2,498,524,566.81</b>		<b>6,205,484,705.91</b>		<b>11,639,637,917.36</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

# GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

## Notes to Financial Statements for the Year 2012

### 1. Basic information of the Company

The Company was formerly known as Haili Air-conditioning Engineering Co., Ltd. of Zhuhai which was established in 1989 upon approval of Zhuhai Municipal Industrial Committee and the people's Bank of China Zhuhai Branch and was renamed GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "the Company" or "Company") in 1994 upon approval of Zhuhai City Commission for Economic Restructuring, and the Company was listed on Shenzhen Stock Exchange dated 18 November 1996 upon receipt of the approval document Zheng Jian Fa Zi (1996) No. 321 from China Securities Regulatory Commission, and it has obtained the business license of enterprise legal person No. 440000000040686 and has the registered capital of RMB 3,007,865,439.00.

The Company is engaged in household electrical appliances business mainly including: export and import of goods and technologies (excluding items forbidden by laws and administrative regulations. Items restricted by laws and administrative regulations shall be conducted with special license); manufacturing and distribution of pumps, valves, compressors and similar machines, fan motors, packaging equipment and other general-purpose equipment, electric motors, equipment for power transmission and distribution and control equipment, electric wires and cables, optical cables and electrical equipment, and household electrical appliances; wholesale of mechanical equipment, hardware and electrical equipment and electronic products; retail of household electrical appliances and electronic products.

### II. Significant accounting policies and estimates and previous errors

#### (1) Preparation basis of the financial statements

The Company conducts accounting recognition and measurement on a going concern basis according to its transactions and events that have actually occurred in accordance with the Accounting Standards for Business Enterprises and on this basis has prepared the financial statements.

#### (2) Statements regarding observance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position, operating results and cash flows of the enterprise.

#### (3) Accounting period

Accounting period of the Company includes one year and interim periods. An interim period covers six-month, a quarter and a month. The accounting year of the Company commences on 1 January and ends on 31 December of each year.

#### (4) Functional currency

Renminbi is the functional currency used by the Company.

#### (5) Accounting treatment of business combination involving enterprises under common control and business combination not involving enterprises under common control

##### 1). Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business

combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Generally, the business combination involving enterprises under common control refers to the combination among the enterprises occurring in the same enterprise group, other than that, any combination shall not be deemed as the business combination involving enterprises under common control.

Assets and liabilities that are obtained by the Company as a combining party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the combined party. For a long-term equity investment acquired through a control merger involving enterprises under common control, the initial investment cost of the long-term equity investment is the combined party's share of the carrying amount of the owners' equity of the party being absorbed at the combination date. See the long-term equity investment for the accounting treatment involved; Assets and liabilities that are obtained in a merger by absorption involving enterprises under common control are entered in an account by their original carrying amounts of the combined party. The difference between the carrying amount of net assets obtained by the Company and the carrying amount of the consideration paid for the combination (or total par value of the issued stocks) is adjusted to capital reserve; If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs incurred that are directly attributable to the business combination made by the Company as a combining party, including audit fee, appraisal cost and legal service charge paid are charged to profit or loss in the period in which they are incurred.

The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

Where a relationship between a parent company and a subsidiary company is formed due to a control merger involving enterprises under common control, the parent company shall, on the combining date, prepare a consolidated balance sheet, a consolidated profit statement and a consolidated cash flow statement.

In the consolidated balance sheet, the carrying amounts of the assets and liabilities of the combined party shall be incorporated into the consolidated financial statements, and the transactions occurring between the combining party and the combined party on and before the combination date shall be treated as internal transactions and shall be offset according to the related principle of the consolidated financial statements; The consolidated profit statement and cash flow statement shall include the realized net profit and generated cash flow of the parties to the combination from the beginning of the current period to the combining date. The net profit and cash flow generated from transactions and internal transactions of the current period between the parties shall be offset according to the related principle of the consolidated financial statements.

## **2). Business combination not involving enterprises under common control**

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination.

Recognition of the cost of business combination: The cost of business combination includes the cashes or non-cash assets paid by the acquiring party for the business combination and the

fair value of issued or assumed liabilities and issued equity securities on the date of acquisition. Costs incurred that are directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred. For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made by distinguishing individual financial statements and consolidated financial statements;

In the individual financial statements, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and investment cost newly increased on the date of acquisition; In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment income of the current period; Where the stocks of the acquired party held before the date of acquisition involve other composite income, other composite income concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included. The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination costs of the investment.

For the long-term equity investment obtained in the control merger not involving enterprises under common control, the initial investment cost of the long-term equity investment of the acquired party is the cost of business combination (excluding the cash dividend and profit received from the invested entity) recognized on the date of acquisition; The identifiable assets and liabilities that satisfy the recognition conditions, which are acquired in a merger by absorption not involving enterprises under common control, are recognized by the Company as the assets and liabilities of the enterprise at their fair value on the date of acquisition. Where the control power or identifiable assets and liabilities of the acquired party that are obtained by the Company by using non-monetary assets as consideration, the difference between the fair value of the non-monetary assets on the date of acquisition and their carrying amounts shall be treated as the profit or loss of disposal of the assets and shall be charged to the profit statement in the period of business combination.

In the business combination not involving enterprises under common control, the positive balance between the business combination costs and the fair value of the identifiable net assets obtained by the acquired party from the combination shall be recognized as business reputation. In the case of merger by absorption, the positive balance is recognized as business reputation in the individual financial statement of the parent company; In the case of control merger, the positive balance is presented as business reputation in the consolidated financial statements. The negative balance between the combination costs and the fair value of the identifiable net assets obtained by the acquired party from the combination shall be charged by the Company to the profit or loss of the current period of combination (non-operating revenue). In the case of merger by absorption, the negative balance is charged to individual profit statement of the parent company in the current period of combination; In the case of control merger, the negative balance is charged to the consolidated profit statement in the current period of combination.

#### **(6) Preparation of consolidated financial statements**

The consolidated financial statements shall be prepared in accordance with the Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements, that is, they are prepared by the parent company on the basis of individual financial statements of the Company and holding subsidiaries incorporated in the scope of consolidated financial statements during the consolidation according to other relevant data after the long-term equity

investment to the subsidiaries are adjusted by equity method. The investments, major transactions and dealings and unrealized profits between the parent company and subsidiaries shall be offset with each other and consolidated on an individual basis during the consolidation of the financial statements, and the minority owners' equity (profit or loss) shall be calculated.

During the consolidation of financial statements, if the accounting policies of the subsidiaries incorporated in the scope of consolidated financial statements are inconsistent with those of the Company, the financial statements shall be consolidated after the accounting policies of the subsidiaries are adjusted according to the accounting policies of the Company.

The portion of shareholders' equity of the subsidiaries that isn't attributable to the parent company shall be separately presented as the minority shareholders' equity under the shareholders' equity in the consolidated financial statements.

A subsidiary increased by the Company through a business combination involving enterprises under common control shall be consolidated in the consolidated financial statements of the Company at the beginning of the current consolidation period, and the amounts both at the beginning of the year or in the previous year in the consolidated financial statements shall be adjusted. A subsidiary increased by the Company through a business combination not involving enterprises under common control shall be consolidated in the consolidated financial statements of the Company from the date of acquisition. A subsidiary towards which the Company transfers the power of control shall not be included in the scope of consolidated financial statements from the date when the Company loses its actual power to control such subsidiary.

## **(7) Accounting measurement attribute**

### **1). Measurement attribute**

The Company takes the accrual system as the basis of accounting and measures the initial value using historical cost. The financial assets and liabilities measured at their fair value and of which the variation is recorded into the profits and losses of the current period and the financial assets available for sale and derivative instruments shall be measured at their fair value; The inventories and fixed assets for which the payment is delayed in excess of normal credit terms while they are purchased shall be measured at their present value of their purchase price; The inventories on which an impairment loss occurs shall be measured at their net realizable value, and other assets on which an impairment loss occurs shall be measured at their recoverable amount of their fair value and present value (whichever is higher); The asset inventory surplus and other assets shall be measured at their replacement cost.

### **2). Items in the financial statements with their measurement attribute changing during the period**

There was no change in the accounting measurement attribute of the items in the financial statements during the Report Period.

## **(8) Criteria for cash and cash equivalents**

The cash refers to the enterprise's money on hand and deposits for payment at any time. Cash equivalents refer to investments held by the enterprise which are short in term (generally referring to those expiring within not more than 3 months from the date of acquisition), high in liquidity, convertible to the known amount of cash and insignificant in risk of change of value.

## **(9) Foreign currency transactions**

### **1). Method of translation for foreign currency transactions**

At the time of initial recognition of a foreign currency transaction of the Company, the amount in the foreign currency shall be translated into the amount in RMB currency at the spot exchange rate of the transaction date (generally referring to the medial rate of foreign exchange quotation published by the People's Bank of China at the date of transaction, the same below).

## **2). Treatment of monetary items of foreign currencies and non-monetary items of foreign currencies on the balance sheet date**

For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial recognition of a foreign currency or the previous balance sheet date is charged to the profit or loss of the current period except that the exchange difference generated from foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized in accordance with the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs. For the non-monetary items of foreign currencies measured by historical cost, translation is done according to spot rate of the transaction date without change in their amount in functional currency. Non-monetary items of foreign currencies such as stocks and funds measured at their fair value are translated as per the spot rate on the date when their fair value is confirmed. The differences between the translated amounts in functional currency and the original amounts in functional currency are recorded into current profits and losses as fluctuation in fair value (including fluctuation in exchange rates).

## **3). Translation of foreign currency financial statements**

The Company translates the financial statements expressed in foreign currency into ones expressed in RMB currency according to the following provisions:

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date; Among the owners' equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid method shall be presented separately under the owners' equity item of the balance sheets. The foreign currency cash flow statement shall be translated at a spot exchange rate on the cash flow date. The amount of influence of the exchange rate change on cashes shall be presented separately under the adjusted item in the cash flow statement.

## **(10) Financial instruments**

### **1). Basis for recognition of financial instruments**

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or right instruments of any other entity are formed. When the Company becomes a party to a financial instrument contract, it recognizes a financial asset or financial liability.

Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated: Where the contractual rights for collecting the cash flow of the said financial asset are terminated; or where the said financial asset has been transferred and meets the conditions for recognizing the termination of financial assets as provided for in Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets.

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

## 2). Classification of financial assets and financial liabilities

Financial assets attributable to the Company are classified into the following four categories according to their investment purpose and economic essence: ① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; ② The investments which will be held to their maturity; ③ Loans and the account receivables; and ④ Financial assets available for sale.

Financial liabilities shall be classified into the following two categories according to their economic essence: ① The financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and ② Other financial liabilities.

## 3). Measurement of financial assets and financial liabilities

The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

Subsequent measurement of financial assets and financial liabilities:

(1) For the financial assets and financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values, and the variation of their fair values shall be recorded into the profits and losses of the current period.

(2) The investments held until their maturity and accounts receivable are measured at their amortization cost by actual interest rate.

(3) The profits and losses arising from the subsequent measurement of the financial assets available for sale at their fair value and the profits and losses arising from the change in their fair value shall be included directly in the owner's equity with the exception of impairment losses and the exchange gains or losses arising from foreign exchange conversion of monetary financial assets in any foreign currency, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the profits and losses of the current period.

(4) The equity instrument investments for which there is no quoted price in the active market and whose fair value cannot be reliably measured, and the derivative financial assets which are connected with such equity instruments and are settled by delivering the said equity instruments shall be measured at their costs.

(5) The Company shall make subsequent measurement on other financial liabilities on the basis of the post-amortization costs, with the exception of those under the following circumstances:

① The derivative financial liabilities for which there is no quoted price in the active market, which are connected with the equity instruments whose fair value cannot be reliably measured and are settled by delivering the said equity instruments shall be measured at their costs.

② For the financial guarantee contracts which are not designated as a financial liability

measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following:

- A. the amount as determined according to the Accounting Standards for Enterprises No. 13 - Contingencies; or
- B. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

#### **4). Recognition of fair values of financial assets and financial liabilities**

(1) The fair values of the financial assets and financial liabilities which have the active market shall be recognized at their quoted prices in the active market. The quoted prices for the financial assets and financial liabilities shall be recognized according to any of the following principles:

① In the active market, the quoted prices of the Company for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices of the Company for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge.

② Where there is no available offer or charge for a financial asset or financial liability, the enterprise shall adopt the market quoted price of the latest transaction or adjusted market quoted price of the latest transaction to determine the fair value of the said financial asset or financial liability, unless the enterprise has definite evidences to prove that the market quoted price of the latest transaction is not a fair value.

(2) Where there is no active market for a financial asset or financial liability, the Company shall adopt value appraisal techniques to determine its fair value.

#### **5). Accrual method of the provision for impairment of financial assets**

(1) Investments held until their maturity

Where an investment held until their maturity measured on the basis of post-amortization costs is impaired, the carrying amount of the said investment held until their maturity shall be written down to the present value of the predicted future cash flow (excluding the loss of future credits not yet occurred) (the discount rate adopts the original actual interest rate), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period. When an impairment provision is made, an impairment test shall be made on the investment held until their maturity with significant single amounts. If any objective evidence shows that it has been impaired, the impairment-related losses shall be recognized and shall be recorded into the profits and losses of the current period. Where, upon independent test, the investment held until their maturity (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of investment held until their maturity with similar risk features so as to conduct another impairment test. The investment held until their maturity which has suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

Where any investment held until their maturity measured on the basis of post-amortization costs is recognized by the Company as having suffered from any impairment loss, if there is

any objective evidence proving that the value of the said investment held until their maturity has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said investment held until their maturity on the day of reverse under the assumption that no provision is made for the impairment.

(2) Accounts receivable

See the Notes 2 (11) for the impairment test and accrual method of the provision for impairment of the accounts receivable.

(3) Financial assets available for sale

When a decline in the fair value of a financial asset available for sale has occurred or can be regarded as non-temporary after considering all the factors comprehensively, the impairment loss shall be recognized and the provision for impairment of the said financial asset available for sale shall be made as per the negative balance between its fair value and its carrying amount. When an impairment loss of the financial asset available for sale is recognized, the cumulative loss generated from decline of fair value that had been recorded directly into the owners' equity shall be removed from the owners' equity and shall be recorded into the impairment loss.

(4) Others

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period.

## 6). Transfer of financial assets

The term "transfer of financial assets" refers to a company's transferring or delivering a financial asset to a party (the transferee) other than the issuer of the financial assets.

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset; If it has retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it respectively according to the circumstances as follows: If it gives up its control over the financial asset, it shall stop recognizing the financial asset and shall recognize the assets and liabilities generated therefrom; If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

## (11) Receivables

The Company's receivables (including accounts receivable and other receivables) shall take the contract or agreement price as their initially recorded amount. Due to bankruptcy of the debtor, collection is still not possible after settlement according to legal settlement procedures;

or due to the death of the debtor leaving no legacies to pay off and nobody to assume the obligations, collection is really not possible; or due to the failure of the debtor to perform its repayment obligations within the specified time limit, the receivables shall be presented as a loss on bad debt upon examination and approval according to legal procedures. As for the Company's transfer, pledge and discount to financial institutions like banks with receivable creditor's right, according to the provisions of the relevant contract, when the debtor fails to pay back the due debts, if the Company bears the payment liability to the financial institutions, the receivable creditor's right shall be treated as pledged loan; If the Company bears no payment liability to the financial institutions, the receivable creditor's right shall be treated as the transferred one and the profit and loss of transfer shall be recognized.

When the Company recovers the receivables, the difference between the acquired price and the carrying amount of the receivables shall be recorded into the profits and losses of the current period.

### 1). Receivables with significant single amounts and single bad debt provision appropriated:

If a single amount accounts for 5% (including more than 5%) of total amount of the receivables, the Company shall recognize the said receivables as the receivables with significant single amounts.

On the balance sheet, the Company shall carry out an independent impairment test for the receivables with significant single amounts, where, upon independent test, the said receivables has been impaired, the negative balance between the present value of the future cash flow of the said receivables and their carrying amount shall be recognized as loss of the impairment of the said receivables, and a provision for bad debts shall be made accordingly. Where the receivables have not been impaired upon independent test, the several combinations between the said receivables and the receivables with insignificant single amounts shall be made based on similar credit risk features, and then the loss of the impairment of the said receivables shall be calculated and recognized at a certain proportion of the combinations of these receivables in the balance on the balance sheet date, and a provision for bad debts shall be made accordingly.

### 2). Receivables with a provision for bad debts based on combinations:

Basis for recognition of combinations	
Aging combination	Divided into groups based on aging of the receivables as credit risk features
Combination of other credit risks	Divided into groups based on the receivables related to consolidated financial statements and the receivables which can fully obtain customer's credit information
Accrual method of a provision for bad debts based on combinations	
Aging combination	Make a provision for bad debts by aging analysis
Combination of other credit risks	An impairment test of the receivables is carried out according to the debtor's credit, and a provision for bad debts shall be made as per the negative balance between the present value of their future cash flow and their carrying amount.

#### 1) In the combinations, the receivables with a provision for bad debts made by aging analysis:

Aging	Percentage of provisioning accounts receivable (%)	Percentage of provisioning other receivables(%)
Within 1 year	5.00	5.00
1 to 2 years	20.00	20.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

### **3). Accounts receivable with insignificant single amounts but single bad debt provision appropriated:**

As for the receivables with insignificant single amounts, if there are conclusive evidences to show that there is an obvious difference in their collectability, a provision for bad debts shall be made as per the negative balance between the present value of their future cash flow and their carrying amount.

## **(12) Inventories**

### **1). Classification of inventories**

Classification of inventories: The Company's inventories are classified into raw materials, goods in process, finished goods and low-value consumables.

### **2). Valuation for delivered inventories**

Valuation for delivered inventories: When various kinds of inventories of the Company are delivered, they shall be valued at planned costs, and the planned costs shall be adjusted into actual costs based on the difference of costs of the current month at the end of the month.

### **3). Recognition of the net realizable value and measurement of provision for decline in value of inventories**

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories shall be made and shall be recorded into the profits and losses of the current period, where a provision for decline in value of inventories has been made, if the value of the said inventories is resumed later, the said value shall be reversed from the provision for decline in value of the inventories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

### **4). Stock count system for inventories**

The perpetual inventory system is adopted for stock count of the Company.

### **5). Amortization methods of low-value consumables and packaging materials**

Low-value consumables and packaging materials are written off in full when issued for use.

## **(13) Long-term equity investments**

Long-term equity investments mainly include the equity investment held by the Company that is able to control, is under common control with or has significant influences on the invested entity and the equity investment which has no quoted price in the active market and of which the fair value cannot be reliably measured.

