合肥美菱股份有限公司

HEFEI MEILING CO., LTD.

二〇一六年年度报告

Annual Report 2016

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Mr. Liu Tibin, Chairman of the Company, Mr. Zhang Xiaolong, person in change of accounting work and Mr. Luo Bo, person in charger of accounting organ (accountant in charge) hereby confirm that the Financial Report of 2015 Annual Report is authentic, accurate and complete.

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

All the directors attended the board meeting on deliberating the Annual Report in both ways of site and communication.

Modified audit opinions notes

□ Applicable √ Not applicable

Shine Wing Certified Public Accountants Co., Ltd.(LLP) issued standard unqualified Auditors' Report for the Company's Financial Report of 2016

Major defects in internal control

□ Applicable √ Not applicable

The Company had no major defects in internal control in the reporting period.

Risk warining of concerning the forward-looking statements with future planning involved in annual report

√ Applicable □Not applicable

Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors, investors and the person concerned should maintain adequate risk awareness, furthermore, differences between the plans, forecast and commitments should be comprehended. Investors are advised to exercise caution of investment risks.

Investors are advised to read the full text of annual report, and pay particular attention to the following risk factors.

More details about the possible risks and countermeasures in the operation of the Company are described in the report “IV. Prospects for the future development of the company” of “Section IV analysis and discussion of the operation”, investors are advised to read the relevant content.

Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) are the media for information disclosure for year of 2017 that appointed by the Company. All public information under the name of the Company disclosed on the above said media and website shall prevail, and investors are advised to exercise caution.

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

Profit distribution pre-plan or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

√ Applicable □Not applicable

The profit distribution plan for year of 2016, that deliberated and approved by 29th session of the 8th BOD was: take total shares of 1,044,597,881 shares as base dated 31 December 2016， distributed 0.6 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, no share bonus issued and no capitalizing of common reserves carried out.

Whether has capitalizing of common reserves carried out

□Yes √ No

Directors and senior executives of the Company respectively signed Written Confirmation Opinions for 2016 Annual Report.

Supervisory Committee of the Company formed Written Examination Opinions for 2016 Annual Report.

Contents

Paraphrase

Items	Refers to	Contents
Company, the Company or Meiling Electric	Refers to	HEFEI MEILING CO., LTD
Sichuan Changhong or controlling shareholder	Refers to	Sichuan Changhong Electric Co., Ltd.
Changhong Group	Refers to	Sichuan Changhong Electronics Holding Group Co., Ltd.
Hong Kong Changhong	Refers to	CHANGHONG (HK) TRADING LIMITED
Meiling Group	Refers to	Hefei Meiling Group Holdings Limited
Industry Investmnt Group	Refers to	Hefei Industry Investment Holding (Group) Co., Ltd.
Xingtai Holding	Refers to	Hefei Xingtai Financial Holding (Group) Co., Ltd.
Shine Wing	Refers to	Shine Wing Certified Public Accountants (LLP)
Changhong Air-conditioner	Refers to	Sichuan Changhong Air-conditioner Co., Ltd.
Zhongke Meiling	Refers to	Zhongke Meiling Cryogenic Technology Co., Ltd.
Hongyun Venture Capital Fund	Refers to	Sichuan Hongyun New IT Venture Capital Fund
Zhiyijia	Refers to	Sichuan Zhiyijia Network Technology Co., Ltd.
Changhong Ridian	Refers to	Guangdong Changhong Ridian Technology Co., Ltd.
Zhongshan Changhong	Refers to	Zhongshan Changhong Electric Co., LTD
Changmei Technology	Refers to	Changmei Technology Co., Ltd.
Meiling Software	Refers to	Mianyang Meiling Software Technique Co., Ltd.
Mianyang Refrigeration	Refers to	Mianyang Meiling Refrigeration Co., Ltd.
Huayi Compressor	Refers to	Huayi Compressor Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Anhui Securities Bureau	Refers to	China Securities Regulatory Commission, Anhui Province Securities Regulatory Bureau
SSE	Refers to	Shenzhen Stock Exchange

Section II Company Profile and Main Finnaical Indexes

I. Company information

Short form of the stock	MEILINGDIANQI, WANMEILING-B	Stock code	000521, 200521
Short form of the Stock after changed (if applicable)	——		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	合肥美菱股份有限公司		
Short form of the Company (in Chinese)	美菱电器		
Foreign name of the Company (if applicable)	HEFEI MEILING CO.,LTD.		
Abbr. of English name of the Company (if applicable)	——		
Legal representative	Liu Tibin		
Registrations add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei		
Code for registrations add	230601		
Offices add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei		
Codes for office add.	230601		
website	http://www.meiling.com		
e-mail	info@meiling.com		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Xia	Zhu Wenjie
Contact add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei
Tel.	0551-62219021	0551-62219021
Fax.	0551-62219021	0551-62219021
e-mail	lixia@meiling.com	wenjie.zhu@meiling.com

III. Information disclosure and preparation place

Newspaper appointed for information	*Securities Times, China Securities Journal, Hong Kong*

disclosure	*Commercial Daily*
Website for annual report publish appointed by CSRC	Juchao website: http://www.cninfo.com.cn
Preparation place for annual report	Room of secretary of the Board, 2/F , administrative center, Office building of the Company

IV. Registration changes of the Company

Organization code	Uniform social credit code: 9134000014918555XK
Changes of main business since listing	No changes
Previous changes for controlling shareholders	1. In October 1993, after initial listing, controlling shareholder of the Company-- Hefei Meiling Industrial Corp. (named Hefei Meiling Group Co., dated 23 May 1994), executing controlling rights of the Company and management right of the state-owned assets on behalf of Hefei State-owned Assets Management Office, named at that time; 2. From November 1997 to May 2003, controlling shareholder of the Company was Hefei Meiling Group Holding Co., Ltd. (established base on former Meiling Group Co.,, "Meiling Group" for short), an enterprise solely owned by the State; mainly operating the state-owned capital in authorized from State-owned Assets Management Commission of Hefei City, ensuring the maintenance and appreciation of state-owned assets; 3. On 29 May 2003, Meiling Group entered into "Equity Transfer Agreement" with Shunde GreenKel Enterprise Development Co., ltd. ("GreenKel"), the 82,852,683 state-owned shares held by the Company was transfer to GreenKel. After transferring, GreenKel comes to the first largest shareholder of the Company. 4. According to the spirit of "Bulletin of Treatment Opinions on GreenKel Company purchasing State-owned Assets Shares of Listed Company" (GZFCQ[2006] No.: 44) jointly issued from SASAC and Ministry of Finance in April 2006, Meiling Group took back the Meiling Electric 82,852,683 shares from GreenKel by procedures, which has been transferred. In September 2006, relevant equity transfer agreement signed between the Meiling Group and GreenKel is invalid, which was confirmed by the "Award" ((2006) HZZ No.: 104) issued from arbitration commission of Hefei; the state-owned legal person's 82,852,683 shares, held by GreenKel, should return to Meiling Electric, and relevant equity consideration will pay to GreenKel by Meiling Group . On 29 December 2006, the 82,852,683 shares of Meiling Electric were transfer to Meiling Group by GreenKel, and Meiling Group becomes the controlling shareholder of Meiling Electric again. 5. On 18 May 2006 and 11 January 2007, Meiling Group entered into "Equity Transfer Agreement of Meiling Electric" and "Supplementary

	Agreement of Equity Transfer of Meiling Electric" respectively with Sichuan Changhong and Changhong Group, among the 123,396,375 shares held by Meiling Group, 82,852,683 shares were transferred respectively to Sichuan Changhong and Changhong Group according to the transfer way regulated in agreement; of this transferring, 45,000,000 shares (10.88% of total share capital of the Company) were transferred to Sichuan Changhong, the first largest shareholder of the Company while 37,852,683 shares (9.15% of total share capital of the Company) were transferred to Changhong Group, the third largest shareholder of the Company. 6. On 29 October 2008, Changhong Group and Sichuan Changhong entered into "Equity Transfer Agreement of Hefei Meiling Co., Ltd.", the 32078846 restricted circulations A shares of Meiling Electric held by Changhong Group were transferred by agreement to Sichuan Changhong. On 23 December 2008, the aforesaid equity transfer was approved by "Reply on Matters of Equity held by State-owned Shareholders of Hefei Meiling Co., Ltd." (GZCQ(2008) No.: 1413) from SASAC; on 21 January 2009, the aforesaid transfer was registered for ownership transfer in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. 7. Ended as 31 December 2016, Sichuan Changhong and its concerted action Changhong HK totally holds 259,871,791 shares of the Company, a 24.88% in total share capital of the Company; Sichuan Changhong directly holds 234,705,968 A-share of the Company, a 22.47% in total share capital of the Company while Changhong HK holds circulation B-share of the Company amounting as 25,165,823 shares, a 2.41% in total share capital of the Company.