### **1). Measurement of investment cost of long-term equity investments**

(1) The investment cost of the long-term equity investment formed in the business combination of the Company shall be recognized in accordance with the following provisions:

For the business combination involving enterprises under common control with the Company, if the consideration of the combining enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of combination, regard the share of the carrying amount of the owners' equity of the combined enterprise as the investment cost of the long-term equity investment. The difference between the investment cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the carrying amount of the debts borne by the combining party shall offset against the capital reserve; If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against

retained earnings. If the consideration of the combining enterprise is that it issues equity securities, it shall, on the date of combination, regard the share of the carrying amount of the owners' equity of the combined enterprise as the investment cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the investment cost of the long-term equity investment and total par value of the shares issued shall offset against the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

For the business combination not involving enterprises under common control with the Company, investment cost of the long-term equity investment shall be recognized on the combination date in accordance with the following provisions:

① For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree.

② For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made individually in light of individual financial statements and consolidated financial statements: In the individual financial statements, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and investment cost newly increased on the date of acquisition; In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment income of the current period; Where the stocks of the acquired party held before the date of acquisition involve other composite income, other composite income concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included. The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination costs of the investment.

③ All relevant direct costs incurred to the Company for the business combination shall be recorded into the profits and losses of the current period.

④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the Company shall record the said amount into the combination costs.

(2) Except for the long-term equity investments formed in the combination of the Company, the investment costs of long-term equity investments obtained in other ways shall be recognized in accordance with the following provisions:

① The investment cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

② The investment cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

③ The investment cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

④ The investment cost of a long-term investment obtained by the exchange of non-monetary assets shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets.

⑤ The investment cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained in accordance with Accounting Standards for Enterprises No. 12 - Debt Restructuring.

## **2). Subsequent measurement of long-term equity investments and recognition of investment income**

(1) Long-term equity investments measured by the Company by the cost method include: A long-term equity investment of an investing enterprise that is able to control the invested enterprise; A long-term equity investment of investment of the investing enterprise that is not under common control with or does not have significant influences on the invested entity, and entity, and has no offer in the active market and its fair value cannot be reliably measured.

The price of a long-term equity investment measured by employing the cost method shall be included at its investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income except those dividends declared to distribute at the time of acquisition are resumed as investment costs.

(2) Long-term equity investments measured by the Company by the cost method include the long-term equity investments of the investing entity which is under common control with or has significant influence over the invested entity. If the investment cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the investment cost of the long-term equity investment may not be adjusted; If the investment cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

After the Company obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the carrying amount of the long-term equity investment. The Company shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the carrying amount of the long-term equity investment correspondingly.

The Company shall recognize the net losses of the invested enterprise until the carrying amount of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the Company has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

The Company shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. In the case of meeting the following conditions, the Company shall, on the basis of the carrying amount of net profits of the invested entity, calculate and recognize the investment income:

① The company can not reasonably recognize the fair values of various identifiable assets of

the invested entity when the investment is obtained.

- ② The difference between the fair values of identifiable assets of the invested entity and their carrying amounts is of no importance at the time of investment.
- ③ Other causes result in incapability of obtaining the relevant information of the invested entity, and the net profits and losses of the invested entity can not be adjusted according to the provisions.

Where the accounting policy and accounting period adopted by the invested entity is different from those adopted by the Company, the Company shall, according to the accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the invested entity, and shall recognize the investment income on the basis of such adjustment. Other changes in the owners' equity (other than net profits and losses) of the invested entity shall adjust the carrying amount of the long-term equity investment and shall be recorded into the owners' equity, upon disposal of the investment, the corresponding proportionate amount of the investment originally recorded into the owners' equity shall be transferred to the profits and losses of the current period.

### **3). Recognition of common control and significant influences on the invested entity**

Common control is recognized as the control which does not exist unless the investing parties unanimously agree on sharing the control power over the relevant important financial and operating decisions of the invested entity according to the provisions of the contract.

Significant influences recognized as the power to participate in making decisions on the financial and operating policies of the invested entity, but not to control or do joint control together with other parties over the formulation of these policies.

#### **(14) Investment real estate**

The Company's investment real estate includes a land use right that is leased out, a land use right held for transfer upon capital appreciation and a building that is leased out.

The Company's investment real estate is measured at its cost, and the Company uses the cost model for a subsequent measurement of its investment real estate. The depreciation and amortization of the investment real estate shall be made in accordance with the accounting policies of fixed assets or intangible assets of the Company.

When the Company changes the purpose of the investment real estate, such as for self-use, it shall transfer the relevant investment real estate to other assets.

#### **(15) Fixed assets**

##### **1). Recognition of fixed assets**

The Company's fixed assets refer to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and whose useful life is in excess of one fiscal year. Fixed assets can not be recognized unless they simultaneously meet the conditions as follows:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- (2) The cost of the fixed assets can be measured reliably.

##### **2). Measurement of fixed assets**

The measurement of a fixed asset shall be made at its cost.

- (1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freight, loading and unloading fees, professional service fees and other expenses that bring the

fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be recognized based on the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 - Borrowing Costs.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) The cost invested to a fixed asset by the investor shall be recognized in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

(4) The costs of fixed assets acquired through the exchange of non-monetary assets, recombination of liabilities, merger of enterprises, and financial leasing shall be respectively recognized in accordance with the Accounting Standards No. 7 - Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 - Debt Restructuring, Accounting Standards for Enterprises No. 20 - Merger of Enterprises and Accounting Standards for Enterprises No. 21 - Leases.

### 3). Classification of fixed assets

The Company's fixed assets are classified into houses and buildings, machinery equipment, electronic equipment and transportation equipment and otherwise.

### 4). Depreciation of fixed assets

(1) Recognition of depreciation method and useful life, expected net salvage value rate and annual depreciation rate:

The depreciation of fixed assets shall be made by the straight-line method. The annual depreciation rate recognized according to the category, useful life and expected net salvage value rate of fixed assets is as follows:

Category of fixed assets	Expected net salvage value rate %	Expected useful life	Annual depreciation rate %
Houses and buildings	3 to 5	15 to 30 years	3.17 to 6.47
Machinery equipment	5 to 10	10 years	9 to 9.5
Electronic equipment	5 to 10	3 to 5 years	18 to 31.67
Transportation equipment	5	5 to 6 years	15.83-19
Others	5 to 10	5 years	18-19

Depreciation of fixed assets of which a provision for impairment has been made: For a fixed asset of which a provision for impairment has been made, the depreciation of the fixed asset shall be made based on the amount of deducting its expected net salvage value, depreciation amount and provision for impairment from the original price of the fixed asset and remaining useful life of the fixed asset.

For the fixed assets that have reached intended usable condition but not prepared the final account for completion, their costs shall be recognized at their estimated value, and their depreciation shall be made accordingly; After completion of the final account for completion, the original estimated value of the fixed assets shall be adjusted by their actual costs, but the original depreciation amount does not require adjusting.

(2) Check of useful life, expected net salvage value and depreciation method of fixed assets:

The Company shall, at least at the end of each year, have a check on the useful life, expected net salvage value, and the depreciation method of the fixed assets. If the Company finds that there is any difference between the expected useful life and the previously estimated useful life of a fixed asset, the expected useful life of the fixed asset shall be adjusted; If there is any difference between the amount of expected net salvage value and the previously estimated amount of the net salvage value, the expected net salvage value shall be adjusted; If any significant change is made on the form of the realization of the expected economic benefits concerning a fixed asset, the method for the depreciation of the fixed asset shall be changed. If any change is made to the useful life, expected net salvage value or the depreciation method of a fixed asset, it shall be regarded as a change of the accounting estimates.

### **5). Treatment of subsequent expenditures for fixed assets**

Subsequent expenditures incurred on a fixed asset refer to repair expenses, renovation expenses, repair costs and decoration expenses and otherwise incurred in the course of use of the fixed asset. Their accounting treatment is as follows: Where subsequent expenditures of a fixed asset such as renovation expenses meet the conditions of recognizing the fixed asset, they shall be recorded into the cost of the fixed asset, and the carrying amount of the replaced part of the subsequent expenditures shall be deducted; Where subsequent expenditures of a fixed asset such as repair costs do not meet the conditions of recognizing the fixed asset, they shall be recorded into the profits and losses of the current period in which they are incurred; Where the decoration expenses of a fixed asset meet the conditions of recognizing the fixed asset, they shall be measured in a single detail account of "Fixed Assets", and the depreciation of the fixed asset shall be made separately by the straight-line method in a shorter time of the period of two decorations and remaining usable life of the fixed asset.

The improvement expenditures incurred on a fixed asset leased by operating lease shall be capitalized and reasonably amortized as long-term prepaid expenses.

### **(16) Construction in progress**

The term "construction in progress" refers to all necessary expenditures incurred before the acquired fixed assets enable the project to reach expected usable condition, including project direct materials, direct employee remunerations, installation costs for equipment to be installed and project construction, project management fees, net profits and losses of project commissioning and approved capitalized borrowing costs.

#### **1). Valuation of construction in progress**

The Company's construction in progress shall be measured individually by construction project and shall be valued at actual cost.

#### **2). Time point of carrying over construction in progress into fixed asset**

When the construction in progress reaches the expected usable condition, they shall be transferred to fixed asset at their actual cost. For the fixed assets that have reached expected usable condition but not prepared the final account for completion, they shall be charged to the account at their estimated value and shall be adjusted after their actual value is recognized.

### **(17) Capitalization of borrowing costs**

Borrowing costs are interests and other costs incurred by the Company in connection with the borrowing of the funds, including interests, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

#### **1). Recognition of capitalization of borrowing costs**

The borrowing costs that are directly attributable to the acquisition, construction or

production of a qualifying asset shall be capitalized, and the amounts of other borrowing costs incurred shall be recorded into the profits and losses of the period in which they are incurred. Qualifying assets are fixed assets, investment real estate and inventories and otherwise that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

## **2). Period of capitalization of borrowing costs**

(1) Time point of capitalization of borrowing costs. The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Time point of ceasing capitalization of borrowing costs: Capitalization of borrowing costs ceases when the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale. The subsequent borrowing costs shall be recorded into the profits and losses of the current period.

(3) Recognition of suspending capitalization of borrowing costs: Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, and the interruption is for a continuous period of over 3 months. Borrowing costs incurred during the period in which capitalization of borrowing costs is suspended shall be recorded into the profits and losses of the current period.

## **3). Calculation of capitalized amounts of borrowing costs**

During the capitalization period, the amount of interest (including amortization of discounts or premiums) to be capitalized for each accounting period shall be recognized as follows:

(1) Where special funds are borrowed for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

(2) Where general funds are borrowed for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized on such general borrowings shall be calculated and recognized by applying a capitalization rate of such general borrowings to the weighted average of the excess amounts of accumulated expenditures on the asset over and above the amounts of special borrowings. The capitalization rate shall be calculated and recognized by the weighted average interest rate of general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be recognized by the real interest rate method, and an adjustment shall be made to the amount of interests in each period. During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.

Ancillary costs in connection with special borrowings that are incurred before the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale shall be capitalized on the basis of the incurred amount when they are incurred, and they shall be recorded into the cost of qualifying asset; those incurred after the qualifying asset acquired,

constructed or produced becomes ready for its intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary costs arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

## **(18) Intangible assets**

### **1). Recognition of intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. Intangible assets can be recognized only when they meet the conditions simultaneously as follows:

- (1) They are consistent with the definition of intangible assets.
- (2) The economic benefits related to intangible assets are likely to flow into the enterprise; and
- (3) The cost of intangible assets can be measured reliably.

### **2). Measurement of intangible assets**

The intangible assets shall be measured according to their cost or fair value (if increased through business combination not involving enterprises under common control).

### **3). Subsequent measurement**

The Company shall analyze and judge the usable life of intangible assets when it obtains intangible assets. If the Company is unable to forecast the period when the intangible asset can bring economic benefits to it, it shall be regarded as an intangible asset with uncertain usable life.

With regard to an intangible asset with limited usable life, its amortization amount shall be amortized by expected realization pattern of its economic benefits, if the Company is unable to recognize the expected realization pattern reliably, intangible assets shall be amortized by the straight-line method.

The Company shall, at least at the end of each year, check the usable life and the amortization method of intangible assets with limited usable life, if necessary, it shall adjust the said usable life and amortization method.

With regard to an intangible asset with uncertain usable life, its amortization amount shall not be amortized, but the Company shall check the usable life of the said intangible asset every year and shall carry out an impairment test for it.

### **4). Estimation of usable life**

As for intangible assets with limited usable life, the estimation of their usable life generally considers the following factors:

- ① General life cycle of products manufactured by using the assets and information about usable life of similar assets available;
- ② Present situation of technologies and process and estimation for future development trends;
- ③ Market demand of products manufactured or services rendered by using the assets;
- ④ Expected actions of present or potential competitors;
- ⑤ Expected maintenance expenses for economic capacity from the assets and the Company's expected capability to pay relevant expenses;

⑥ Laws and regulations or similar restrictions relating to the control period of the assets, such as concession period and lease period;

⑦ Relevance with usable life of other assets held by the Company, etc.

### **5). Division of research expenditures and development expenditures included in expenditures for internal research and development projects**

① Research expenditures in internal research and development projects shall be recorded into the profits and losses of the current period when they are incurred.

Development expenditures in internal research and development projects shall be recognized as intangible assets where they satisfy all of the following conditions:

② Technical feasibility of completing the intangible asset so that it will be available for use or sale;

③ Intention to complete the intangible asset and use or sell it;

④ How the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

⑤ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑥ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

### **(19) Long-term deferred expenses**

Long-term deferred expenses refer to the expenses incurred by the Company but attributable to the current and subsequent accounting periods of more than one year (excluding one year), including the expenses for improvement of fixed assets leased by operating lease.

Long-term deferred expenses shall be recorded into the account based on their actual amount of expenditure and shall be averagely amortized by their beneficial period, if long-term deferred expenses can not benefit subsequent accounting periods, the unamortized value of the project shall be all transferred to the profits and losses of the current period.

### **(20) Impairment of Assets**

On the balance sheet date, if there is any sign showing possible impairment of assets (referring to the assets other than inventories, equity instruments that have no quoted price and reliable fair value measurement in active market, investment real estate measured by fair value model, consumable biological assets, assets formed under construction contract, deferred income tax assets, residual value not guaranteed by the renter in the financing lease and financial assets), their recoverable amount shall be estimated on the basis of single item assets; Where it is difficult to estimate the recoverable amount of the single item assets, the recoverable amount of the assets shall be recognized on the basis of their asset group or combination of asset groups.

The recoverable amount shall be recognized in light of the higher one of the net amount of the fair value of the single item assets, asset group or combination of asset groups minus the disposal expenses and the present value of the expected future cash flow of the single item assets, asset group or combination of asset groups.

Where the recoverable amount of the single item assets is lower than their carrying amount, a provision for the asset impairment shall be made accordingly on the basis of the difference between the carrying amount of the single item assets and their recoverable amount. Where the recoverable amount of an asset group or a combination of asset groups is lower than its

carrying amount, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying amount of business reputation which is apportioned to the asset group or combination of asset groups, then charge it against the carrying amount of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded. The charges against the carrying amount of the assets above shall be treated as the impairment loss of the single item assets (including the business reputation), and a provision for impairment of the single item assets shall be made accordingly.

Once the above loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

## **(21) Estimated liabilities**

### **1). Recognition of estimated liabilities**

When the businesses related to contingencies such as external guarantee, pending action or arbitration, product quality assurance, plan for layoffs, loss contract, restructuring obligations and fixed asset disposal obligations meet all of the following conditions, they shall be recognized as liabilities:

- (1) The liabilities are present liabilities assumed by the Company;
- (2) The fulfillment of the liabilities might cause outflow of economic benefits from the enterprise.
- (3) The amount of the liabilities can be reliably measured.

### **2). Measurement of estimated liabilities**

The estimated liabilities shall be measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be recognized in accordance with the middle estimate within the range. In other cases, the best estimate shall be recognized in accordance with the following methods, respectively:

- (1) If the contingencies concern a single item, it shall be recognized in the light of the most likely outcome.
- (2) If the contingencies concern two or more items, the best estimate shall be calculated and recognized in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of estimated liabilities of the company is expected to be compensated by a third party or other parties, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement shall not exceed the carrying amount of the recognized estimated liabilities.

## **(22) Share-based payments and equity instruments**

The term "share-based payment" refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

The term "equity-settled share-based payment" refers to a transaction in which the Company grants shares or other equity instruments as a consideration in return for services; The term "cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and recognized on the basis of shares or other equity instruments

undertaken by the Company in return for services.

1). The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

(1) As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly;

(2) As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the service in the period during which the specified vesting conditions are to be satisfied (or vesting period) is completed or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

(3) If, on the balance sheet date, the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments.

(4) The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been recognized.

2). A cash-settled share-based payment rendered by the Company shall be measured in accordance with the fair value of liability calculated and recognized based on the shares or other equity instruments undertaken by the Company.

(1) As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly;

(2) As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

(3) If, on the balance sheet date, the subsequent information indicates that fair value of the current liability undertaken by the Company are different from the previous estimates, an adjustment shall be made and on the vesting date the estimate shall be adjusted to equal the actually exercisable right;

(4) The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

3). The fair value of the equity instruments shall be recognized according to the following methods:

(1) As for an equity instruments for which there is an active market, the quoted price in the active market shall be used to recognize the fair value thereof;

(2) Where there is no active market for an equity instrument, the Company shall adopt rational value appraisal techniques to recognize its fair value. The value appraisal techniques

mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

4). The best estimate of vested equity instruments shall be estimated and recognized according to subsequent information such as changes in number of employees recently obtaining the exercisable right.

### **(23) Recognition of revenues**

Revenues shall be recognized where the relevant economic benefits are likely to flow into the Company, the relevant amount of revenue can be reliably measured and the following conditions are met simultaneously:

#### **1). Revenue from selling goods**

Where the Company has transferred significant risks and rewards of ownership of the goods to the buyer, and it neither retains continuous management right that usually keeps relation with the ownership nor implements effective control over the sold goods; and the relevant costs incurred or to be incurred can be reliably measured, the revenue from selling goods shall be recognized.

#### **2). Revenue from rendering labor services**

If the Company can, on the balance sheet date, reliably estimate the schedule of completion and outcome of a transaction concerning the labor services, and the costs related to the transaction incurred or to be incurred can be reliably measured, the Company shall recognize the revenue from rendering labor services adopting the percentage-of-completion method and shall ascertain the schedule of completion under the transaction concerning the rendering of labor services according to the proportion of the costs incurred against the estimated total costs. Where the Company can not, on the balance sheet date, reliably estimate the outcome of a transaction concerning the labor services, if it expects that the cost of labor services incurred can be made up, the Company shall recognize the revenue from rendering labor services based on the amount of the cost of labor services incurred and shall carry forward the cost of labor services in accordance with the same amount; If it is expected that the cost of labor services incurred can not be made up, the cost of labor services incurred shall be recorded into the profits and losses of the current period, and the revenue from rendering labor services shall not be recognized.