V. Other relevant information

(I) CPA engaged by the Company

Name of CPA	Shine Wing Certified Public Accountants (LLP)
Offices add. for CPA	9/F, Block A, Fu Hua Mansion No.8 Chao Yang Men Bei da jie, Dong Cheng District, Beijing, P.R.C
Signing Accountants	He Yong, Xia Cuiqiong

(II) Sponsor engaged by the Company for performing continuous supervision duties in reporting period

√Applicable □Not applicable

Sponsor institution	Office address	Sponsor representative	Duration of continous supervision
Shenwan Hongyuan Securities Underwriting	No. 19, Taipingqiao Steet,Xichang District,	Qin Mingzheng, Qiu Feng	14 October 2016 to 31 December 2017

Sponsor Co., Ltd.	Beijing		

(III) Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

□ Applicable √ Not applicable

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

√Yes □No

	2016	2015		Changes over last year	2014	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating income (RMB)	12, 526, 710, 867. 49	10,415,829,226.48	10,754,200,188.12	16. 48%	10,764,808,259.00	10,978,535,964.36
Net profit attributable to shareholders of the listed company(RMB)	220, 216, 680. 96	26,496,345.34	27,104,893.56	712. 46%	294,508,518.37	289,842,658.03
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	158, 461, 015. 10	93,951,365.12	93,951,365.12	68. 66%	245,759,705.69	245,759,705.69
Net cash flow arising from operating activities(RMB)	985, 390, 895. 63	211,468,056.21	229,371,185.23	329. 61%	165,462,930.48	205,636,234.26
Basic earnings per share	0. 2717	0.0347	0.0355	665. 35%	0.3856	0.3795

(RMB/Share)						
Diluted earnings per share (RMB/Share)	0. 2717	0.0347	0.0355	665. 35%	0.3856	0.3795
Weighted average ROE	5. 77%	0.78%	0.77%	5 percent point increase	8.88%	8.50%
	End of 2016	End of 2015		Changes over end of last year	End of 2014	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB)	12, 507, 567, 310. 84	9,066,223,601.14	9,237,288,359.74	35. 40%	9,009,014,201.70	9,205,651,651.39
Net assets attributable to shareholder of listed company (RMB)	5, 095, 160, 291. 91	3,384,574,993.19	3,475,377,055.14	46. 61%	3,422,746,664.67	3,512,940,178.40

Notes: the Company succeeded to acquire 98.856% equity interests of Guangdong Changhong Ridian Technology Co., Ltd ("Changhong Ridian") through bidding at the end of 2015, and completed registration procedures at competent industrial and commercial authority in respect of this equity transfer at early February 2016. Upon completion of this equity transfer, the Company was to hold 98.856% equity interests of Changhong Ridian. Under relevant provisions of Enterprise Accounting Principles No.33-Consolidated Financial Statement, in respect of the subsidiaries and their businesses acquired arising from business consolidation under the same control during the reporting period, parent company shall adjust the beginning figures stated in the consolidated statement and adjust the relevant items in the comparative statement accordingly as if the reporting entity after the consolidation had been in existence since the time when the ultimate controller commenced to exercise control. Therefore, the beginning figures and the figures of the corresponding period of last year have been restated.

The cause of the accounting policy change and accounting error correction

□ Applicable √ Not applicable

Total share capital of the Company up to a trading day before disclosure:

Total share capital of the Company up to a trading day before disclosure (Share)	1,044,597,881
Fully diluted earnings per share calculated with the latest share capital (RMB/Share)	0.2717

Whether have corporate bonds or not

□Yes √No

VII. Accounting data difference under domestic and foreign accounting standards

(I) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

□ Applicable √ Not applicable

The Company has no difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles) in reporting period.

(II) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

√ Applicable □Not applicable

In RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount in this period	Amount in last period	Amount at period-end	Amount at period-begin
Chinese GAAP	220, 216, 680. 96	27, 104, 893. 56	5, 095, 160, 291. 91	3, 475, 377, 055. 14
Items and amount adjusted by foreign accounting rules				
Foreign accounting rules	220, 216, 680. 96	27, 104, 893. 56	5, 095, 160, 291. 91	3, 475, 377, 055. 14

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

(III) Reasons for the differences of accounting data under accounting rules in and out of China

√ Applicable □Not applicable

The “Notice of Relevant Issues of Audit for Company with Domestically Foreign Shares Offering” was issued from CSRC dated 12 September 2007, since the day issuing, cancel the previous “dual audit” requirement for companies who offering domestically listed foreign shares (B-share enterprise) while engaging securities practice qualification CPA for auditing. The Company did not compile financial report under foreign accounting rules since 2007, the financial report of the Company is complying on the “Accounting Standard for Business Enterprise” in China, and therefore, there are no differences of accounting data under accounting rules in and out of

China at period-end.

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	2,926,400,488.89	3,940,230,773.79	3,130,593,704.26	2, 529, 485, 900. 55
Net profit attributable to shareholders of the listed company	53,709,680.24	56,283,021.04	55,295,963.61	54, 928, 016. 07
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	41,338,292.32	49,463,362.39	42,159,261.91	25, 500, 098. 48
Net cash flow arising from operating activities	139,597,747.12	732,091,757.77	691,250,144.50	-577, 548, 753. 76

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

□Yes √ No

IX. Items and amounts of extraordinary profit (gains)/loss

√Applicable □ Not applicable

In RMB

Item	2016	2015	2014	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	9, 265, 320. 01	-4,315,502.74	-431,173.22	Found in "Non-operating income and expenditure" of Notes of Financial accounting report
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	41, 152, 549. 66	29,285,357.05	41,165,417.52	Found in "Non-operating income" of Notes of Financial accounting report
Gain/loss from debt restructure	--	--	955,413.10	Without payment
Current net gain/losses of the subsidiary merger under the same control from beginning of the period	--	615,594.18	-4,719,883.10	Changhong Ridian-merger under the same

to combination date				control in the Period, restate the statement of comparative financial data
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	11, 500, 963. 72	2,313,967.35	378,330.00	Found in "Investment income" and "Changes in fair value gains/losses" of Notes of Financial accounting report"
Other non-operating income and expenditure except for the aforementioned items	4, 948, 619. 55	-103,646,326.02	10,535,869.24	Found in "Non-operating income and expenditure" of Notes of Financial accounting report
Gain/losses items qualified definition of the non-recurring gains/losses	3, 798, 660. 03	--	--	" Found in "Investment income" of Notes of Financial accounting report
Less: impact on income tax	8, 534, 266. 32	-9,078,920.45	3,576,592.95	--
Impact on minority shareholders' equity (post-tax)	376, 180. 79	178,481.83	224,428.25	--
Total	61, 755, 665. 86	-66,846,471.56	44,082,952.34	--

Concerning the extraordinary profit (gain)/loss defined by Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss, explain reasons

√Applicable □Not applicable

Item	Involved amount (RMB)	Reason
Non-operating income	7, 122, 432. 52	During the reporting period, the wholly owned subsidiary - Mianyang Meiling Software Technique Co., Ltd. has

		received VAT refunds of software products according to "Notice about VAT policy of software products by Ministry of Finance & State Administration of Taxation" CS No. [2011] 100 document, and adequately disclosed the company's business situation, in accordance with relevant provisions in the third article of the second item of CSRC "No. 1 explanatory announcement about information disclosure of the company publicly issues securities - non-recurring profit and loss (2008)", the public subsidies which are closely related to the company's business, conform to the national policies and regulations and continue to be enjoyed according to a certain standard rating or quantity should be included in the company's recurring gains and losses.

Section III Summary of Company Business

I. Main businesses of the company in the reporting period

Does the Company need to comply with disclosure requirements of the special industry?

□Yes √No

(I) Main businesses of the Company

The company is one of China's major electric appliance manufacturers, possesses four major domestic manufacturing bases in Hefei, Mianyang, Jingdezhen and Zhongshan, and two overseas manufacturing bases in Indonesia and Pakistan, covering the full product line including ice, washing, air, kitchen and bath, small household appliances and others, at the same time, the company enters into the fresh e-business, bio-medical and other new industrial fields.

Over the past 30 years, the company has always been adhering to the "independent innovation, created in China", elaborately building the core competitiveness of enterprises by technological innovation and product innovation. The company has set up the first RoHS public testing center in Anhui Province, the state-level enterprise technology center and the top-end R & D team, so that Meiling can continue to achieve breakthrough results in the variable frequency, energy saving, frost-free, cryogenic, intelligence and other fields.

In recent years, with the rapid development of Internet, cloud computing, big data and a new generation of information technology, the intelligence of home appliance industry has become the future development direction. Faced with the new changes in the industry development, the company puts forward the "Double Three One Core" strategy, "One Core" is intelligence. Under the guidance of "intelligent" strategy, in 2014, the company released CHiQ refrigerator with "cloud image recognition" as the core and CHiQ air conditioner based on "human state perception" technology; in 2015, the company began to implement the "Intelligent Life Project" to explore new path for the enterprise development; in 2016, the company launched the first "Intelligent Home Eco-circle Plan" in the global white goods industry and brought out the world's first temperature-zone free custom-made Internet of Things refrigerator (the second generation "Space Intelligence" CHiQ refrigerator) and the world's first user free custom-made intelligent air steward (CHiQ intelligent air steward) to accelerate the implementation of intelligent strategy. At the same time, the company successfully raised 1.57 billion Yuan of funds in the capital market by the non-public offering of shares which were mainly used in three key platforms including Meiling intelligent manufacturing, intelligent research and development and intelligent life, which provided strong supports for the company's development and intelligent transformation. In addition, since the company launched "the whole people change for variable frequency" activities and announced to entirely eliminate fixed frequency refrigerator in 2015, the company's variable frequency products increased the proportion, the technical advantages the company has in variable frequency as well as the application of frequency conversion technology enabled the company to have greater advantages in the implementation of new energy efficiency standards.