#### **3). Abalienate the right to use assets**

The amount of interest revenue shall be calculated and recognized in accordance with the length of time for which the Company's cash is used by others and the actual interest rate; The amount of royalty revenue shall be calculated and recognized in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

### **(24) Government subsidies**

A government subsidy means the monetary or non-monetary assets obtained free by the Company from the government, but excluding the capital invested by the government as the owner. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

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

Only when the Company can meet the conditions for the government subsidies and can obtain the government subsidies shall it recognize the government subsidies. A monetary government subsidy received by the Company shall be measured in the light of the received or receivable amount; A non-monetary government subsidy received shall be measured at its fair value; If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

The government subsidies pertinent to assets received by the Company shall be recognized as deferred income when they are received and shall be equally distributed within the useful lives of the relevant assets, and recorded into the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly recorded into the current profits and losses.

The government subsidies pertinent to incomes received by the Company that are used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall be recorded into the current profits and losses during the period when the relevant expenses are recognized; if the government subsidies pertinent to incomes received by the Company are used for compensating the related expenses or losses incurred to the Company, they shall be directly recorded into the current profits and losses.

Where it is necessary to refund any government subsidy which has been recognized by the Company, if there is a deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; If there is no deferred income concerned to the government subsidy, the amount of refund shall be directly included in the current profits and losses.

## **(25) Income taxes**

Income taxes include all types of domestic and oversea tax amounts based on the amounts of taxable income of the Company. When the Company obtains assets or bears liabilities, it recognizes their tax base according to the national tax laws and regulations. If the carrying amount of assets is greater than their tax base or if the carrying amount of liabilities is less than their tax base, the difference between the tax base and their carrying amount shall be treated as a taxable temporary difference; If the carrying amount of assets is less than their tax base or if the carrying amount of liabilities is greater than their tax base, the difference between the tax base and their carrying amount shall be treated as a deductible temporary difference.

1). Except for the deferred income tax liabilities arising from the following transactions, the Company shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

(1) The recognition of business reputation;

(2) The recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:

① The transaction is not business combination;

② At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

Unless the Company can control the time of the reverse of taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises and the temporary differences are unlikely to be reversed in the predictable future, the Company shall recognize the corresponding deferred income tax liabilities.

2). The Company shall recognize the deferred income tax liabilities arising from a deductible

temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference, however, it shall not recognize the deferred income tax assets arising from the recognition of assets or liabilities during a transaction which is simultaneously featured by the following:

- (1) This transaction is not business combination; and
- (2) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

On the balance sheet date, where there is any exact evidence showing that it is likely to acquire sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the Company shall recognize the deferred income tax assets unrecognized in prior periods. If the deductible temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises are likely to be reversed in the expected future and are likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences, the Company shall recognize the deferred income tax assets corresponding to the said differences.

- 3). On the balance sheet day, the current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured by the Company in light of the expected payable (refundable) amount of income taxes according to the tax law; The deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

In case the applicable tax rate changes, the Company shall remeasure the deferred income tax assets and deferred income tax liabilities which have been recognized. Excluding the deferred income tax assets and deferred income tax liabilities arising from any transaction or event directly recognized as the owners' equity, the Company shall record the amount affected by tax rate change into the income tax expenses of the current period during which the change occurs.

The Company shall reexamine the carrying amount of deferred income tax assets on each balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

The Company shall record the income taxes of the current period and deferred income taxes other than business combinations and transactions or events directly recognized in the owners' equity into the profit statement as income tax expenses or incomes.

## **(26) Leases**

The term "lease" refers to an agreement under which the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time. Leases consist of financing leases and operating leases.

### **1). Financing leases**

(1) Where a lease satisfies one or more of the following criteria, it shall be recognized as a financing lease:

- ① The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- ② The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable.

Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;

- ③ Even if the ownership of the asset is not transferred, the lease term covers the major part (over 75% (included)) of the use life of the leased asset;
- ④ In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; and
- ⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

A lease that does not satisfy the above conditions shall be recognized as a operating lease.

(2) The fixed assets leased by financing lease shall be recorded into the account based on the lower of the fair value of leased assets on the lease beginning date and the present value of the minimum lease payments, and a depreciation of the said fixed assets shall be made in accordance with the depreciation policies for the depreciable assets owned by the lessee.

## 2). Operating leases

The rents paid by the lessee shall be recorded by the Company into the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The direct costs incurred from operating leases carried on by the Company shall be directly recorded into the profits and losses of the current period. The contingent rents involved in the operating lease agreement shall be recorded into the profits and losses of the current period in which they actually arise.

### (27) Hedging

The Company designates main raw materials as a hedged item and forward contract as a hedging instrument to avoid the risks of changes in cash flows.

#### 1). Recognition of hedging

(1) At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging. This document shall at least specify the contents of hedging instrument, the hedged item, the nature of the hedged risk and the method for the effectiveness assessment of the hedging and etc. The hedging shall be relevant to the designated specific identifiable risk, and will ultimately affect the profits and losses of the enterprise;

(2) The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning;

(3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses;

(4) The effectiveness of hedging can be reliably measured;

(5) The Company shall continuously evaluate the effectiveness of hedging and ensure that this hedging is highly effective in accounting period in which the hedging relationship is specified.

#### 2). Measurement of hedging

The hedging instrument is measured at its fair value on the date when the hedging contract is signed, and its subsequent measurement is done at its fair value. The hedging instrument with a positive fair value shall be recognized as other current assets, and the hedging instrument with a negative fair value shall be recognized as other current liabilities. Where a cash flow hedging meets the conditions for adopting the hedging accounting method, it shall be dealt with in accordance with the following provisions:

(1) In the profit or loss of the hedging instrument, the portion, which is attributed to the effective hedging shall be directly recognized as the owner's equity and shall be presented as a separate item. The amount of the portion of the effective hedging shall be confirmed in accordance with the lower of the accumulative profit or loss of the hedging instrument as of the commencement of hedging and the accumulative amount of changes in the present value of the estimated future cash flow of the hedged item as of the commencement of the hedging.

(2) In the profit or loss of the hedging instrument, the portion, which is attributed to the ineffective hedging (namely the other profit or loss after deducting the portion directly recognized as the owner's equity) shall be recorded in the profit and loss of the current period.

(3) The relevant profit or loss directly recognized in the owner's equity originally shall be shifted out during the same period in which this non-financial asset or non-financial liability affects the profit or loss of the enterprise and shall be recorded in the current profits and losses of the current period. However, when all or partial net loss expected by the enterprise to be directly recognized in the owner's equity originally can not be made up in the future accounting period, the portion which can not be made up shall be shifted out and shall be recorded in profits and losses of the current period.

### 3). Evaluation of effectiveness of hedging

The Company adopts ratio analysis to evaluate the effectiveness of hedging instrument, that is, the Company recognizes the effectiveness of hedging instrument by comparing the hedging instrument resulting from the hedged risk with the fair value of the hedged item or change in cash flow ratio. When a hedging satisfies the following two conditions simultaneously, it shall be recognized as being highly efficient:

(1) At the beginning and in subsequent periods of a hedging, this hedging expectation shall be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged item during the specified periods;

(2) The hedging's actual offset results are within a range of 80% to 125%.

## **(28) Changes of accounting policies and accounting estimates and early error correction**

### **1). Changes of accounting policies**

There were no changes of accounting policies in the Company during the period.

### **2). Changes of accounting estimates**

There were no changes of accounting estimates in the Company during the period.

### **3). Early error correction**

The Company was involved in no early error correction during the period.

## **3. Taxes**

1). Value-added tax: The Company pays the value-added tax based on value-added amount from sale of goods or rendering of services, and the rate of value-added tax of the main goods is 17%.

2). Income tax:

- (1) The Company was registered in Zhuhai special economic zone of Guangdong province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2008, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201144000202) and applied the income tax rate of 15% in this year.
- (2) GREE (Zhongshan) Small Home Appliances Co., Ltd., a subsidiary company of the Company was registered in Zhongshan city and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2012 (High-tech Enterprise Certificate No. GR201144000314) and applied the income tax rate of 15% in this year.
- (3) Gree Electric Appliances (Chongqing) Co., Ltd., a subsidiary company of the Company has been enjoying the country's western development policy as of 1 January 2008, and applied the income tax rate of 15% in this year.
- (4) Zhuhai Landa Compressor Co., Ltd., a subsidiary company of the Company was registered in Zhuhai special economic zone of Guangdong province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2012 (High-tech Enterprise Certificate No. GR201144000037) and applied the income tax rate of 15% in this year. (Zhuhai Meilingda Refrigeration Technology Co., Ltd. as its subsidiary company applied the income tax rate of 25%; Zhuhai Zhengang Foundry Co., Ltd. applies 25%; Zhuhai Meiling General Motors Co., Ltd. applies 25%; Hefei Landa Compressor Co., Ltd. applies 15%; Zhengzhou Landa Compressor Co., Ltd. applies 25%; Chongqing Landa Compressor Co., Ltd. applies 25%; Wuhan Landa Compressor Co., Ltd. applies 25%).
- (5) Zhuhai Gree Electrical Co., Ltd., a subsidiary company of the Company was registered in Zhuhai special economic zone of Guangdong province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2012 (High-tech Enterprise Certificate No. GR201144000361) and applied the income tax rate of 15% in this year. (Gree Electric Enterprises (Maanshan) Ltd. as its subsidiary company applied the income tax rate of 15%).
- (6) Gree (Chongqing) Electronic Technology Co., Ltd., a subsidiary company of the Company has been enjoying the country's western development policy as of 1 January 2008 and applied the income tax rate of 15% in this year.
- (7) Zhuhai Kaibang Motor Manufacture Co., Ltd. a subsidiary company of the Company was registered in Zhuhai special economic zone of Guangdong province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2009, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201244000068) and applied the income tax rate of 15% in this year (Hefei Kaibang Motor Manufacture Co., Ltd. as its subsidiary company applied the income tax rate of 15%, Henan Kaibang Motor Manufacture Co., Ltd. applied the income tax rate of 25%, and Chongqing Kaibang Motor Manufacture Co., Ltd. applied the income tax rate of 25%).
- (8) Gree Electric Appliances (Hefei) Co., Ltd., a subsidiary company of the Company was registered in Hefei city of Anhui province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2008, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201134000349) and applied the income tax rate of 15% in this year.
- (9) Shanghai Gree Air Conditioners Sales Co., Ltd., a subsidiary company of the Company was registered in Shanghai and applied the income tax rate of 25% in this year.
- (10) Zhuhai Gree Xinyuan Electronics Co., Ltd., a subsidiary company of the Company was registered in Zhuhai special economic zone of Guangdong province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2010 (High-tech

Enterprise Certificate No. GR201044000512), and it applied the income tax rate of 15% in this year.

(11) Gree Electric Appliances (Brazil) Co., Ltd., a subsidiary company of the Company was registered in Manaus of Brazil and applied the income tax rate of 34% (Brazil United Electric Appliances Industry and Commerce Co., Ltd. as its subsidiary company was registered in Sao Paulo of Brazil and applied the income tax rate of 34%).

(12) Zhuhai Gree Group Finance Company Limited, a subsidiary company of the Company was registered in Zhuhai and applied the income tax rate of 25% in this year.

(13) Hong Kong Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Kowloon, Hong Kong and applied the income tax rate of 16.5% (Gree (America) Sales Co., Ltd. as its subsidiary company was registered in California, USA and paid taxes in accordance with the local tax law).

(14) Shenzhen Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Shenzhen and applied the income tax rate of 25%.

(15) Zhuhai Gree Daikin Device Co., Ltd., a subsidiary company of the Company was registered in Zhuhai and applied the income tax rate of 25%.

(16) Zhuhai Gree Daikin Precision Mold Co., Ltd., a subsidiary company of the Company was registered in Zhuhai and applied the income tax rate of 25%.

(17) Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai, a subsidiary company of the Company was registered in Zhuhai and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2011, and it applied the income tax rate of 15% in this year.

(18) Gree Electric Appliances (Zhengzhou) Co., Ltd., a subsidiary company of the Company was registered in Zhengzhou city of Henan province and applied the income tax rate of 25%.

(19) Gree Electric Appliances (Wuhan) Co., Ltd., a subsidiary company of the Company was registered in Wuhan city of Hubei province and applied the income tax rate of 25%.

(20) Zhengzhou Gree Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Zhengzhou city of Henan province and applied the income tax rate of 25%.

(21) Hunan Green Renewable Resources Co., Ltd., a subsidiary company of the Company was registered in Ningxiang county of Hunan province and applied the income tax rate of 25%.

(22) Gree (Shijiazhuang) Small Home Appliances Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province and applied the income tax rate of 25%.

(23) Gree Electric Appliances (Wuhu) Co., Ltd., a subsidiary company of the Company was registered in Wuhu city of Anhui province and applied the income tax rate of 25%.

(24) Wuhu Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Wuhu city of Anhui province and applied the income tax rate of 25%.

(25) Shijiazhuang Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province and applied the income tax rate of 25%.

(26) Gree Electric Appliances (Shijiazhuang) Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province and applied the income tax rate of 25%.

(27) Zhuhai Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Zhuhai city and applied the income tax rate of 25%.

3. Business tax: The tax rate is 3% to-5%, and the business tax is paid based on the taxable income of the Company.

- 4). Urban maintenance & construction tax: The tax rate is 5% to 7%, and the urban maintenance & construction tax is paid based on the circulation Taxes payable.
- 5). Education surcharges: The tax rate is 3%, and the education surcharge is paid based on the circulation Taxes payable.
- 6). Local education surcharge: The tax rate is 2%, and the local education surcharge is paid based on the circulation Taxes payable.
- 7). Embankment protection fee: The fee rate is 0.03% to 0.1%, and the embankment protection fee is paid based on sales income.
- 8). Other taxes: Other taxes are paid in accordance with the national provisions.
- 9). The overseas subsidiary companies of the Company pay the corresponding taxes according to the local tax laws.

#### 4. Business combination and consolidated financial statements

##### (1) Information of subsidiaries

##### 1). Subsidiaries acquired through establishment or investment

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (RMB ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 15,000	Production and sale of air conditioners	RMB 50,537.06		100	100	Yes			
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Zhongshan City	Commercial manufacture	RMB 3,000	Production and sale of small household electrical appliances	RMB 3,000		100	100	Yes			
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	Manaus, Brazil	Commercial manufacture	BRL 4,000	Production and sale of air conditioners	RMB 13,023.94		100	100	Yes			
Shenzhen Gree Electric Appliances Sales Co., Ltd	Holding subsidiary	Shenzhen City	Sale	RMB 500	Sale of air conditioners	RMB 450		90	90	Yes	691,325.83		
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Wholly-owned subsidiary	Zhuhai City	Technical research and development	RMB 11,604	Technical research and development of energy saving and environmental protection household appliances	RMB 20,935		100	100	Yes			
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 2,000	Production and sale of air conditioners	RMB 72,000		100	100	Yes			
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	Wuhan City	Commercial manufacture	RMB 1,000	Production and sale of air conditioners	RMB 51,000		100	100	Yes			
Zhengzhou Gree Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 500	Research & development and sale of secondary resources recycling technology	RMB 500		100	100	Yes			
Hunan Green Renewable Resources Co., Ltd.	Wholly-owned subsidiary	Ningxiang County	Commercial manufacture	RMB 500	The same as above	RMB 500		100	100	Yes			
Gree Electric Appliances	Holding subsidiary	Chongqing City	Commercial manufacture	RMB 23,000	Production and sale of air	RMB 22,310		97	97	Yes	80,648,252.07		

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (RMB ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
(Chongqing) Co., Ltd.					conditioners								
Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd.	Holding subsidiary	Chongqing City	Commercial manufacture	RMB 1,000	Production and sale of controllers	RMB 999.10		99.91	100	Yes	309,247.92		
Shanghai Gree Air Conditioners Sales Co., Ltd	Holding subsidiary	Shanghai City	Sale	RMB 200	Sale of air conditioners	RMB 199.40		99.7	100	Yes	-250,550.68		
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Sale	RMB 500	Sale, installation and repair of household electrical appliances	RMB 500		100	100	Yes			
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	Zhuhai City	Commercial manufacture	US\$5,796	Development, production and sale of moulds and moldings	RMB 20,191.12		51	51	Yes	211,587,372.16		
Zhuhai Gree Dakin Device Co., Ltd.	Holding subsidiary	Zhuhai City	Commercial manufacture	US\$8,129	Development, production and sale of compressors and controllers	RMB 28,311.76		51	51	Yes	293,283,554.47		
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Sao Paulo, Brazil	Sale	BRL200	Sale of air conditioners	BRL200		100	100	Yes			
Hefei Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 10,000	Production and sale of compressors	RMB 78,946		100	100	Yes			
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 3,000	Production and sale of motors	RMB 3,000		100	100	Yes			
Zhengzhou Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			
Chongqing Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned	Chongqing City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (RMB ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
	subsidiary												
Wuhan Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Wuhan City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			
Gree (America) Sales Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	California, USA	Sale	US\$8	Sale of air conditioners	US\$4.08		51	51	Yes	-3,891,766.10		
Henan Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhengzhou	Commercial manufacture	RMB 1,000	Production and sale of motors	RMB 1,000		100	100	Yes			
Chongqing Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Chongqing	Commercial manufacture	RMB 1,000	Production and sale of motors	RMB 1,000		100	100	Yes			
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 200	Research & development and sale of secondary resources recycling technology	RMB 200		100	100	Yes			
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 1,000	Production and sale of small household electrical appliances	RMB 1,000		100	100	Yes			
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Commercial manufacture	RMB 2,000	Production and sale of air conditioners	RMB 2,000		100	100	Yes			
Wuhu Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Commercial manufacture	RMB 200	Research & development and sale of secondary resources recycling technology	RMB 200		100	100	Yes			

The Company directly holds 90% of total stocks of Shanghai GREE Air Conditioners Sales Co., Ltd., and Gree Electric Appliances (Chongqing) Co., Ltd. as the subsidiary of the Company holds its remaining 10% stocks, so the Company holds its 99.7% stocks in the direct and indirect ways; The Company directly holds 97% of total stocks of Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd., and Gree Electric Appliances (Chongqing) Co., Ltd. as the subsidiary of the Company holds its remaining 3% stocks, so the Company holds its 99.91% stocks in the direct and indirect ways;

## 2. Subsidiaries acquired through business combination involving enterprises under common control

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (RMB ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (RMB ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Zhuhai Landa Compressor Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 9,303	Production and sale of compressors	RMB 79,273		100	100	Yes			
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 16,932	Production and sale of varnished wires	RMB 20,395		100	100	Yes			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 2,618	Production and sale of capacitors	RMB 5,926		100	100	Yes			
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	Zhuhai City	Financial Services	RMB 150,000	Carry on the business approved by China Banking Regulatory Commission	RMB 141,437		89.25	89.25	Yes	227,530,129.23		
Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 1,000	Production and sale of compressors	RMB 700		70	70	Yes	27,160,158.98		
Zhuhai Zhengang Foundry Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	HKD50	Production and sale of metal precision casting parts	RMB 1,759		100	100	Yes			
Zhuhai Meiling General Motors Co., Ltd.	Holding grandson company of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	US\$625	Production and sale of compressors	RMB 1,959		100	100	Yes			
Gree Electric Enterprises (Maanshan) Ltd	Wholly-owned subsidiary of the wholly-owned subsidiary	Ma'anshan	Commercial manufacture	RMB 1,530	Production and sale of varnished wires	RMB 1,578		100	100	Yes			

The Company directly holds 88.31% of total stocks of Zhuhai Gree Group Finance Company Limited, and Zhuhai Gree Electrical Co., Ltd. and Zhuhai Gree Xinyuan Electronics Co., Ltd. as the wholly-owned subsidiaries of the Company respectively hold its 0.47% stocks, so the Company holds its 89.25% stocks in the direct and indirect ways.