During the reporting period, in the big environment of continuous downturn in the entire industry, the company's main products have been full of potential gains, outperforming the broader market. At the same time, the company has expanded the product lines for household appliances and kitchen appliances by obtaining the stock rights of Guangdong Changhong Ridian in bidding, in addition, the expansion of Zhongke Meiling cryogenic B2B product line and the goods development momentum of ifoodtube fresh e-business platform indicated the layout of the company's white goods + small appliances has been initially completed.

Nowadays, with the landing of a series of CHiQ intelligent products, continuous rising proportion of variable frequency products, diversified layout of product lines, and construction of fresh business platform in Meiling intelligent life O2O community, the company is gradually improving the home Internet layout, accelerating the intelligent process of household appliances, forming the "hardware + service" dual growth engine, driving the transformation and upgrading of the company’s profit model, exploring new value-added pattern for the home appliance enterprise services, meeting new pattern of industry competition, and achieving its own sustained and stable development.

In reporting period, main income of the Company coming from refrigerator(freezer), air conditioner, washing machine, small home appliances and kitchen & toilet products, total amounting to 12,025.1034 million Yuan, a 96% of the operating income.

(II) Conditions of the industry the company involved

In 2016, China's economy was in the growth shift period and painful structural adjustment period, under this background, home appliances industry faced severe challenges and opportunities for development at the same time, which mainly reflected in following aspects:

The home appliance industry has entered from the rapid growth period into the gradually stable replacement period and from the broader market growth into the aggressive growth, the whole industry will enter into the shuffling period.

China is in the third consumption upgrade stage, with the advent of quality consumption and the upgrading of consumption structure and concept, product structure optimization and transformation and upgrading have become the industry's main theme. On the one hand, the country further improves the industry competition threshold and accelerates the upgrading of product structure after fully implementing the new energy efficiency standards. On the other hand, the deepening of the supply side reform and rising prices of raw materials not only bring management pressure to enterprises, but also promote the structural upgrading of home appliances, get rid of low-end and abnormal price competition, and return to rational value competition at the same time, and put forward higher requirements to product development, brand status, terminal promotion, and channel capacity of enterprises.

With the development of urbanization and the improvement of living standards, the new consumer groups pay more attention to high-quality, intelligent and healthy environmental protection products. The traditional home appliance industry has serious homogenization, all home appliance manufacturers actively embrace the Internet, seek for cross-border cooperation, and develop intelligent home, intelligence has become a new bright spot and inevitable choice for the industry development. Intelligent wave also promotes the cross-border cooperation between home appliance enterprises and Internet companies, so actively exploring business model innovation and enhancing the user experience have become an important engine for a new round of rapid growth of household electrical appliance enterprises.

In 2016, China's economic operation has been slow but stable, stable and good, the new normal features have been more obvious. In the "new normal" economic situation, the home appliance industry has been weak in growth and showing a downward trend. At the same time, with the arrival of Internet and intelligence era, influenced by the further strengthening of brand concentration ratio in the industry, rising costs of raw materials and logistics, structure upgrading of consumer demand, cross-border impact of Internet companies and other factors, the competition in household appliance industry has intensified, and promoted the transformation and upgrading the industry. High end and intelligence have become the inevitable choice for the development of home appliance industry.

II. Major changes in main assets

(I) Major changes in main assets

Major assets	Note of major changes
Equity assets	No major changes.
Fixed assets	No major changes.
Intangible assets	No major changes.
Construction in progress	The intelligent manufacturing project and relocation expansion of the subsidiary Zhongke Meiling and Mianyang Refrigeration

(II) Main overseas assets

√ Applicable □Not applicable

Content of assets	Reason for the formation	Asset size	Location	Operation mode	Control measure to ensure the security of assets	Income (RMB)	Foreign assets accounted for net asssets of the Company	Whether exist significant impairment risk
60% equity of Changhong Ruba Trading Company	Investment establishment	US$ 7.44 million	Pakistan	Sales	Details of risks control measures have been disclosed by the Company by way of announcement on appointed	-2,423,682.54	0.91%	N

					media (No. 2011-028, No. 2011-032, No. 2014-023, No. 2014-026, No. 2016-027and No. 2016-032) on 28 May 2011, 19 April 2014 and 25 March 2016			
40% equity of Changhong Ruba Electric Company(Private) Ltd.	Investment establishment	US$ 6.524 million	Pakistan	Manufacture	Details of risks control measures have been disclosed by the Company by way of announcement on appointed media (No. 2011-028, No. 2011-032, No. 2014-023 and No. 2014-026) on 28 May 2011 and 19 April 2014	-2, 827, 153. 12	0.57%	N
100% equity ofCHANGHONG MEILING ELECTRIC INDONESIA.PT	Investment establishment	US$ 6 million	KELAPA GADING, JKT, Indonesia	Sales	Details of risks control measures have been disclosed by the Company by way of announcement on appointed media (No. 2016-027 and No. 2016-032) on 25 March 2016	-1, 059, 555. 43	0.38%	N
Other notes	N/A							