### 3. Subsidiaries acquired through business combination not involving enterprises under common control

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (RMB ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (RMB ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 8200	Production and sale of motors	RMB 8,386		100	100	Yes			
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Kowloon, Hong Kong	Sale	HKD10	Sale of air conditioners	HKD47.29		100	100	Yes			
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 10,000	Production and sale of air conditioners	RMB 9,894.01		100	100	Yes			

## (2) Description for changes in the scope of consolidation

### 1). New subsidiaries incorporated in the scope of consolidated financial statements during the period

There were no new subsidiaries incorporated in the scope of consolidated financial statements of the Company during the period.

### 2). Subsidiaries not incorporated in the scope of consolidated financial statements during the period

In May 2012, Hefei Gree Green Resources Recycling Co., Ltd. was cancelled, so as of May 2012 it will not be incorporated in the consolidated financial statements; In November 2012, Ma'anshan Green Resources Recycling Co., Ltd. was cancelled, so as of November 2012 it will not be included in the consolidated financial statements;

## (3) New subjects incorporated in the scope of consolidation and subjects not incorporated in the scope of consolidation during the period

### 1). New subjects incorporated in the scope of consolidation during the period

There were no new subsidiaries incorporated in the scope of consolidated financial statements of the Company during the period.

### 2). Subjects not incorporated in the scope of consolidation during the period

Name	Net asset on the date of disposal	Net profit from the beginning of the period to date of disposal
Hefei Gree Green Resources Recycling Co., Ltd.	4,998,380.00	
Ma'anshan Green Resources Recycling Co., Ltd.	2,020,015.03	8,243.17

## (4) Treatment of conversion rate and translation differences of main items of the financial statements involving foreign entities in the consolidated financial statements

In the consolidated financial statements, Hong Kong Gree Electric Appliances Sales Co., Ltd. and its subsidiary Gree (America) Sales Co., Ltd., Gree Electric Appliances (Brazil) Co., Ltd. and its subsidiary Brazil United Electric Appliances Industry and Commerce Co., Ltd. are all foreign entities, for the translation method of foreign currency statements, please refer to the Notes 2 (9) - foreign currency transactions.

## 5. Description of important items in the notes to important items of consolidated financial statements

Unless specially indicated, the monetary unit of the data listed in this section shall be RMB yuan. "Beginning of the period" means 1 January 2012, "End of the period" means 31 December 2012, "Previous period" means the year 2011, "Current period" means the year 2012.

### (1) Monetary capital

Item	Amount at the end of the period			Amount at the beginning of the period		
	Foreign currency amount	Conversion rate	Amount in RMB	Foreign currency amount	Conversion rate	Amount in RMB
Cash:			1,667,396.41			2,241,347.23
RMB	1,608,423.83	1.0000	1,608,423.83	2,072,044.48	1.0000	2,072,044.48
Hong Kong dollar	16,433.16	0.8109	13,325.65	29,912.00	0.8107	24,249.66
U.S. dollar	353.00	6.2855	2,218.78	5,321.00	6.3009	33,527.09
BRL	4,576.00	3.0201	13,819.98	27,796.82	3.3597	93,388.14

Item	Amount at the end of the period			Amount at the beginning of the period		
	Foreign currency amount	Conversion rate	Amount in RMB	Foreign currency amount	Conversion rate	Amount in RMB
Japanese yen	23,718.00	0.0730	1,731.41			
Thai Baht				770.00	0.1991	153.31
New Zealand dollar	80.00	5.1298	410.38			
Pounds	370.00	10.1611	3,759.61	610.00	9.7116	5,924.08
Singapore dollar	790.50	5.0929	4,025.94	858.50	4.8789	4,188.54
Philippine peso				9,280.00	0.1440	1,336.32
Australian dollar	765.00	6.5363	5,000.27	765.00	6.4093	4,903.11
Euro	1,765.00	8.3176	14,680.56	200.00	8.1625	1,632.50
Bank deposits:			12,410,887,248.92			2,150,585,647.16
RMB	2,309,071,214.27	1.0000	2,309,071,214.27	1,600,566,304.95	1.0000	1,600,566,304.95
Hong Kong dollar	11,657,723.89	0.8109	9,453,248.30	32,383,505.00	0.8107	26,253,307.51
U.S. dollar	1,298,659,918.35	6.2855	8,162,726,916.79	77,701,946.20	6.3009	489,592,187.48
Japanese yen	5,481,558.00	0.0730	400,153.73	3,448,715.72	0.0811	279,701.11
Euro	229,503,711.35	8.3176	1,908,920,069.52	989,051.30	8.1625	8,073,131.23
BRL	6,726,812.46	3.0201	20,315,646.31	7,685,580.69	3.3597	25,821,014.88
Other monetary capital:			9,545,956,761.46			8,408,505,698.73
RMB	5,704,342,722.02	1.0000	5,704,342,722.03	8,379,611,889.38	1.0000	8,379,611,889.38
U.S. dollar	611,186,705.82	6.2855	3,841,614,039.43	4,530,000.00	6.3009	28,543,077.00
Japanese yen				3,751,000.00	0.0811	304,206.10
Euro				5,700.00	8.1625	46,526.25
Deposits in central bank:			1,499,462,197.28			1,360,983,017.53
RMB	1,499,462,197.28	1.0000	1,499,462,197.28	1,360,983,017.53	1.0000	1,360,983,017.53
Deposits in other banks:			5,485,948,097.38			4,118,494,040.43
RMB	5,484,811,883.97	1.0000	5,484,811,883.97	4,117,366,011.64	1.0000	4,117,366,011.64
U.S. dollar	4,218.72	6.2855	26,516.76	4,176.93	6.3009	26,318.41
Hong Kong dollar	1,368,475.34	0.8109	1,109,696.65	1,358,961.86	0.8107	1,101,710.38
Total			28,943,921,701.45			16,040,809,751.08

Note: the margin deposit for the banker's acceptance bill in other monetary capital of the Company is RMB 307,658,892.28; the loan pledge margin is RMB 5,766,314,068.42; the reserve requirements on deposit in the Company's deposits in central bank is RMB 1,499,462,049.72.

## (2) Trading financial assets

Item	Amount at the end of the period	Amount at the beginning of the period
Derivative financial assets	263,460,017.40	16,489,122.00
Total	263,460,017.40	16,489,122.00

Note: The ending balance of the derivative financial instruments of the Company during the period is the income from changes in fair value generated from the unsettled foreign exchange forward contract.

## (3) Notes receivable

Type of notes	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	34,292,168,999.99	33,665,090,026.64

Total	34,292,168,999.99	33,665,090,026.64
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Note: As of 31 December 2012, the amount of the pledged notes receivable was RMB 902,300,000.00, and the amount of the notes receivable which have been endorsed to others but not yet expired was RMB 22,217,032,376.63, and the amount of the notes receivable which have been discounted but not yet expired was RMB 2,762,921,700.14; the Company had no notes carried forward to the accounts receivable due to incapability of performance by the drawer during the period.

#### (4) Accounts receivable

1). The accounts receivable are disclosed by type:

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	1,561,677,574.58	98.83	86,804,603.02	5.56
Combination of other credit risks				
Subtotal of combinations	1,561,677,574.58	98.83	86,804,603.02	5.56
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	18,481,654.23	1.17	18,481,654.23	100.00
Total	1,580,159,228.81	100.00	105,286,257.25	6.66

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	1,324,187,057.43	98.70	97,393,282.11	7.35
Combination of other credit risks				
Subtotal of combinations	1,324,187,057.43	98.70	97,393,282.11	7.35
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	17,374,454.75	1.30	17,374,454.75	100.00
Total	1,341,561,512.18	100.00	114,767,736.86	8.55

2). Accounts receivable with bad debt provision provided by aging analysis in the combinations

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	1,552,134,454.83	99.39	77,606,722.75	1,279,153,136.30	96.60	63,957,656.83
1 to 2 years	42,116.00	0.00	8,423.20	11,245,718.89	0.85	2,249,143.78
2 to 3 years	623,093.37	0.04	311,546.69	5,203,441.48	0.39	2,601,720.74
Over 3 years	8,877,910.38	0.57	8,877,910.38	28,584,760.76	2.16	28,584,760.76
Total	1,561,677,574.58	100.00	86,804,603.02	1,324,187,057.43	100.00	97,393,282.11

3). Accounts receivable with insignificant single amounts but single bad debt provision appropriated at the end of the year:

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Vietnam HOME APPLIANCE (MHI)	4,715,115.32	4,715,115.32	100	Insolvency
Huafei Color Display System Co., Ltd.	13,458,727.43	13,458,727.43	100	Bankruptcy
Zhongshan Rifa Motor Manufacturing Co., Ltd.	307,811.48	307,811.48	100	Bankruptcy
Total	18,481,654.23	18,481,654.23		

4). As of 31 December 2012, among the accounts receivable, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

5). The top 5 debtors of accounts receivable

Name of entity	Relationship with the Company	Amount	Years	Percentage to total accounts receivable (%)
First	Non-related party	324,788,928.77	Within 1 year	20.55
Second	Non-related party	93,883,720.07	Within 1 year	5.94
Third	Non-related party	91,674,952.41	Within 1 year	5.80
Fourth	Non-related party	49,539,494.87	Within 1 year	3.14
Fifth	Non-related party	46,014,890.60	Within 1 year	2.91
Total		605,901,986.72		38.34

6). As of 31 December 2012, among the accounts receivable, there was not any amount receivable from related parties.

## (5) Prepayments

1). The prepayments are listed by aging as follows:

Aging	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,478,286,686.63	84.97	2,169,304,175.29	93.68
1 to 2 years	235,890,859.47	13.56	144,369,054.24	6.24

2 to 3 years	25,333,992.44	1.46	1,023,401.72	0.04
Over 3 years	202,347.56	0.01	918,900.94	0.04
Total	1,739,713,886.10	100.00	2,315,615,532.19	100.00

## 2). The top 5 prepaying entities of the prepayments

Name of entity	Relationship with the Company	Amount	Time	Causes of arrears
Hebei Shougang Qian'an Iron & Steel Co., Ltd.	Material supplier	187,098,757.57	Within 1 year	The payment for the goods is outstanding
Xi'an Qing'an Refrigeration Equipment Co., Ltd.	Equipment supplier	91,785,799.19	Within 1 year	The payment for the goods is outstanding
Anhui Branch of China Construction Eighth Engineering Division No. 4 Construction Co. Ltd.	Builder	90,105,820.55	Within 1 year	Construction costs are outstanding
Starting Zhuhai iii Machinery Equipment Co., Ltd.	Equipment supplier	82,887,293.06	Within 1 year	The payment for the goods is outstanding
Shanghai Hitachi Electrical Appliances Co., Ltd.	Material supplier	70,352,663.88	Within 1 year	The payment for the goods is outstanding
Total		522,230,334.25		

3). As of 31 December 2012, among the prepayments, there was not any money prepaid to a voting entity shareholder holding 5% or more shares of the Company.

## (6) Interests receivable

Item	Amount at the end of the period	Amount at the beginning of the period
Interest on deposit	692,042,580.41	242,739,720.96
Loan interest	1,942,875.00	
Interest of bond investment	16,869,771.16	
Others	10,357.00	
Total	710,865,583.57	242,739,720.96

## (7) Other receivables

1). Other receivables are disclosed by type:

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	320,164,470.14	100.00	29,808,068.54	9.31
Combination of other credit risks				
Subtotal of combinations	320,164,470.14	100.00	29,808,068.54	9.31
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	320,164,470.14	100.00	29,808,068.54	9.31

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	677,487,165.41	100.00	43,010,930.73	6.35
Combination of other credit risks				
Subtotal of combinations	677,487,165.41	100.00	43,010,930.73	6.35
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	677,487,165.41	100.00	43,010,930.73	6.35

2). Other receivables with bad debt provision appropriated by aging analysis in the combinations:

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	284,906,994.74	88.99	14,245,349.77	661,848,654.92	97.69	33,415,435.24
1 to 2 years	23,482,517.55	7.33	4,696,503.52	5,607,554.95	0.83	1,121,510.99
2 to 3 years	1,817,485.19	0.57	908,742.59	3,113,942.09	0.46	1,556,971.05
Over 3 years	9,957,472.66	3.11	9,957,472.66	6,917,013.45	1.02	6,917,013.45
Total	320,164,470.14	100.00	29,808,068.54	677,487,165.41	100.00	43,010,930.73

3). The top 5 debtors of other receivables

Name of entity	Relationship with the Company	Amount	Years	Percentage to total other receivables (%)
Jinrui Futures Co., Ltd.	Non-related party	158,802,397.02	Within 1 year	49.60
Zhengzhou High-Tech Industrial Development Zone Accounting Service Center	Non-related party	14,958,650.00	1 to 2 years	4.67
Chongqing Hongli Logistics Co., Ltd.	Non-related party	2,589,170.31	Within 1 year	0.81
Wuhan Labor and Social Security Supervision Team	Non-related party	2,500,000.00	Within 1 year	0.78
Hefei High-Tech Industrial Development Zone National treasury Payment Center	Non-related party	728,316.75	Within 1 year	0.23
Total		179,578,534.08		56.09

4). As of 31 December 2012, among the other receivables, there was not any amount receivable from related parties.

## (8) Inventories

### 1). Type of inventories

Item	Amount at the end of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	5,613,005,938.38	75,073,112.48	5,537,932,825.90
Goods in process	1,388,555,920.98		1,388,555,920.98
Finished goods	10,341,885,771.98	33,331,956.16	10,308,553,815.82
Total	17,343,447,631.34	108,405,068.64	17,235,042,562.70

### Continued

Item	Amount at the beginning of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	5,286,745,993.97	49,732,227.11	5,237,013,766.86
Goods in process	1,258,794,665.16	869,247.00	1,257,925,418.16
Finished goods	11,032,754,577.53	24,586,422.99	11,008,168,154.54
Total	17,578,295,236.66	75,187,897.10	17,503,107,339.56

### 2). Provision for obsolete stocks

Type of inventories	Amount at the beginning of the period	Amount of appropriation for the current period	Decrease for the current period		Amount at the end of the period
			Reversed amount	Write-off amount	
Raw material	49,732,227.11	25,340,885.37			75,073,112.48
Goods in process	869,247.00		869,247.00		
Finished goods	24,586,422.99	8,745,533.17			33,331,956.16
Total	75,187,897.10	34,086,418.54	869,247.00		108,405,068.64

### 3). Description of provision for obsolete stocks

Item	Basis to appropriate the provision for obsolete stocks	Cause for reversal to provision for obsolete stocks for the current period	Percentage of reversed amount for the current period to ending balance of the inventories (%)
Raw material	Cost is higher than net realizable value		
Goods in process	Cost is higher than net realizable value	The market price picks up	0.13
Finished goods	Cost is higher than net realizable value		

## (9) Other current assets

Item	Amount at the end of the period	Amount at the beginning of the period
Hedging instruments	13,752,940.26	
Hedging instrument margin	123,490,057.50	110,488,963.00
Total	137,242,997.76	110,488,963.00

## (10) Disbursement of loans and advances

### 1). Schedule of disbursement of loans and advances

Item	Amount at the end of the period	Amount at the beginning of the period
Disbursement of loans and advances		
Disbursement of loans	1,039,500,000.00	
Discounted value	1,103,243,133.00	
Subtotal	2,142,743,133.00	
Total disbursement of loans and advances	2,142,743,133.00	
Less: loan loss provision	53,839,698.01	
Including: single appropriation		
Combined appropriation	53,839,698.01	
Carrying amount of disbursement of loans and advances	2,088,903,434.99	

### 2). Changes in loss provision for disbursement of loans and advances

Item	Amount at the end of the period		Amount at the beginning of the period	
	Single	Combined	Single	Combined
Balance at the beginning of the year				28,622,882.54
Appropriation for the current year		53,839,698.01		
Amount transferred out in the current year				
Write-off amount in the current year				
Amount recovered in the current year				28,622,882.54
Amounts recovered from receipt of previously amortized loans and advances				
Amounts recovered from appreciation of discounted value of loans and advances				
Amounts recovered from other factors				
Balance at the end of the period		53,839,698.01		

## (11) Financial assets available for sale

Item	Amount at the end of the period	Amount at the beginning of the period
Bonds available for sale	544,912,450.00	
Others	10,000,000.00	
Total	554,912,450.00	

## (12) Investment to joint venture and partnership

Name of invested entities	Shareholding ratio of the Company (%)	Percentage of voting rights in the invested entity held by the Company (%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenues for the current period	Net profit for the current period
1. Partnership							
2. Joint venture							
(Vietnam) Gree Electric Appliances, Inc.	31.25	33.75					
Zhuhai Lida International Supply China Management Co., Ltd.	30	30	5,972,601.82	99,212.45	5,873,389.37		-40,793.77
Liaowang All Media Communication Co., Ltd.	49	49	64,305,492.99	17,568,609.54	46,736,883.45	61,360,416.88	16,585,152.72
Beijing Gree Technology Co., Ltd.	15	15	32,900,593.80	29,350,641.08	3,549,952.72	104,077,949.26	1,363,009.96
Chongqing Pargo Mechanical Equipment Co., Ltd.	11.61	11.61	32,159,014.47	6,625,769.89	25,533,244.58	12,682,519.82	-71,846.05
Total			135,337,703.08	53,644,232.96	81,693,470.12	178,120,885.96	17,835,522.86

Note: (Vietnam) Gree Electric Appliances, Inc. has appropriated the provision for impairment in full, at present the Company has not participated in its production, operation and management. As of 27 September 2012, the Company purchased from Chongqing Shiji Jingxin Industrial (Group) Co., Ltd. 38.7% of total stocks of Chongqing Pargo Mechanical Equipment Co., Ltd. held by it, and the transfer price was RMB 8,503,918.85. As of 31 December 2012, the Company actually paid a total sum of stock transfer of RMB 2,551,175.65 and held 11.61% of total stocks of Chongqing Pargo Mechanical Equipment Co., Ltd. Huang Hui, vice president and director of the Company serves as legal representative and director of Chongqing Pargo Mechanical Equipment Co., Ltd.