III. Core Competitiveness Analysis

Does the Company need to comply with disclosure requirements of the special industry?

□Yes √No

1. Brand capacity

The Company is one of the famous home appliances manufacturers in the PRC, owns several product lines such as refrigerator, freezing box and air conditioner. Meiling trademark is listed as one of the most valuable brands in the PRC. The trademark "Athena" in refrigerator, freezer (services) of the Company was recognized as the famous mark in Anhui Province. The Company released CHiQ intelligent first and second generation refrigerator, AC and intelligent air steward in succession. And creating a high-end intelligent brand image around the plan of "Wisdom Home Ecosystem" for opening a white intelligence era. While in order to enhance the brand image and further expand the market influence of the brand, the company held a conference for "New LOGO release and offline of the 10th million set of frequency conversion products" in October 2015, comprehensively updated LOGO "MELING 美菱", and launched the new brand proposition of "Meiling, let the good come". Along with the release of new LOGO, Meiling will also implement a brand strategy of "Good Trilogy", including the direct sensory experience of "experience the good", the spirit soul enjoyment of "enjoy the good", and the lifestyle faith of "believe in the good".

By our efforts to rebuild our brand, Meiling will realize a young, international and professional brand image. Through gradual construction of the ideas of Wonderful Start Point, Wonderful Life Circle and Wonderful Ecology Circle, Meiling has become a people-oriented artist specializing in white appliances, a smarter scientific expert and a more reliable house keeper.

2.Product capacity

In more than 30 years, the company has been focusing on the refrigeration industry, has developed a variety of different types of refrigerator products that lead the industry development trend, including two-door and multi-door Athena series of high-end refrigerators, top-level energy-saving refrigerators with daily power consumption of only 0.23 degrees, CHiQ refrigerator taking "cloud image recognition 'technology as the core, and 2nd generation-CHiQ refrigeration, which can realized the space change along with the food requirements with human-oriented charateristics.

The Company owned advanced development and quality assurance systems, and received certification of ISO9001, ISO14000 and OHSAS18001 from domestic and overseas authorities. The products of the Company have good quality and reliable capacities. As for technology development, the Company owned national technology centers, and advanced core technologies in energy-saving, air cooling, intelligence and copious cooling. As for product development, combine with technology development trend and characteristics of demand from upgrades in consumers, the Company, put more efforts on products planning. In 2016, continues to expand the development of medium&high quality products, including CHiQ intellectual products, inverter products, air patenting, multi zone and large volume, the product has obvious upgrade in structures.

As for the air conditioning products, the company adheres to the technical strategy by taking intelligence and variable frequency as the core, intensively studies the human state perception technology and intelligent interactive technology, focuses on completing the research and development of intelligent voice recognition technology and productization, successively releases the first generation of CHiQ air conditioner based on "human state perception" technology and CHiQ intelligent air steward that can automatically change air.

The company continues to adhere to the intelligent and variable frequency products, and promote the company's products to continuously transform to high end by boosting the follow-up research and development, promotion and technology updates of intelligent and variable frequency products. Meanwhile, the company improves the manufacturing efficiency and product quality, reduces product costs and enhances product competitiveness by comprehensively implementing intelligent upgrading and rebuilding to all production lines. In addition, the company improves the home appliance product line through the layout of kitchen and bath and small household appliances and has initially completed the layout for integrated white goods. Based on "Intelligent Home Eco-circle" plan and taking the existing products as the core, the company will enhance the development, manufacturing, sales and collaboration capabilities of integrated white goods, and provide users with a set of intelligent white goods system solutions.

3. Operation capacity

The Company conducted benchmark management to improve its basic management level. In specific, efficiency enhancement has been made in areas of personnel, money and materials, trying to continuously enhance the internal management. A performance review and sharing system has been established with clear target and quantity index based on performance and layered incentive sharing system, thus to inspire the internal production capacity. Under the mainline of value chain management, the Company continued to carry out value creation and improve its competitiveness. Its ability to prevent risks has been also strengthened through continuous improvement of internal control system.