## (13) Long-term equity investments

### 1). Classification

Item	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Provision for impairment	Amount	Provision for impairment
Investments to joint venture	30,100,001.65	1,940,009.35	18,816,653.76	1,940,009.35
Other equity investments	900,000.00	900,000.00	900,000.00	900,000.00
Total	31,000,001.65	2,840,009.35	19,716,653.76	2,840,009.35

### 2). Long-term equity investments

Name of invested entities	Accounting method	Investment cost	Amount at the beginning of the period	Increase/decrease	Amount at the end of the period	Shareholding ratio in the invested entity (%)
Zhuhai Dasheng Co. Ltd.	Cost method	900,000.00	900,000.00		900,000.00	3.13
Chongqing Pargo Mechanical Equipment	Equity method	2,551,175.65		2,964,409.70	2,964,409.70	11.61

Name of invested entities	Accounting method	Investment cost	Amount at the beginning of the period	Increase/decrease	Amount at the end of the period	Shareholding ratio in the invested entity (%)
Co., Ltd.						
(Vietnam) Gree Electric Appliances, Inc.	Equity method	10,572,422.97	1,940,009.35		1,940,009.35	31.25
Zhuhai Lida International Supply China Management Co., Ltd.	Equity method	1,760,000.00	1,774,254.94	-12,238.13	1,762,016.81	30.00
Liaowang All Media Communication Co., Ltd.	Equity method	24,500,000.00	14,774,348.06	8,126,724.83	22,901,072.89	49.00
Beijing Gree Technology Co., Ltd.	Equity method	300,000.00	328,041.41	204,451.49	532,492.90	15.00
Total		40,583,598.62	19,716,653.76	11,283,347.89	31,000,001.65	

**Continued**

Name of invested entities	Percentage of voting rights in the invested entity (%)	Description of inconsistency between the shareholding ratio and percentage of voting rights in the invested entity	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend for the current period
Zhuhai Dasheng Co. Ltd.	3.13		900,000.00		
Chongqing Pargo Mechanical Equipment Co., Ltd.	11.61				
(Vietnam) Gree Electric Appliances, Inc.	33.75	The shareholding ratio of the Company in the invested entity is 31.25%, of which 2.5% stocks are founder's stocks which are entitled to double vote. The percentage of voting rights of the Company in the invested entity is in total 33.75%.	1,940,009.35		
Zhuhai Lida International Supply China Management Co., Ltd.	30.00				
Liaowang All Media Communication Co., Ltd.	49.00				
Beijing Gree Technology Co., Ltd.	15.00				
Total			2,840,009.35		

**(14) Investment real estate**

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount	218,217,384.96	17,733,010.83		235,950,395.79
Houses and buildings	218,217,384.96	17,733,010.83		235,950,395.79
2. Total of accumulated depreciation and accumulated amortization	20,586,931.03	7,354,335.00		27,941,266.03
Houses and buildings	20,586,931.03	7,354,335.00		27,941,266.03
3. Total net carrying amount of investment real estate	197,630,453.93			208,009,129.76

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Houses and buildings	197,630,453.93			208,009,129.76
4. Total accumulated amount of provisions for impairment of investment real estate				
Houses and buildings				
5. Total carrying amount of investment real estate	197,630,453.93			208,009,129.76
Houses and buildings	197,630,453.93			208,009,129.76

Note: The investment real estate is measured at cost, and the amount of depreciation appropriated for the current period is RMB 7,354,335.00; there was no impairment of investment real estate during the current period.

## (15) Fixed assets

### 1). Schedule of fixed assets

Item	Amount at the beginning of the period	Increase in the current period		Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount:	10,703,619,980.54	6,017,427,117.94		287,460,009.95	16,433,587,088.53
Including: Houses and buildings	4,901,490,712.37	3,408,803,646.55		13,960,370.49	8,296,333,988.43
Machinery equipment	4,875,768,460.80	2,109,579,182.96		216,351,160.20	6,768,996,483.56
Electronic equipment	472,903,125.70	162,331,489.55		22,912,155.95	612,322,459.30
Means of transportation	201,721,482.78	218,010,288.41		7,701,003.78	412,030,767.41
Other equipments	251,736,198.89	118,702,510.47		26,535,319.53	343,903,389.83
		Appropriation for the current period	New increase for the current period		
2. Total accumulated depreciation:	2,985,379,723.06	875,445,618.25		135,818,820.30	3,725,006,521.01
Including: Houses and buildings	645,055,575.58	197,563,895.39		439,137.72	842,180,333.25
Machinery equipment	1,874,413,523.36	515,530,776.09		115,270,818.53	2,274,673,480.92
Electronic equipment	270,406,545.88	78,176,966.27		9,841,799.61	338,741,712.54
Means of transportation	105,187,859.38	39,240,974.52		4,154,979.37	140,273,854.53
Other equipments	90,316,218.86	44,933,005.98		6,112,085.07	129,137,139.77
3. Total net carrying amount of fixed assets	7,718,240,257.48				12,708,580,567.52
Including: Houses and buildings	4,256,435,136.79				7,454,153,655.18
Machinery equipment	3,001,354,937.44				4,494,323,002.64
Electronic equipment	202,496,579.82				273,580,746.76
Means of transportation	96,533,623.40				271,756,912.88
Other equipments	161,419,980.03				214,766,250.06
4. Total provision for impairment	9,103,181.41			916,903.21	8,186,278.20
Including: Houses and buildings					

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Machinery equipment	7,912,149.47		456,798.89	7,455,350.58
Electronic equipment	137,127.65			137,127.65
Means of transportation				
Other equipments	1,053,904.29		460,104.32	593,799.97
5. Total carrying amount of fixed assets	7,709,137,076.07			12,700,394,289.32
Including: Houses and buildings	4,256,435,136.79			7,454,153,655.18
Machinery equipment	2,993,442,787.97			4,486,867,652.06
Electronic equipment	202,359,452.17			273,443,619.11
Means of transportation	96,533,623.40			271,756,912.88
Other equipments	160,366,075.74			214,172,450.09

Note: The amount of depreciation appropriated for the current period is RMB 875,445,618.25. The original price of construction in progress transferred into fixed assets during the period is RMB 3,469,702,499.33. The original value of fixed assets of which the certificate of title has not yet obtained but is still in process by the Company is RMB 4,658,715,050.21.

2). The Company had no fixed assets leased by financing lease.

## (16) Construction in progress

### 1). Schedule of construction in progress

Item	Amount at the end of the period			Amount at the beginning of the period		
	Book balance	Provision for impairment	Net carrying amount	Book balance	Provision for impairment	Net carrying amount
Total	2,318,313,343.69	13,995,429.77	2,304,317,913.92	2,185,656,771.98	13,995,429.77	2,171,661,342.21

## 2. Changes of major construction projects in progress

Name of project	Amount at the beginning of the period	Increase in the current period	Amount transferred into fixed assets	Other decrease	Amount of capitalization of interests	Including: Amount of capitalization of interests for the current period	Interest capitalization rate for the current period (%)	Source of	Amount at the end of the period
								Funds	
Zhuhai Gree Hong Lok Yuen Phase II		120,314,336.98						Self-raised funds	120,314,336.98
Zhuhai Phase 9 project	67,018,838.83	105,665,287.70						Self-raised\raised funds	172,684,126.53
Electrical plant project	19,608,839.94		978,805.84					Self-raised funds	18,630,034.10
Ma'anshan project	26,071,704.04	22,408,815.19						Self-raised funds	48,480,519.23
Longshan electrical Phase I project	31,716,936.63	1,910,090.06	33,627,026.69					Self-raised funds	
Longshan compressor Phase II project	56,807,800.42	31,730,702.95						Self-raised funds	88,538,503.37
Meiling General Phase II project	64,168.29		64,168.29					Self-raised funds	
Electronic technology Phase I plant No. 1	38,697,676.24	11,179,951.67	49,877,627.91					Self-raised funds	
Gree Daikin Mold Phase I project	18,412,449.43	1,896,319.24	19,950,448.16					Self-raised funds	358,320.51
Gree Daikin mechanical and electrical engineering	1,694,056.76	11,765,600.13	9,768,881.82					Self-raised funds	3,690,775.07
Chongqing Gree north project	38,046,973.80	295,121,972.31						Self-raised funds	333,168,946.11
Hefei Landa compressor Phase I project	3,049,329.96	38,418,995.84	39,761,826.56					Self-raised\raised funds	1,706,499.24
Hefei project	311,427,776.23	778,117,579.84	479,732,813.48	3,865,502.25				Self-raised\raised funds	605,947,040.34
Zhengzhou Gree Phase I project	781,864,453.79	538,296,595.78	973,773,871.97					Self-raised\raised funds	346,387,177.60
Zhengzhou Green Project	13,192,870.33	12,639,582.41						Self-raised funds	25,832,452.74
Wuhan Gree project	462,877,537.32	680,893,721.13	908,712,267.20					Self-raised\raised funds	235,058,991.25

Shijiazhuang Gree Phase I project	556,731.50	705,286,206.18	639,558,290.26					Self-raised funds	66,284,647.42
Shijiazhuang Small Home Appliances Phase I project	196,043,001.15	4,617,101.54	198,104,431.92					Self-raised funds	2,555,670.77
Other projects	118,505,627.32	245,961,714.34	115,792,039.23					Self-raised funds	248,675,302.43
Total	2,185,656,771.98	3,606,224,573.29	3,469,702,499.33	3,865,502.25					2,318,313,343.69

### 3. Provision for impairment of construction in progress

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period	Cause of appropriation
Electrical plant project	13,995,429.77			13,995,429.77	The plant can not be used because the foundations have subsided.
Total	13,995,429.77			13,995,429.77	

#### (17) Intangible assets

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount	1,698,963,664.14	81,680,015.65		1,780,643,679.79
(1). Land use rights	1,683,350,898.70	81,283,820.19		1,764,634,718.89
(2). Industrial property rights and know-how	15,612,765.44	396,195.46		16,008,960.90
2. Total accumulated amortization	76,799,261.85	68,571,452.82		145,370,714.67
(1). Land use rights	72,136,536.75	66,701,818.66		138,838,355.41
(2). Industrial property rights and know-how	4,662,725.10	1,869,634.16		6,532,359.26
3. Total net carrying amount of intangible assets	1,622,164,402.29			1,635,272,965.12
(1). Land use rights	1,611,214,361.95			1,625,796,363.48
(2). Industrial property rights and know-how	10,950,040.34			9,476,601.64
4. Total provision for impairment				
(1). Land use rights				
(2). Industrial property rights and know-how				
5. Total carrying amount of intangible assets	1,622,164,402.29			1,635,272,965.12
(1). Land use rights	1,611,214,361.95			1,625,796,363.48
(2). Industrial property rights and know-how	10,950,040.34			9,476,601.64

#### (18) Long-term deferred expenses

Item	Amount at the beginning of	Increase for the current period	Amortization for the current period	Other decreases	Amount at the end of the period
Long-term deferred	48,156,578.28	26,936,925.06	27,004,172.75	-	48,089,330.59
Total	48,156,578.28	26,936,925.06	27,004,172.75	-	48,089,330.59

#### (19) Deferred income tax assets/Deferred income tax liabilities

##### (1) Recognized deferred income tax assets and deferred income tax liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Deferred income tax assets:		
Assets depreciation reserves	45,880,246.06	40,160,255.86

Item	Amount at the end of the period	Amount at the beginning of the period
Deductible loss	34,931,950.34	4,621,699.65
Accrued but unpaid expenses	2,656,746,274.76	1,548,027,011.93
Payroll payable	118,718,532.91	36,464,616.39
Hedging instruments		7,452,897.35
Others	54,808,194.16	53,006,065.39
Subtotal	2,911,085,198.23	1,689,732,546.57
Deferred income tax liabilities:		
Interests receivable	114,464,333.65	40,694,439.82
Changes in fair value of financial assets available for sale	1,563,837.38	
Hedging instruments	2,062,941.04	
Trading financial assets	42,314,325.84	2,473,368.30
Subtotal	160,405,437.91	43,167,808.12

## (2) Schedule of taxable differences and deductible differences

Item	Amount of temporary differences
Deductible temporary differences:	
Assets depreciation reserves	285,784,737.68
Deductible loss	139,727,801.38
Accrued but unpaid expenses	17,702,695,658.19
Payroll payable	716,180,744.91
Others	291,469,737.79
Subtotal	19,135,858,679.95
Taxable temporary differences:	
Interests receivable	710,865,583.57
Changes in fair value of financial assets available for sale	6,255,349.53
Hedging instruments	13,752,940.26
Trading financial assets	263,460,017.40
Subtotal	994,333,890.76

## (20) Schedule of assets depreciation reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period		Amount at the end of the period
			Reversed amount	Write-off amount	
Bad debt provision	157,778,667.59		21,519,745.63	1,164,596.17	135,094,325.79
Provision for obsolete stocks	75,187,897.10	34,086,418.54	869,247.00		108,405,068.64
Provision for impairment of long-term equity investment	2,840,009.35				2,840,009.35
Fixed assets depreciation reserves	9,103,181.41			916,903.21	8,186,278.20

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period		Amount at the end of the period
			Reversed amount	Write-off amount	
Provision for impairment of construction in progress	13,995,429.77				13,995,429.77
Loan loss provision		53,839,698.01			53,839,698.01
Total	258,905,185.22	87,926,116.55	22,388,992.63	2,081,499.38	322,360,809.76

### (21) Short-term borrowings

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	3,520,642,063.91	2,717,544,855.99
Borrowing on credit		21,741,543.91
Total	3,520,642,063.91	2,739,286,399.90

Note: As of 31 December 2012, the pledge loans with a balance of RMB 3,520,642,063.91 were foreign exchange loans pledged by time deposit certificate, among the ending balance of the short-term borrowings, there was not any borrowing that has expired but not yet repaid.

### (22) Deposits from customers and interbank

Item	Amount at the end of the period	Amount at the beginning of the period
Current deposits	21,267,418.63	4,281,600.66
Time deposits	59,810,592.35	47,061,180.84
Total	81,078,010.98	51,342,781.50

### (23) Loans from other banks

Item	Amount at the end of the period	Amount at the beginning of the period
Credit lending		200,000,000.00
Total		200,000,000.00

### (24) Notes payable

Item	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	7,983,581,180.17	10,644,121,238.23
Total	7,983,581,180.17	10,644,121,238.23

Note: As of 31 December 2012, among the notes payable, there were not any notes payable to a voting entity shareholder holding 5% or more shares of the Company.

### (25) Accounts payable

#### 1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Within 1 year	22,355,490,705.01	15,393,064,434.71
1 to 2 years	173,690,378.71	200,441,507.00

2 to 3 years	94,838,669.27	21,923,420.55
Over 3 years	40,991,860.67	20,933,919.26
Total	22,665,011,613.66	15,636,363,281.52

2). As of 31 December 2012, among the accounts payable, for the accounts payable to a voting entity shareholder holding 5% or more shares of the Company or related parties, please refer to the Notes 6 (6).

## (26) Advance received from customers

### 1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Within 1 year	16,608,273,583.83	19,684,313,598.73
1 to 2 years	21,648,705.56	67,807,777.22
2 to 3 years	140,926.36	505,910.61
Over 3 years	49,985.08	66,447.14
Total	16,630,113,200.83	19,752,693,733.70

2). As of 31 December 2012, for the advance received from a voting entity shareholder holding 5% or more shares of the Company or other related parties, please refer to the Notes 6 (6).

## (27) Financial assets sold for repurchase

Item	Amount at the end of the period	Amount at the beginning of the period
Bonds (Pledge-style Repo)	350,000,000.00	
Total	350,000,000.00	

## (28) Payroll payable

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Wages, bonuses, subsidies and allowances	525,271,340.78	4,084,704,535.10	3,459,636,266.62	1,150,339,609.26
2. Employee welfares		379,587,211.52	379,587,211.52	
3. Social insurance premiums	693,775.17	426,039,289.13	426,070,541.69	662,522.61
Including: 1. Medical insurance premium	131,084.79	85,683,787.47	85,802,227.42	12,644.84
2. Basic endowment insurance premium	504,695.43	291,947,594.08	291,810,527.62	641,761.89
3. Unemployment insurance premium	22,532.22	23,792,528.33	23,811,166.65	3,893.90
4. Industrial injury insurance premium	18,772.12	14,824,067.22	14,840,245.08	2,594.26
5. Birth insurance premium	12,421.38	8,459,241.01	8,470,034.67	1,627.72
6. Accident insurance premium	4,269.23	1,332,071.02	1,336,340.25	
4. Housing accumulation funds	604,138.62	82,563,870.70	82,628,730.49	539,278.83
5. Others	202,859,706.64	198,619,964.31	195,348,677.70	206,130,993.25
1. Labour union expenditures	67,548,229.60	51,406,274.70	74,602,231.27	44,352,273.03

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
2. Employee education funds	119,761,775.36	147,101,784.58	105,373,436.28	161,490,123.66
3. Others	15,549,701.68	111,905.03	15,373,010.15	288,596.56
Total	729,428,961.21	5,171,514,870.76	4,543,271,428.02	1,357,672,403.95

Note: There was no amount in arrears in the payroll payable at the end of the period, and the balances of the labour union expenditures and employee education funds at the end of the period were RMB 205,842,396.69.

### (29) Taxes payable

Item	Amount at the end of the period	Amount at the beginning of the period
1. Added-value tax	459,511,336.74	-1,706,300,601.04
2. House property tax	12,200,454.50	18,003,907.28
3. Urban maintenance & construction tax	108,614,525.19	83,407,484.22
4. Educational surcharges	72,277,634.59	53,316,146.25
5. Business tax	4,397,814.22	4,399,049.26
6. Business income tax	1,841,329,085.39	855,322,240.40
7. Individual income tax	1,211,110.00	4,116,626.77
8. Land use tax	5,003,945.86	8,015,741.02
9. Embankment protection fee	2,638,701.01	863,864.72
10. Stamp duty	418,846.69	289,357.83
11. Brazilian taxes	9,914,963.33	-7,112,003.68
12. Others	4,581,933.93	6,108,771.03
Total	2,522,100,351.45	-679,569,415.94

### (30) Interests payable

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loan interest	18,578,897.04	16,347,295.36
Interest on customer bank deposits	402,653.56	113,546.53
Interest from financial assets sold for repurchase	1,217,547.95	
Interest on loans from other banks		133,333.33
Total	20,199,098.55	16,594,175.22

### (31) Dividends payable

Name of entity	Amount at the end of the period	Amount at the beginning of the period	Cause of nonpayment in excess of 1 year
Corporate shareholder	105,031.73	105,031.73	Outstanding
Public shareholder	602,881.87	602,881.87	Outstanding
Total	707,913.60	707,913.60	

### (32) Other payables

#### 1). Classification

Item	Amount at the end of the period		Amount at the beginning of the period	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	4,582,858,777.01	84.22	3,028,529,852.60	90.77
1 to 2 years	663,455,076.29	12.19	252,610,455.38	7.57
2 to 3 years	142,713,289.77	2.62	20,580,675.71	0.62
Over 3 years	52,587,747.86	0.97	34,714,956.41	1.04
Total	5,441,614,890.93	100.00	3,336,435,940.10	100.00

Note: The sums of money with the aging more than one year are mainly margins and infrastructure advances.

2). As of 31 December 2012, among the other payables, there was not any amount payable to a voting entity shareholder holding 5% or more shares of the Company or related parties.

### (33) Non-current liabilities due within one year

#### 1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Long-term borrowings due within one year	2,513,763,694.23	2,176,615,725.96
Total	2,513,763,694.23	2,176,615,725.96

#### 2). Long-term borrowings due within one year

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	2,513,763,694.23	1,798,561,725.96
Borrowing on credit		378,054,000.00
Total	2,513,763,694.23	2,176,615,725.96

### (34) Other current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Installation and repair costs	1,369,570,640.58	1,238,228,032.25
Sales rebate	14,346,498,887.77	8,283,428,882.77
Hedging instruments		49,685,982.31
Others	27,805,525.97	17,651,973.23
Total	15,743,875,054.32	9,588,994,870.56

### (35) Long-term borrowings

#### 1). Classification of long-term borrowings

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	984,463,173.32	2,276,611,239.28
Borrowing on credit		305,593,650.00

Total	984,463,173.32	2,582,204,889.28
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## 2). The top 5 lenders of long-term borrowings

Loan unit	Start date	Termination date	Currency	Amount at the end of the period		Conditions of loan
				Foreign currency amount	Amount in local currency	
First	2011/4/24	2014/4/25	USD	60,000,000.00	377,130,000.00	Pledged
Second	2012/3/21	2015/3/20	USD	33,002,029.57	207,434,256.86	Pledged
Third	2011/3/21	2014/3/20	USD	30,000,000.00	188,565,000.00	Pledged
Fourth	2012/4/26	2014/4/26	USD	10,778,766.25	67,749,935.26	Pledged
Fifth	2012/3/29	2014/3/28	USD	10,001,244.23	62,862,820.61	Pledged
Total				143,782,040.05	903,742,012.73	

## (36) Other non-current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Deferred income	11,469,703.49	16,051,361.73
Total	11,469,703.49	16,051,361.73

## (37) Stock capital

Item	Amount at the beginning of the period	Increase/Decrease for the period (+, -)					Amount at the end of the period
		New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	
Total number of stocks	2,817,888,750.00	189,976,689.00				189,976,689.00	3,007,865,439.00

Note: According to the resolution passed at the second interim general meeting of shareholders in 2010 and the approval document Zheng Jian Fa Xing Zi [2011] No. 1500 from CSRC, the Company issued in public additional ordinary stocks (A stocks) of RMB 189,976,689.00 by online and offline issuance. China Audit Asia Pacific Certified Public Accountants Co., Ltd. had audited this change of stock capital and issued the capital verification report Zhong Shen Ya Tai Yan Zi (2012) No. 010045.

## (38) Capital reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Capital premium (capital stock premium)	109,008,574.18	3,005,310,317.87		3,114,318,892.05
Other capital reserves	1,158,451.90	71,698,528.33		72,856,980.23
Total	110,167,026.08	3,077,008,846.20		3,187,175,872.28

Note: As of 19 January 2012, the Company issued ordinary stocks of RMB 189,976,689.00, and the net amount of raised funds was RMB 3,195,287,006.87, including the increased stock capital of RMB 189,976,689.00 and increased capital reserve of RMB 3,005,310,317.87.

## (39) Surplus reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Statutory surplus reserve	1,531,993,833.64	457,006,465.34		1,989,000,298.98
Discretionary surplus reserve	969,088,265.45			969,088,265.45
Total	2,501,082,099.09	457,006,465.34		2,958,088,564.43

**(40) Undistributed profit**

Item	Amount	Proportion of appropriation or distribution
Undistributed profit at the end of previous year before adjustment	12,155,497,995.04	
Total amount of adjusted undistributed profit at the beginning of the year (profit increase adjusted expressed with "+" and profit decrease adjusted expressed with "-")		
Undistributed profit at the beginning of the year after adjustment	12,155,497,995.04	
Add: Net profit attributable to owners of parent company for the current period	7,379,666,345.09	
Less: Appropriation of statutory surplus reserve	457,006,465.34	
Appropriation of discretionary surplus reserve		
Appropriation of general risk provisions	1,948,151.34	
Ordinary stock dividends payable	1,503,932,719.50	Distribute RMB 5.00 per 10 stocks (tax included)
Ordinary stock dividends transferred to stock capital		
Undistributed profit at the end of the period	17,572,277,003.95	

**(41) Operating revenues and operating costs**
**1). Operating revenues and operating costs**

Item	Amount for the current period	Amount for the previous period
Operating Revenue	100,110,108,848.26	83,517,252,467.96
Including: Prime operating revenue	91,248,254,915.96	76,754,746,050.71
Other operating revenue	8,861,853,932.30	6,762,506,417.25
Operating Cost	73,434,010,276.42	68,150,195,402.90
Including: Prime operating cost	66,370,257,422.23	62,662,255,651.69
Other operating cost	7,063,752,854.19	5,487,939,751.21

**2). Main business (classified by industry)**

Name of industry	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Household appliances manufacturing	91,248,254,915.96	66,370,257,422.23	76,754,746,050.71	62,662,255,651.69
Total	91,248,254,915.96	66,370,257,422.23	76,754,746,050.71	62,662,255,651.69

**3). Main business (classified by product)**

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Air Conditioner	88,886,091,863.25	64,411,756,737.38	74,784,828,489.04	60,960,199,915.17
Small Home Appliances	1,452,989,500.63	1,124,294,624.81	1,291,441,209.42	1,088,077,407.55
Others	909,173,552.08	834,206,060.04	678,476,352.25	613,978,328.97
Total	91,248,254,915.96	66,370,257,422.23	76,754,746,050.71	62,662,255,651.69

**4). Main business (classified by region)**

Name of region	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Sell on domestic market	75,458,160,917.80	52,784,837,671.57	62,208,513,412.61	48,981,713,183.93
Export sales	15,790,093,998.16	13,585,419,750.66	14,546,232,638.10	13,680,542,467.76
Total	91,248,254,915.96	66,370,257,422.23	76,754,746,050.71	62,662,255,651.69

**5). Operating revenues of the top 5 clients of the Company**

Name of entity	Sales revenue	Proportion to total sales revenues of the Company (%)
First	7,347,118,532.86	7.34
Second	5,953,082,337.53	5.95
Third	5,031,691,197.47	5.03
Fourth	4,590,402,583.83	4.59
Fifth	4,563,553,553.01	4.56
Total	27,485,848,204.70	27.47

**(42) Business tax and surcharges**

Item	Amount for the current period	Amount for the previous period	Calculation and payment standard
Urban maintenance & construction tax	284,059,922.57	219,909,247.06	See the Notes 3
Educational surcharges	199,160,097.06	152,435,658.82	See the Notes 3
Embankment protection fee	34,832,321.87	17,511,082.02	See the Notes 3
Business tax	18,977,663.75	16,423,036.07	See the Notes 3
Channel maintenance fee	471,186.48	1,251,565.66	-
Commodity circulation tax and industrial product tax of Brazil	52,439,050.16	88,857,305.97	-
Others	13,356.79	1,520,153.84	-
Total	589,953,598.68	497,908,049.44	-

**(43) Sales expenses**

Item	Amount for the current period	Amount for the previous period
Sales expense	14,626,228,488.10	8,050,408,236.13

**(44) Overhead expenses**

Item	Amount for the current period	Amount for the previous period
Overhead Expense	4,055,809,619.26	2,783,266,091.12

**(45) Financial expenses**

Item	Amount for the current period	Amount for the previous period
Interest expense	229,430,698.81	172,977,337.85
Less: Interest revenue	740,435,741.70	467,374,388.04

Item	Amount for the current period	Amount for the previous period
Exchange loss	14,737,596.19	11,584,972.51
Less: Exchange gain	2,623,135.83	206,626,823.80
Bank charges	36,744,796.46	36,476,903.12
Others	798,196.41	254,403.80
Total	-461,347,589.66	-452,707,594.56

#### (46) Asset impairment loss

Item	Amount for the current period	Amount for the previous period
Loss on bad debt	-21,519,745.63	32,844,606.56
Inventory falling price loss	33,217,171.54	-24,816,444.99
Loan loss	53,839,698.01	-28,622,882.54
Total	65,537,123.92	-20,594,720.97

#### (47) Incomes from changes in fair value

Sources of incomes from changes in fair value	Amount for the current period	Amount for the previous period
Trading financial assets	246,884,832.05	-57,508,666.64
Including: Incomes from changes in fair value generated from derivative financial instruments	246,884,832.05	-57,508,666.64
Total	246,884,832.05	-57,508,666.64

#### (48) Income from investments

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	8,732,172.23	-4,910,452.65
Investment income from disposal of long-term equity investment	-18,395.03	
Investment income from financial assets available for sale	24,888,908.99	-17,486,026.70
Investment income from disposal of trading financial assets	-54,097,063.01	113,490,564.27
Total	-20,494,376.82	91,094,084.92

#### (49) Non-operating revenue

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Total gains from disposal of non-current assets	1,961,936.33	1,780,829.10	1,961,936.33
Including: Gains from disposal of fixed assets	1,961,936.33	1,780,829.10	1,961,936.33
Government subsidies	732,249,137.88	1,820,272,041.59	252,844,637.88
Others	26,172,151.79	23,732,682.56	26,172,151.79
Total	760,383,226.00	1,845,785,553.25	280,978,726.00

Including the schedule of government subsidies:

Item	Amount for the current period	Amount for the previous period	Description
Financial rewards	112,654,809.14	55,327,947.53	
Capital allowance for development projects	113,502,070.70	24,471,323.49	
Technological innovation subsidies income	7,399,865.87	2,350,000.00	
Tax deduction and exemption	5,336,705.00	545,398.34	
Subsidies for energy-saving	479,404,500.00	1,674,887,353.27	They are mainly government subsidies obtained according to the Ministry of Finance, National Development and Reform Commission: Notice on Promotion of the Energy-saving Products Benefiting People Program (Cai Jian [2009] No. 213).
Others	13,951,187.17	62,690,018.96	
<b>Total</b>	<b>732,249,137.88</b>	<b>1,820,272,041.59</b>	

### (50) Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Total losses from disposal of non-current assets	14,294,914.48	8,795,960.13	14,294,914.48
Including: Losses from disposal of fixed assets	14,294,914.48	8,795,960.13	14,294,914.48
Foreign donations	4,813,504.25	19,480,702.00	4,813,504.25
Other expenses	4,873,418.07	31,254,889.84	4,873,418.07
<b>Total</b>	<b>23,981,836.80</b>	<b>59,531,551.97</b>	<b>23,981,836.80</b>

### (51) Income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax stipulated by Enterprise Income Tax Law	2,431,976,527.22	1,189,305,475.29
Deferred income tax adjustment	-1,115,195,237.65	-158,085,592.88
<b>Total</b>	<b>1,316,781,289.57</b>	<b>1,031,219,882.41</b>

### (52) Calculating process of basic earnings per share and diluted earnings per share

#### 1). Basic earnings per share

Item	Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period	a	2,817,888,750.00	2,817,888,750.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the Report Period	b		
The increased stocks by issuance of new stocks or debt-equity swap during the Report Period	c	189,976,689.00	
The number of months from the next month after increase of stocks to the end of the Report Period	d	11	
The number of months of the Report Period	e	12	12
The decreased stocks by repurchase during the Report Period	f		
The number of months from the next month after decrease of stocks to the end of the Report Period	g		
The number of shrunk stocks during the Report Period	h		

Item	Serial Number	Amount for the current period	Amount for the previous period
The weighted mean of outstanding ordinary stocks	$i = \frac{a+b+c \times d \div e - f}{g \div e - h}$	2,992,034,048.25	2,817,888,750.00
Net profit attributable to shareholders of ordinary stocks of the Company	j	7,379,666,345.09	5,236,938,608.43
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	k	6,995,208,275.30	5,106,435,132.83
Basic earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	2.47	1.86
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	2.34	1.81

## 2). Diluted earnings per share

Item	Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period	a	2,817,888,750.00	2,817,888,750.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the Report Period	b		
The increased stocks by issuance of new stocks or debt-equity swap during the Report Period	c	189,976,689.00	
The number of months from the next month after increase of stocks to the end of the Report Period	d	11	
The number of months of the Report Period	e	12	12
The decreased stocks by repurchase during the Report Period	f		
The number of months from the next month after decrease of stocks to the end of the Report Period	g		
The number of shrunk stocks during the Report Period	h		
The weighted mean of outstanding ordinary stocks	$i = \frac{a+b+c \times d \div e - f}{g \div e - h}$	2,992,034,048.25	2,817,888,750.00
The weighted mean of increased ordinary shares by warrants, stock option and convertible bonds	j		
Net profit attributable to shareholders of ordinary stocks of the Company	K	7,379,666,345.09	5,236,938,608.43
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	l	6,995,208,275.30	5,106,435,132.83
Diluted earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	2.47	1.86
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	2.34	1.81

Remark:  $i = \frac{a+b+c \times d \div e - f}{g \div e - h}$

## (53) Other comprehensive income

Item	Amount for the current period	Amount for the previous period
1. Gains (losses) from financial assets available for sale	6,255,349.53	6,057,749.96
Less: Income tax impact from financial assets available for sale	1,563,837.38	1,453,859.96
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Subtotal	4,691,512.15	4,603,890.00
2. Share of other comprehensive income of the investee measured by equity method		
Less: Income tax impact from share of other comprehensive income of the investee measured by equity method		

Item	Amount for the current period	Amount for the previous period
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Subtotal		
3. Gains/ (losses) from cash flow hedging instruments	63,438,922.56	-99,731,715.21
Less: Income tax impact from cash flow hedging instruments	9,515,838.38	-14,959,757.29
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Adjusted amount of initial recognized amount transferred to hedging items		
Subtotal	53,923,084.18	-84,771,957.92
4. Difference arising from translation of financial statements in foreign currency	-6,437,549.90	-6,597,973.19
Less: net amount from disposal of overseas operation transferred to the current profits and losses		
Subtotal	-6,437,549.90	-6,597,973.19
5. Others		-19,848.21
Less: income tax impact from others recognized into other comprehensive income		
Net amount transferred to the current profits and losses from others in previous period recognized into other comprehensive income		
Subtotal		-19,848.21
Total	52,177,046.43	-86,785,889.32

#### (54) Notes to cash flow statement

##### 1). Other cash receipts relating to operating activities

Item	Amount
Net decrease in margin of bill pledge	968,045,273.45
Government subsidies	727,667,479.64
Interest revenue	269,309,879.09
Project funds advanced	938,610,190.55
Others	303,044,439.87
Total	3,206,677,262.60

##### 2). Other cash payments relating to operating activities

Item	Amount
Cash repayments for selling expenses	3,329,875,220.92
Cash repayments for overhead expenses	911,242,822.63
Other expenses	429,816,583.06
Total	4,670,934,626.61

##### 3). Other cash receipts relating to investing activities

Item	Amount
------	--------

Item	Amount
Receipts from forward foreign exchange settlement and sales	6,902,514.16
Total	6,902,514.16

**4). Other cash payments relating to investing activities**

Item	Amount
Payment for forward foreign exchange settlement and sales	111,990,174.39
Total	111,990,174.39

**5). Other cash receipts relating to financing activities**

Item	Amount
Net decrease in margin of bill pledge	1,127,918,464.58
Total	1,127,918,464.58

**6). Other cash payments relating to financing activities**

Item	Amount
Costs of issuance of additional shares	2,583,000.00
Total	2,583,000.00

**(55) Supplementary information about cash flow statement**
**1). Supplementary information about cash flow statement**

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	7,445,927,982.70	5,297,340,543.07
Add: Assets depreciation reserves	65,537,123.92	-20,594,720.97
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	882,799,953.25	583,133,000.36
Amortization of intangible assets	68,571,452.82	30,732,234.06
Amortization of long-term deferred expenses	27,004,172.75	18,794,907.06
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-")	12,332,978.15	7,015,131.03
Losses on disposal of fixed assets (incomes expressed with "-")		
Losses from changes in fair value (incomes expressed with "-")	-246,884,832.05	57,508,666.64
Financial expenses (incomes expressed with "-")	154,485,748.52	-16,126,583.12
Investment losses (incomes expressed with "-")	20,494,376.82	-91,094,084.92
Decrease in deferred income tax assets (increase expressed with "-")	-1,228,805,549.01	-154,932,641.47
Increase in deferred income tax liabilities (decrease expressed with "-")	113,610,851.37	3,152,951.41
Decrease of inventories (increase expressed with "-")	234,847,605.32	-5,916,729,035.73
Decrease in operating receivables (increase expressed with "-")	-2,489,481,646.22	-1,392,961,570.18
Increase in operating payables (decrease expressed with "-")	12,380,260,779.77	5,323,075,360.62
Others	968,045,273.45	-372,154,165.73
Net cash flow from operating activities	18,408,746,271.56	3,356,159,992.13
2. Major investing and financing activities not involving cash receipts and payment:		
Conversion of debt into capital		

Item	Amount for the current period	Amount for the previous period
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	21,370,486,691.03	6,338,827,761.32
Less: Beginning balance of cash	6,338,827,761.32	6,710,515,074.63
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	15,031,658,929.71	-371,687,313.31