4. Marketing ability

The company has established a relatively complete sales network and service system, the domestic sales channels emphasizing online and offline collaboration and integration, through the business operation mode system construction (target management, value chain management, sales promotion, product mix and channel strategy, etc.) and promotion, the pace of business this year constantly tends to be benign, has a balanced development in chain, wholesale, e-commerce and other channels, and the product competitiveness has been improved; the overseas market has been strengthened by increasing the investments in overseas marketing organizations, research and development bases and production bases, the company has been actively develop the overseas market, and the products have been exported to more than 100 countries and regions.

Section IV Discussion and Analysis of the Operation

1. Introduction

In 2016, as the first year of the company's "13th Five-Year Plan", under the guidance of the strategy "Meiling Dream" and "Double Three One Core", the company adheres to the operating principles of "progress in opposite trend, innovation and activation, industry benchmarking, benign operation", the company has overcome the negative factors including weak macroeconomic growth and continuous decline of industry broad market by the joint efforts of all staff, and achieved a better start. Thereinto, the domestic refrigerators (freezers) have outperformed the industry market, e-commerce business has greatly grown, the market position of export refrigerators (freezers) has been improved; domestic sales of air conditioners have largely increased, export growth speed is faster; washing machines have a rapid development; kitchen and bath and small appliances are also increasing rapidly. The company's position in the home appliance market has been further consolidated and upgraded and become the white goods brand with rapid growth in domestic and foreign markets in recent years which has a huge user group, and many years of market accumulation substantially promotes the brand awareness and has a higher industry status. In 2016, the company has achieved operating income of RMB 12.527 billion, an increase of 16.48% on a year-on-year basis; net profit attributable to the parent company of RMB 0.220 billion , an increase of 712.46% on a year-on-year basis.

II. Main Business Analysis

(I) Overview

Shows no difference with the summary disclosed in Report of the Board of Director

☐Yes √No

1. Introduction

During the reporting period, in the face of the continuous decline in the broader market of home appliance industry, the company has overcome the pressure, the whole lines of main product sales have outperformed the board market; product line diversification has achieved a breakthrough, and the layout for integrated white goods + small household appliance product lines has been initially completed; cost control and the efficiency promotion have a significant result; the goals established for 2016 have been achieved, the industry's market position has been further enhanced, and the export sales business has maintained the momentum of rapid growth, and has become the white brand with a rapid growth in domestic and foreign markets in recent years.

In 2016, refrigerator and freezer business achieved revenue of approximately RMB 6.679 billion, 10.99% increased on a y-o-y basis; air-conditioning business achieved revenue of approximately RMB 4.158 billion, 21.74% up y-o-y; washing machine business achieve revenue around RMB 0.508 billion, with year-on-year growth of 42.73%; other business of small home appliance and kitchen & toilet products have revenue approximately as RMB 0.68 billion with 28.36% up y-o-y. at the same time, revenue from exportation gains RMB 2.917 billion, a y-o-y growth of 33.28%

The company's sales in domestic refrigerator (freezer), air conditioner, washing machine has outperformed the industry market, and the market position have been further consolidated and improved. From the offline market sales, CMM's (China Market Monitor Co., Ltd.) data show that the retail volume of refrigerator industry declined by 4.59% on a year-on-year basis, but the retail volume of the company's refrigerator rose by 3.49% on a year-on-year basis; the retail volume of freezer industry declined by 10.02% on a year-on-year basis, but the retail volume of the company's freezer rose by 0.23% on a year-on-year basis; the retail volume of air-conditioning industry rose by 3.49% on a year-on-year basis, and the retail volume of the company's air-conditioning rose by 15.19% on a year-on-year basis; the retail volume of washing machine industry declined by 2.74% on a year-on-year basis, but the retail volume of the company's washing machine rose by 34.79% on a year-on-year basis. At the same time, CMM's data also show that the market share of the company's refrigerator retail volume reached 8.70%, rising by 0.84% on a year-on-year basis; the market share of the company's freezer retail volume reached 9.72%, an increase of 0.89% on a year-on-year basis; and the market shares of air conditioning, and washing machine also increased on a year-on-year basis.

(1)From the online sales, AVC (All View Cloud) data show that the company's online refrigerator (freezer) and air conditioning sales have further enlarged the results. The retail sales of refrigerator industry rose by 57.5% on a year-on-year basis; the retail sales of the company's refrigerator rose by 74.9% on a year-on-year basis; the retail sales of freezer industry rose by 84.9% on a year-on-year basis; the retail sales of the company's freezer rose by 88.6% on a year-on-year basis; the retail sales of air-conditioning industry rose by 73.2% on a year-on-year basis; the retail sales of the company's air-conditioning rose by 166.0% on a year-on-year basis. At the same time, as for the online markets, AVC data show that the market share of the company's refrigerator retail sales reached 7.01%, an increase of 0.70% on a year-on-year basis; the market share of the company's freezer retail sales reached 10.48%, an increase of 0.21% on a year-on-year basis; and the market shares of air conditioning, and washing machine retail sales also increased on a year-on-year basis.