## 2). Information about acquisition or disposal of subsidiaries and other business units during the current period

Item	Amount for the current period	Amount for the previous period
1. Information about acquisition of subsidiaries and other business units:		
(1) Price of acquisition of subsidiaries and other business units		18,940,059.97
(2) Cash and cash equivalents paid for acquisition of subsidiaries and other business units		
Less: Cash and cash equivalents held by subsidiaries and other business units		129,832,958.42
(3) Net cash paid for acquisition of subsidiaries and other business units		-129,832,958.42
(4) Net asset for acquisition of subsidiaries		18,940,059.97
Current assets		214,362,096.54
Non-current assets		169,185.52
Current liabilities		195,591,222.09
Non-current liabilities		
2. Information about disposal of subsidiaries and other business units:		
(1) Price of disposal of subsidiaries and other business units	7,027,319.69	
(2) Cash and cash equivalents received from disposal of subsidiaries and other business units	7,027,319.69	
Less: Cash and cash equivalents held by subsidiaries and other business units	7,027,319.69	
(3) Net cash received from disposal of subsidiaries and other business units		
(4) Net asset from disposal of subsidiaries	7,018,395.03	
Current assets	7,022,825.03	
Non-current assets		
Current liabilities	4,430.00	
Non-current liabilities		

## 3). Composition of cash and cash equivalents

Item	Amount at the end of the period	Amount at the beginning of the period
1. Cash	21,370,486,691.03	6,338,827,761.32

Including: Cash on hand	1,667,396.41	2,241,347.23
Bank deposit for payment at any time	12,410,887,248.92	2,150,585,647.16
Other monetary capital for payment at any time	3,471,983,800.76	61,119,000.00
Deposit in the central bank for payment	147.56	6,387,726.50
Deposits in other banks	5,485,948,097.38	4,118,494,040.43
Inter-bank lending		
2. Cash equivalents		
Including: Bond investments maturing within three months		
3. Ending balance of cash and cash equivalents	21,370,486,691.03	6,338,827,761.32

## 6. Related parties and related transaction

**1). Parent company of the Company**

Name of parent company	Incidence relation	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio of parent company to the Company	Percentage of voting rights of parent company to the Company	Ultimate controlling party of the Company	Organization Code
Zhuhai Gree Group Co., Ltd.	Parent company	Wholly state-owned enterprise	Zhuhai	Dong Mingzhu	Investment and asset management	RMB 800 million	18.22%	18.22%	Zhuhai Municipal State-owned Assets Supervision and Administration Commission	19253718-6

**2). Subsidiaries of the Company**

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Carry on the business approved by China Banking Regulatory Commission	RMB 1.5 billion	89.25	89.25	19259174-8
Gree Electric Appliances (Chongqing) Co., Ltd.	Holding subsidiary	Company with limited liability	Chongqing City	Dong Mingzhu	Commercial manufacture	RMB 0.23 billion	97	97	709410891
Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd.	Holding subsidiary	Company with limited liability	Chongqing City	Dong Mingzhu	Commercial manufacture	RMB 10 million	99.91	100	78155760-1
Shanghai GREE Air Conditioners Sales Co., Ltd	Holding subsidiary	Company with limited liability	Shanghai City	Tan Aijun	Sale of air conditioners	RMB 2 million	99.7	100	72949916-8
Shenzhen Gree Electric Appliances Sales Co., Ltd	Holding subsidiary	Company with limited liability	Shenzhen City	He Tao	Sale of air conditioners	RMB 5 million	90	90	67481833-5
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	Company with limited liability	Zhuhai City	Xie Dongbo	Commercial manufacture	US\$ 57.96 million	51	51	68448190-8
Zhuhai Gree Dakin Device Co., Ltd.	Holding subsidiary	Company with limited liability	Zhuhai City	Huang Hui	Commercial manufacture	US\$ 81.29 million	51	51	68448188-7
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Zhang Jian	Commercial manufacture	RMB 169.32 million	100	100	61748836-8
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Zhang Jian	Commercial manufacture	RMB 26.18 million	100	100	19252571-6

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
		liability							
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Commercial manufacture	RMB 82 million	100	100	74918290-X
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 150 million	100	100	79810324-3
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhongshan City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100	100	68640957-1
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Wang Jingdong	Sale of air conditioners	RMB 5 million	100	100	67889955-8
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Kowloon, Hong Kong	Xiao Youyuan	Sale	HKD0.1 million	100	100	
Gree (America) Sales Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Company with limited liability	USA	Le Jiashi	Sale	US\$ 80,000	51	51	
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Manaus, Brazil	Xie Dongbo	Commercial manufacture	BRL 40 million	100	100	13519135/0001-56
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Huang Hui	Technical research and development	RMB 116.04 million	100	100	69818608-8
Zhuhai Landa Compressor Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	RMB 93.03 million	100	100	617495656
Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	RMB 10 million	70	70	738594618
Zhuhai Zhengang Foundry Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	HKD 0.5 million	100	100	738594626

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Zhuhai Meiling General Motors Co., Ltd.	Holding grandson company of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	US\$ 6.25 million	70	70	739882312
Hefei Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 100 million	100	100	69739561-1
Zhengzhou Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100	100	56982781-1
Chongqing Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Chongqing City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100	100	57616375-0
Wuhan Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Wuhan City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100	100	57491565-6
Gree Electric Enterprises (Ma'anshan) Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Ma'anshan City	Zhu Jianbin	Commercial manufacture	RMB 15.3 million	100	100	737337898
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100	100	69739554-X
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Sao Paulo, Brazil	Xiao Youyuan	Sale	BRL 2 million	100	100	35215319621

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 20 million	100	100	56102331-7
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhan City	Dong Mingzhu	Commercial manufacture	RMB 10 million	100	100	55844350-5
Zhengzhou Gree Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 5 million	100	100	56102314-9
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Company with limited liability	Ningxiang County	Huang Jiahai	Commercial manufacture	RMB 5 million	100	100	56590163-1
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 10 million	100	100	57130933-5
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhu City	Dong Mingzhu	Commercial manufacture	RMB 20 million	100	100	57177460-8
Wuhu Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhu City	Huang Jiahai	Commercial manufacture	RMB 2 million	100	100	57179479-9
Henan Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhengzhou	Dong Mingzhu	Commercial manufacture	RMB 10 million	100	100	58032934-6
Chongqing Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Chongqing	Dong Mingzhu	Commercial manufacture	RMB 10 million	100	100	58148776-8
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 2 million	100	100	58693185-6
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 100 million	100	100	57553062-7

### 3). Joint venture and partnership of the Company

Name of invested entities	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio of the Company (%)	Percentage of voting rights in the invested entity held by the Company (%)	Incidence relation	Organization Code
1. Partnership									
2. Joint venture									
Liaowang All Media Communication Co., Ltd.	Company with limited liability	Beijing	Ji Bin	Media communication	RMB 50 million	49.00	49.00	Joint venture	71782504-2
(Vietnam) Gree Electric Appliances, Inc.	Joint-stock company	Becamex Binh Duong, Vietnam	Wu Qingxiao	Commercial manufacture	VND80 billion	31.25	33.75	Joint venture	
Zhuhai Lida International Supply China Management Co., Ltd.	Company with limited liability	Zhuhai City	Wang Gang	Logistics service	RMB 5.88 million	30.00	30.00	Joint venture	68636367-3
Beijing Gree Technology Co., Ltd.	Company with limited liability	Beijing	Xia Yongbin	Technological development	RMB 2 million	15.00	15.00	Joint venture	55686262-6
Chongqing Pargo Mechanical Equipment Co., Ltd.	Company with limited liability	Chongqing City	Huang Hui	Commercial manufacture	RMB 30 million	11.61	11.61	Joint venture	66356755-0

### 4). Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company	Organization Code
Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state-owned legal person	792675304
Gree Real Estate Co., Ltd.	Holding subsidiary of the parent company	628053925
Xi'an Gree Real Estate Development Co., Ltd.	Subsidiary of holding subsidiary of the parent company	556950618
Zhuhai Gree Real-Estate Co., Ltd.	Subsidiary of holding subsidiary of the parent company	617488325
Chongqing Gree Real Estate Co., Ltd.	Subsidiary of holding subsidiary of the parent company	699260147
Zhuhai Gree Real Estate Marketing Planning Co., Ltd.	Grandson company of holding subsidiary of the parent company	675187686
Zhuhai Gree Club Management Co., Ltd.	Grandson company of holding subsidiary of the parent company	698163580
Zhuhai Gree Real Estate Property Service Co., Ltd.	Grandson company of holding subsidiary of the parent company	684458994
Zhuhai Gree Hong Kong, Zhuhai and Macao Bridge Man-made Island Development Co., Ltd.	Grandson company of holding subsidiary of the parent company	696488357
Zhuhai Gree Real Estate Property Agency Co., Ltd.	Grandson company of holding subsidiary of the parent company	57012589-2
Chongqing Liangjiang New Area Gree Real Estate Co., Ltd.	Grandson company of holding subsidiary of the parent company	59227772-3
Zhuhai Gree Building Materials Co., Ltd.	Grandson company of holding subsidiary of the parent company	192528060
Zhuhai Gree Zhisheng Real Estate Co., Ltd.	Grandson company of holding subsidiary of the parent company	763811792
Gree Group (Hong Kong) Co., Ltd.	Holding subsidiary of the parent company	
Zhongshan Gree Real Estate Co., Ltd.	Holding subsidiary of the parent company	28203489X
Zhuhai Jianan Group Co., Ltd.	Holding subsidiary of the parent company	192528511
Zhuhai Gree Hong Kong, Zhuhai and Macao Bridge Zhuhai Port Construction Management	Holding subsidiary of the parent company	577884496

Name of other related parties	Relationship between other related parties and the Company	Organization Code
Co., Ltd.		
Hong Kong Qianju Co., Ltd.	Wholly-owned subsidiary of the parent company	
Qianju (Macau) Import & Export Company Ltd.	Wholly-owned subsidiary of the parent company	
Zhuhai Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	19255108-4
Zhuhai Mong Kok Department Development Co. Ltd.	Subsidiary of holding subsidiary of the parent company	770182509
Zhuhai Shicheng Development Co. Ltd.	Subsidiary of holding subsidiary of the parent company	192593938
Zhuhai Gree Island Investment Co. Ltd.	Subsidiary of holding subsidiary of the parent company	698148911
Zhuhai Land and Real Estate Development Comprehensive Service Corporation	Subsidiary of holding subsidiary of the parent company	192527340
Zhongshan Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	72784384-2
Zhuhai Gree Property Management Co., Ltd.	Holding subsidiary of the parent company	192559457
Zhuhai Gree New Technology Development Co., Ltd.	Holding subsidiary of the parent company	752091347
Zhuhai Gree Meida Technology Co., Ltd.	Subsidiary of holding subsidiary of the parent company	551665906
Zhuhai Gree New Energy Technology Co., Ltd.	Subsidiary of holding subsidiary of the parent company	564578633
Zhuhai Ruideli Biology Technology Co., Ltd.	Subsidiary of holding subsidiary of the parent company	749962236
Dongguan Gree Liangyuan Battery Technology Co., Ltd.	Grandson company of holding subsidiary of the parent company	680558664
Dongguan Gree Anxin Energy Technology Co., Ltd.	Grandson company of holding subsidiary of the parent company	555627720
Zhuhai Gree Magneto-Electric Co., Ltd.	Holding subsidiary of the parent company	61751538-9
Zhuhai Gree Petrochemical Co., Ltd.	Wholly-owned subsidiary of the parent company	725106347
Zhuhai Gree Energy Trading Co., Ltd.	Wholly-owned subsidiary of the parent company	747065494
Zhuhai Gree Aviation Investment Co. Ltd.	Wholly-owned subsidiary of the parent company	69051777-8
China Aviation Industry General Aircraft Co., Ltd.	Equity joint venture of the parent company	710935839
Zhuhai Free Trade Zone Jinnuoxin Trading Co., Ltd.	Wholly-owned subsidiary of the parent company	66335605-9
Zhuhai Gree Service Co., Ltd.	Wholly-owned subsidiary of the parent company	19255590-7
Trade Union Committee of Zhuhai Gree Group Finance Company Limited	Established by the holding subsidiary of Gree Electric Appliances according to the trade union law	
Zhuhai Port Co., Ltd.	The company in which the Company's supervisor serves as senior executive	192526831
Zhuhai Hengfu Sunshine Hotel Co., Ltd.	The company in which the Company's director serves as senior executive	675246084
Zhuhai Jinao Real Estate Co., Ltd.	The company in which the Company's director serves as senior executive	632816366
Hengfu (Zhuhai) Properties Co., Ltd.	The company in which the Company's director serves as senior executive	617975836
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	The company in which the Company's supervisor serves as general manager	66466462-7
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	The company in which the Company's director serves as general manager	71761180-2

## 5). Related transactions

### (1) Purchase of commodities/receiving of services

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)
Zhuhai Gree Group Co., Ltd.	Deposit-taking	Interest expense	Fair market price	357,844.28	49.48	300,084.61	10.70
Zhuhai Gree Zhiye Co., Ltd.	Deposit-taking	Interest expense	Fair market price	1,132.94	0.16	15,464.40	0.55
Zhuhai Gree Magneto-Electric Co., Ltd.	Deposit-taking	Interest expense	Fair market price	214.79	0.03	346.71	0.01
Zhuhai Gree Real-Estate Co., Ltd.	Deposit-taking	Interest expense	Fair market price	11,466.78	1.59	292,723.67	10.44
Zhuhai Gree Property Management Co., Ltd.	Deposit-taking	Interest expense	Fair market price	91.03	0.01	213.54	0.01
Trade Union Committee of Zhuhai Gree Group Finance Company Limited	Deposit-taking	Interest expense	Fair market price	421.89	0.06	255.96	0.01
Zhuhai Gree New Technology Research Institute Co., Ltd.	Deposit-taking	Interest expense	Fair market price	194.02	0.03	204.99	0.01
Zhuhai Gree Building Materials Co., Ltd.	Deposit-taking	Interest expense	Fair market price	574.89	0.08	197,990.03	7.06
Zhuhai Gree Zhisheng Real Estate Co., Ltd.	Deposit-taking	Interest expense	Fair market price	508.89	0.07	545,859.15	19.46
China Aviation Industry General Aircraft Co., Ltd.	Deposit-taking	Interest expense	Fair market price	180,001.58	24.89	1,221,000.88	43.53
Zhuhai Gree Service Co., Ltd.	Deposit-taking	Interest expense	Fair market price	164,497.85	22.75	148,190.94	5.28
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Deposit-taking	Interest expense	Fair market price	4,808.05	0.66		
Zhuhai Jianan Group Co., Ltd.	Purchase of services	Infrastructure project	Fair market price			54,803,784.04	2.21
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Deposit-taking	Interest expense	Fair market price	1,441.00	0.20	35.99	0.00
Liaowang All Media Communication Co., Ltd.	Service sourcing	Publicity and advertising	Fair market price	39,703,852.46	0.27	11,108,260.00	0.13
Beijing Gree Technology Co., Ltd.	Materials procurement	Fittings	Fair market price	19,929,947.29	0.03		

## (2) Sales of commodities/rendering of services

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction	Amount	Proportion to amount of similar transaction (%)
Zhuhai Gree Group Co., Ltd.	Loan	Interest revenue	Fair market price			5,257,375.00	0.95
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Loan	Interest revenue	Fair market price	1,283,333.33	0.16		
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Discounted value	Interest revenue	Fair market price	2,107,371.60	0.27		
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Discounted value	Interest revenue	Fair market price	1,503,604.74	0.19		
Zhuhai Gree Real-Estate Co., Ltd.	Loan	Interest revenue	Fair market price			3,771,500.02	0.68
Zhuhai Gree Magneto-Electric Co., Ltd.	Loan	Interest revenue	Fair market price			363,187.50	0.07
Zhuhai Gree Zhisheng Real Estate Co., Ltd.	Loan	Interest revenue	Fair market price			2,679,000.00	0.48
(Vietnam) Gree Electric Appliances, Inc.	Sales of commodities	Sales revenue	Market price			509,925.08	0.00
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Sales of commodities	Sales revenue	Market price	7,347,118,532.86	7.34	5,989,517,023.16	7.54
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Sales of commodities	Sales revenue	Market price	5,031,691,197.47	5.03		
Zhuhai Gree Group Co., Ltd.	Other inflows	Fees income	Fair market price	259.50	0.16	268.00	0.07
China Aviation Industry General Aircraft Co., Ltd.	Other inflows	Fees income	Fair market price	182.64	0.11	200.50	0.06
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Other inflows	Fees income	Fair market price	7,961.50	4.82		

## 6). Accounts receivable and payable by related parties

Name of project	Related parties	Amount at the end of the period	Amount at the beginning of the period
Customer deposit	Zhuhai Gree Group Co., Ltd.	18,631,267.95	2,636,495.02
	Zhuhai Gree Zhiye Co., Ltd.	253,954.17	252,815.99
	Zhuhai Gree Service Co., Ltd.	4,691,351.35	5,227,134.20
	Zhuhai Gree Magneto-Electric Co., Ltd.	48,150.14	47,934.35
	Zhuhai Gree Real-Estate Co., Ltd.		243,187.10
	Zhuhai Gree Property Management Co., Ltd.	20,404.99	20,313.54
	Trade Union Committee of Zhuhai Gree Group Finance Company Limited	148,445.33	57,114.16
	Zhuhai Gree New Technology Research Institute Co., Ltd.	43,488.12	43,293.21

Name of project	Related parties	Amount at the end of the period	Amount at the beginning of the period
	Zhuhai Gree Zhisheng Real Estate Co., Ltd.	0.01	73,555.77
	Zhuhai Gree Building Materials Co., Ltd.	0.01	82,267.81
	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	7,328.62	
	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	13,449.60	
	China Aviation Industry General Aircraft Co., Ltd.		42,311,180.84
Notes receivable	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	4,778,730,100.00	3,435,804,400.00
	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	2,549,371,822.79	
Accounts payable	Beijing Gree Technology Co., Ltd.	2,351,900.61	
Advance received from customers	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	2,246,944,769.56	3,224,877,254.23
	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	1,025,193,804.99	
Interests receivable	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	128,333.33	
Interests payable	Zhuhai Gree Zhiye Co., Ltd.	29.87	35.11
	Zhuhai Gree Service Co., Ltd.	129,871.52	101,242.42
	Zhuhai Gree Magneto-Electric Co., Ltd.	5.66	6.66
	Zhuhai Gree Real-Estate Co., Ltd.		86.24
	Zhuhai Gree Property Management Co., Ltd.	2.40	2.82
	Trade Union Committee of Zhuhai Gree Group Finance Company Limited	14.10	7.93
	Zhuhai Gree Group Co., Ltd.	5,652.33	5,027.64
	Zhuhai Gree New Technology Research Institute Co., Ltd.	5.12	6.01
	Zhuhai Gree Building Materials Co., Ltd.		27.69
	China Aviation Industry General Aircraft Co., Ltd.		7,031.22
	Zhuhai Gree Zhisheng Real Estate Co., Ltd.		24.52
	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	1.58	
	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	0.86	1.06
Short-term and long-term loans	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	70,000,000.00	

### 7). Credit conditions of related parties

On 23 April 2012, Zhuhai Gree Group Finance Company Limited (hereinafter referred to as "Finance Company") as the Company's holding subsidiary and Zhuhai Gree Group Co., Ltd. (hereinafter referred to as "Gree Group") as the Company's controlling shareholder signed a Financial Services Framework Agreement, with the transaction amount up to RMB 0.7 billion. As of 31 December 2012, the Finance Company had no balance of loans to Gree Group and its subsidiaries.

## 7. Contingencies

As of 23 April 2012, the Company had no contingencies to be disclosed.

## 8. Commitments

As of 23 April 2012, the Company had no significant commitments to be disclosed.

## 9. Events after the balance sheet date

According to the resolution passed at the fifth meeting of the ninth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2012 is as follows: Based on the net profit of RMB 4,570,064,653.35 realized by the parent company in 2012, after appropriation of 10% of total statutory surplus reserve equivalent to RMB 457,006,465.34, calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 10.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 3,007,865,439.00 and the balance to be carried forward to the next year.

## 10. Other matters

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount at the end of the period
1. Trading bonds investment					
2. Trading equity instrument investment					
3. Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	16,489,122.00	246,884,832.05			263,460,017.40
4. Derivative financial assets	-49,685,982.31		53,923,084.18		13,752,940.26
5. Available-for-sale financial assets			4,691,512.15		554,912,450.00
Total	-33,196,860.31	246,884,832.05	58,614,596.33	0.00	832,125,407.66

## 11. Notes to main items of financial statements of the parent company

### (1) Accounts receivable

1). The accounts receivable are disclosed by type:

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	440,982,764.73	56.18	22,184,358.66	5.03
Combination of other credit risks	339,189,491.62	43.22		
Subtotal of combinations	780,172,256.35	99.40	22,184,358.66	2.84
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	4,715,115.32	0.60	4,715,115.32	100.00
Total	784,887,371.67	100.00	26,899,473.98	3.43

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	577,141,211.79	100.00	31,785,086.79	5.51
Combination of other credit risks				
Subtotal of combinations	577,141,211.79	100.00	31,785,086.79	5.51
Accounts receivable with insignificant single amounts but single bad debt provision appropriated				
Total	577,141,211.79	100.00	31,785,086.79	5.51

2). Accounts receivable with bad debt provision appropriated by aging analysis in the combinations:

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	440,680,701.57	99.93	22,034,035.08	557,621,037.12	96.62	27,881,051.86
1 to 2 years	2,360.00	0.00	472.00	19,520,174.67	3.38	3,904,034.93
2 to 3 years	299,703.16	0.07	149,851.58			
Over 3 years						
Total	440,982,764.73	100.00	22,184,358.66	577,141,211.79	100.00	31,785,086.79

3). Accounts receivable with insignificant single amounts but single bad debt provision appropriated at the end of the year:

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Vietnam HOME APPLIANCE (MHI)	4,715,115.32	4,715,115.32	100	Insolvency
Total	4,715,115.32	4,715,115.32	100	

4). As of 31 December 2012, among the accounts receivable, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

5). The top 5 debtors of accounts receivable

Name of entity	Relationship with the Company	Amount	Years	Percentage to total accounts receivable (%)
First	Wholly-owned subsidiary	209,324,459.34	Within 1 year	26.68
Second	Non-related party	173,103,111.25	Within 1 year	22.05
Third	Wholly-owned subsidiary of the wholly-owned subsidiary	129,615,473.63	Within 1 year	16.51
Fourth	Non-related party	20,373,705.43	Within 1 year	2.60
Fifth	Non-related party	13,926,083.95	Within 1 year	1.77
Total		546,342,833.60		69.61

**6). Accounts receivable from related parties**

Name of entity	Relationship with the Company	Amount	Proportion to total accounts receivable (%)
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	209,324,459.34	26.68
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	129,615,473.63	16.51
Shanghai GREE Air Conditioners Sales Co., Ltd	Holding subsidiary	249,558.65	0.03
Total		339,189,491.62	43.22

**(2) Other receivables**
**1). Other receivables are disclosed by type:**

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	191,429,499.15	25.58	9,933,644.01	5.19
Combination of other credit risks	556,561,598.76	74.42		
Subtotal of combinations	747,991,097.91	100.00	9,933,644.01	1.33
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	747,991,097.91	100.00	9,933,644.01	1.33

**Continued**

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	1,150,882,261.63	100.00	117,502,595.15	10.21
Combination of other credit risks				
Subtotal of combinations	1,150,882,261.63	100.00	117,502,595.15	10.21
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	1,150,882,261.63	100.00	117,502,595.15	10.21

**2). Other receivables with bad debt provision appropriated by aging analysis in the combinations:**

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	190,942,790.09	99.75	9,547,139.50	754,606,790.50	65.57	37,755,339.54

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
1 to 2 years	98,186.42	0.05	19,637.28	395,583,982.89	34.37	79,116,796.58
2 to 3 years	43,310.83	0.02	21,655.42	122,058.42	0.01	61,029.21
Over 3 years	345,211.81	0.18	345,211.81	569,429.82	0.05	569,429.82
Total	191,429,499.15	100.00	9,933,644.01	1,150,882,261.63	100.00	117,502,595.15

3). As of 31 December 2012, among the other receivables, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

#### 4). The top 5 debtors of other receivables

Name of entity	Relationship with the Company	Amount	Years	Percentage to total other receivables (%)
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	169,290,487.03	Within 1 year	22.63
Jinrui Futures Co., Ltd.	Non-related party	158,802,397.02	Within 1 year	21.23
Zhengzhou Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	132,530,000.00	Within 1 year	17.72
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	127,728,937.29	Within 1 year	17.08
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	37,567,400.00	Within 1 year	5.02
Total		625,919,221.34		83.68

#### 5). Accounts receivable from related parties

Name of entity	Relationship with the Company	Amount	Percentage to total other receivables (%)
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	169,290,487.03	22.63
Zhengzhou Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	132,530,000.00	17.72
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	127,728,937.29	17.08
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	37,567,400.00	5.02
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	27,006,341.70	3.61
Wuhu Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	25,748,400.00	3.44
Gree Electric Enterprises (Ma'anshan) Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	11,116,134.67	1.49
Zhuhai Green Refrigeration Technology Center Co., Ltd.	Wholly-owned subsidiary	10,150,435.46	1.36
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	6,348,358.11	0.85
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	4,616,285.40	0.62
Gree Electric Appliances (Chongqing) Co., Ltd.	Holding subsidiary	2,690,949.58	0.36
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	579,185.24	0.08
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	493,337.88	0.07

Name of entity	Relationship with the Company	Amount	Percentage to total other receivables (%)
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	342,347.52	0.05
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Wholly-owned subsidiary	104,218.92	0.01
Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd.	Holding subsidiary	95,970.00	0.01
Zhuhai Gree Dakin Device Co., Ltd.	Holding subsidiary	65,065.03	0.01
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	46,776.18	0.01
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	30,625.04	0.00
Zhuhai Landa Compressor Co., Ltd.	Wholly-owned subsidiary	9,540.91	0.00
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	802.8	0.00
Total		556,561,598.76	74.42

**(3) Long-term equity investment**

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/ decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Zhuhai Dasheng Co. Ltd.	Cost method	900,000.00	900,000.00		900,000.00	3.13	3.13	900,000.00		
Gree Electric Appliances (Brazil) Co., Ltd.	Cost method	130,239,414.36	130,239,414.36		130,239,414.36	100.00	100.00			
Gree Electric Appliances (Chongqing) Co., Ltd.	Cost method	223,100,000.00	223,100,000.00		223,100,000.00	97.00	97.00			
Shanghai GREE Air Conditioners Sales Co., Ltd	Cost method	1,800,000.00	1,800,000.00		1,800,000.00	99.70	100.00			
Zhuhai Gree Group Finance Company Limited	Cost method	1,400,371,239.99	1,400,371,239.99		1,400,371,239.99	89.25	89.25			
Zhuhai Gree Electrical Co., Ltd.	Cost method	184,680,359.95	184,680,359.95		184,680,359.95	100.00	100.00			
Zhuhai Landa Compressor Co., Ltd.	Cost method	757,688,325.50	68,225,547.43	689,462,778.07	757,688,325.50	100.00	100.00			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Cost method	54,290,096.61	54,290,096.61		54,290,096.61	100.00	100.00			
Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd.	Cost method	9,700,000.00	9,700,000.00		9,700,000.00	97.00	100.00			
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Cost method	83,860,929.67	83,860,929.67		83,860,929.67	100.00	100.00			
Gree Electric Appliances (Hefei) Co., Ltd.	Cost method	505,370,626.10	505,370,626.10		505,370,626.10	100.00	100.00			
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Cost method	472,879.08	472,879.08		472,879.08	100.00	100.00			
Shenzhen Gree Electric Appliances Sales Co., Ltd	Cost method	4,500,000.00	4,500,000.00		4,500,000.00	90.00	90.00			
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Zhuhai Gree Dakin Device Co., Ltd.	Cost method	283,117,574.47	283,117,574.47		283,117,574.47	51.00	51.00			
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Cost method	201,911,186.86	201,911,186.86		201,911,186.86	51.00	51.00			
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/ decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Zhuhai Green Refrigeration Technology Center Co., Ltd.	Cost method	209,352,450.89	116,040,000.00	93,312,450.89	209,352,450.89	100.00	100.00			
Gree Electric Appliances (Wuhan) Co., Ltd.	Cost method	510,000,000.00	10,000,000.00	500,000,000.00	510,000,000.00	100.00	100.00			
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Cost method	720,000,000.00	20,000,000.00	700,000,000.00	720,000,000.00	100.00	100.00			
Zhengzhou Gree Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Hefei Gree Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00	5,000,000.00	-5,000,000.00		100.00	100.00			
Hunan Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Ma'anshan Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00	-2,000,000.00		100.00	100.00			
Wuhu Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00	100.00			
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00	100.00			
Gree Electric Appliances (Wuhu) Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100.00	100.00			
Shijiazhuang Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00	100.00			
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Cost method	98,940,059.97	18,940,059.97	80,000,000.00	98,940,059.97	100.00	100.00			
Subtotal		5,466,295,143.45	3,403,519,914.49	2,055,775,228.96	5,459,295,143.45			900,000.00		
Chongqing Pargo Mechanical Equipment Co., Ltd.	Equity method	2,551,175.65		2,964,409.70	2,964,409.70	11.61	11.61			
Liaowang All Media Communication Co., Ltd.	Equity method	24,500,000.00	14,774,348.06	8,126,724.83	22,901,072.89	49.00	49.00			
Beijing Gree Technology Co., Ltd.	Equity method	300,000.00	328,041.41	204,451.49	532,492.90	15.00	15.00			
Zhuhai Lida International Supply China Management Co., Ltd.	Equity method	1,760,000.00	1,774,254.94	-12,238.13	1,762,016.81	30.00	30.00			
(Vietnam) Gree Electric Appliances, Inc.	Equity method	10,572,422.97	1,940,009.35		1,940,009.35	31.25	33.75	1,940,009.35		

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Subtotal		39,683,598.62	18,816,653.76	11,283,347.89	30,100,001.65			1,940,009.35		
Total		5,505,978,742.07	3,422,336,568.25	2,067,058,576.85	5,489,395,145.10			2,840,009.35		

#### (4) Total operating revenues and costs

##### 1). Operating revenues and operating costs

Item	Amount for the current period	Amount for the previous period
Operating Revenue	96,826,436,400.15	81,513,590,983.41
Including: Prime operating revenue	90,505,815,560.81	76,046,063,262.65
Other operating revenue	6,320,620,839.34	5,467,527,720.76
Operating Cost	76,484,384,303.03	71,357,344,804.45
Including: Prime operating cost	70,627,921,806.56	66,499,907,580.74
Other operating cost	5,856,462,496.47	4,857,437,223.71

##### 2). Main business (classified by industry)

Name of industry	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Household appliances manufacturing	90,505,815,560.81	70,627,921,806.56	76,046,063,262.65	66,499,907,580.74
Total	90,505,815,560.81	70,627,921,806.56	76,046,063,262.65	66,499,907,580.74

##### 3). Main business (classified by product)

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Air Conditioner	89,408,861,848.09	69,628,799,791.83	74,878,561,903.65	65,452,656,887.14
Small Home Appliances	1,096,953,712.72	999,122,014.73	1,167,501,359.00	1,047,250,693.60
Total	90,505,815,560.81	70,627,921,806.56	76,046,063,262.65	66,499,907,580.74

##### 4). Sales revenues of the top 5 clients of the Company

Name of entity	Sales revenue	Proportion to total sales revenues of the Company (%)
First	7,297,799,289.21	7.54
Second	5,953,082,337.53	6.15
Third	5,031,691,197.47	5.20
Fourth	4,590,402,583.83	4.74
Fifth	4,563,553,553.01	4.71
Total	27,436,528,961.05	28.34

#### (5) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	8,732,172.23	-4,910,452.65
Investment income from disposal of trading financial assets	31,624,382.48	190,239,569.13
Total	40,356,554.71	185,329,116.48

### (6) Supplementary information about cash flow statement

Item	Amount for the current period	Amount for the previous period
Net profit	4,570,064,653.35	2,650,683,829.37
Add: Assets depreciation reserves	-116,091,297.33	28,187,141.61
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	339,649,055.05	286,294,870.52
Amortization of intangible assets	6,494,559.44	6,475,345.19
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with “-”)	7,013,692.58	1,156,588.88
Losses on disposal of fixed assets (incomes expressed with “-”)		
Losses from changes in fair value (incomes expressed with “-”)	-30,995,945.02	70,745,716.59
Financial expenses (incomes expressed with “-”)	85,078,116.01	-6,523,456.36
Investment losses (incomes expressed with “-”)	-40,356,554.71	-185,329,116.48
Decrease in deferred income tax assets (increase expressed with “-”)	-1,090,892,358.68	-145,573,547.07
Increase in deferred income tax liabilities (decrease expressed with “-”)	74,096,356.61	-3,643,915.37
Decrease of inventories (increase expressed with “-”)	1,259,606,867.87	-4,893,130,293.81
Decrease in operating receivables (increase expressed with “-”)	-4,693,493,583.70	-2,836,344,080.92
Increase in operating payables (decrease expressed with “-”)	15,677,307,304.66	6,428,023,858.38
Others	242,000,000.00	571,000,000.00
Net cash flow from operating activities	16,289,480,866.13	1,972,022,940.53
<b>2. Major investing and financing activities not involving cash receipts and payment:</b>		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	24,582,887,186.53	7,783,477,068.97
Less: Beginning balance of cash	7,783,477,068.97	5,279,971,693.57
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	16,799,410,117.56	2,503,505,375.40

## 12. Supplementary information

### 1). Schedule of non-recurring profit and loss for the year

Item	Amount	Description
Profit and loss from disposal of non-current assets	-12,332,978.15	They are mainly profit and loss from disposal of fixed assets
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state	252,844,637.88	Financial rewards, technological innovation subsidies

Item	Amount	Description
policies)		and development project grants, etc.
Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company	217,676,678.03	Investment income, gains and losses from changes in fair value
Non-operating incomes and expenditures other than the above items	16,485,229.47	
<b>Total non-recurring profit and loss</b>	<b>474,673,567.23</b>	
Less: Influence amount of income tax	86,905,123.66	
<b>Net non-recurring profit and loss</b>	<b>387,768,443.57</b>	
Including: non-recurring profit and loss attributable to minority shareholders	3,310,373.78	
Including: non-recurring profit and loss attributable to owners of the parent company	384,458,069.79	

## 2). Rate of return on net assets and earnings per share

Profit during the Report Period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary stocks of the Company	31.38%	2.47	2.47
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	29.75%	2.34	2.34

## 3). Abnormal items of key accounting statements of the Company and reasons

Item	Ending amount as of December 2012 or accumulated amount from January to December 2012	Ending amount as of December 2011 or accumulated amount from January to December 2011	Ratio of change %	Reason of change
Monetary Capital	28,943,921,701.45	16,040,809,751.08	80.44	Increase of operating revenues and due acceptance of bills
Trading financial assets	263,460,017.40	16,489,122.00	1497.78	Increase of incomes from changes in fair value of forward foreign exchange contract
Interests receivable	710,865,583.57	242,739,720.96	192.85	Increase of interest on deposit arising from monetary fund growth
Other receivables	290,356,401.60	634,476,234.68	-54.24	Recovery of export tax rebates
Fixed assets	12,700,394,289.32	7,709,137,076.07	64.74	Increase of investment in fixed assets for production base
Deferred income tax assets	2,911,085,198.23	1,689,732,546.57	72.28	Increase of deductible temporary differences for the period
Accounts payable	22,665,011,613.66	15,636,363,281.52	44.95	Increase of payment for materials payable to suppliers
Payroll payable	1,357,672,403.95	729,428,961.21	86.13	Increase of salaries outstanding
Taxes payable	2,522,100,351.45	-679,569,415.94	471.13	Increase of income tax and VAT payable
Other payables	5,441,614,890.93	3,336,435,940.10	63.10	Increase of infrastructure advances

Item	Ending amount as of December 2012 or accumulated amount from January to December 2012	Ending amount as of December 2011 or accumulated amount from January to December 2011	Ratio of change %	Reason of change
Other current liabilities	15,743,875,054.32	9,588,994,870.56	64.19	Increase of expenses outstanding
Long-term borrowing	984,463,173.32	2,582,204,889.28	-61.88	Repayment of long-term borrowings at maturity
Capital reserves	3,187,175,872.28	110,167,026.08	2793.04	Issuance of additional stocks
Sales expense	14,626,228,488.10	8,050,408,236.13	81.68	Make greater efforts in marketing
Overhead Expense	4,055,809,619.26	2,783,266,091.12	45.72	Increase of overhead expenses arising from scale expansion of the Company
Investment income	-20,494,376.82	91,094,084.92	-122.50	Decrease of income from forward exchange dealing
Income from changes in fair value	246,884,832.05	-57,508,666.64	529.30	Increase of fair value of forward foreign exchange contract
Non-operating revenues	760,383,226.00	1,845,785,553.25	-58.80	Decrease of received subsidies for energy-saving
Net cash flow from operating activities	18,408,746,271.56	3,356,159,992.13	448.51	Increase of received payments arising from expansion of sales scale
Net cash flow from investment activities	-4,212,523,966.37	-2,767,272,507.87	52.23	Increase of bonds investment
Net cash flow from financing activities	815,216,460.30	-794,600,707.98	202.59	Issuance of additional stocks

### 13. Approval of financial report

The financial report for this year has been approved by the Board of Directors of the Company as of 25 April 2013.

## **Section XI Index of documents**

- (1) The accounting statements signed and sealed by Dong Mingzhu, the Company's legal representative, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution.
- (2) The original audit report sealed by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants Gong Jingwei and Liu Lianzao.
- (3) Originals and original drafts of all the Company's documents and announcements published on the newspapers designated by CSRC within the Report Period.

**GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI**

**Board of Directors**

**25 April 2013**