(2) As for the export business, the company's refrigerator, freezer, and air-conditioning product lines have continued to maintain a rapid growth like a few years ago. According to the customs data and statistics, the amount of exports of refrigerator industry rose by 3.00% on a year-on-year basis, the company's amount of exports rose by 17.19% on a year-on-year basis; the amount of exports of freezer industry rose by 5.43% on a year-on-year basis, the company's amount of exports rose by 9.92% on a year-on-year basis; the amount of exports of air conditioning industry rose by 5.71% on a year-on-year basis, the amount of exports of the company's air conditioning rose by 44.81% on a year-on-year basis, the export growth of the company's refrigerator (freezer) and air conditioning exceeded the industry. In terms of the market shares, according to the customs data and statistics, the market share of the company's refrigerator exports reached 5.92%, an increase of 0.71% on a year-on-year basis; the market share of freezer exports reached 2.94%, an increase of 0.12% on a year-on-year basis; the market share of air

conditioning exports reached 1.32%, an increase of 0.36% on a year-on-year basis;

2. Progress of the company's development strategy and business plan during the reporting period

During the reporting period, in accordance with the development strategy and operating principles of "progress in opposite trend, innovation and activation, industry benchmarking, benign operation" in 2016, the company has deployed the annual business plan, arranged the production and management, and carried out the following activities:

(1) Progress in opposite trend

During the reporting period, the company's operating income scale has increased significantly, and the main profit has also increased on a year-on-year basis. Among them, the refrigerator (freezer) products have achieved upgrades in the domestic market share by constantly promoting the variable frequency and intelligence and adjusting the product structure; air-conditioning products have achieved a year-on-year growth in domestic revenues and improvements in profitability by active promotion of energy efficiency upgrades while benefiting from weather and other factors; meanwhile, the company has actively strengthened the overseas business market development and product line expansion, achieved the rapid growth of export business this year, as well as the sustainable growth of operating incomes from washing machines and small household appliance businesses.

(2) Innovation & Activation

During the reporting period, the company has further changed the sense of business and way of thinking, and mobilized and stimulated the competitiveness of all business modules by innovative mechanisms. The company has taken value-oriented principle, not only intensified KPI assessment, but also expanded the scope of performance sharing; stimulated the potential by sinking incentive unit, encouraged the pursuit of individual performance and overall performance enhancing to stimulate the enthusiasm of all business modules; set up the innovation incentive platform for engineering and technical personnel values, and encouraged innovation in technology management.

To achieve the targets of the company's "13th Five-Year Plan", the company takes "high targets, high traction, high pay, high return" as the guide and combines with the actual situation of subordinate business units and subsidiaries to actively promote the design and demonstration and implement the interim performance incentive plan (5 years) or equity incentive plan (5 years) to all subordinate business units and subsidiaries, and strive to fully release the enthusiasm of staff.

(3) Industry benchmarking

In 2016, the company has developed management benchmarking in the market position, research and development cycle, manufacturing capacity, efficiency promotion and other aspects, and has achieved certain results. Among them, in terms of market position, in addition to the rise of domestic and export market position, the domestic average price of benchmarking project has achieved significant results, the average prices of Meiling refrigerator products have increased by 96 Yuan / set on a year-on-year basis, of which the growing rate has ranked first among the domestic top five brands, and further narrowed the gap with the top-ranked brands; the company's air-conditioning products have successfully selected for the energy-saving leader, first-level energy efficiency variable frequency led industry switching, product structure has improved significantly, the average prices of online products have rapidly increased; the growing rate of Meiling washing machine has ranked top in the industry; the structure of small household appliances and kitchen electrical products has continued to be optimized, channel layout has been deepened, and e-commerce business has been rapidly growing, so that the company can build kitchen ecosphere and maintain industry-leading. In the R&D cycle, the capacity baseline has increased by 29%; in manufacturing capacity, the inspection rate and export on-time delivery rate of refrigerator (freezer) large customers have continued to improve while the cumulative reject rate of products has been declining; in efficiency promotion, manpower efficiency promotion focuses on the exploration of platform functions and the organization optimization way of business support separation, and material efficiency promotion focuses on persistently digesting the bad stock and inactive stock by strengthening production and marketing coordination and strictly controlling production reserves, and funds efficiency promotion focuses on making a good use of stock funds, expanding incremental capital, and increasing financial incomes.

(4) Benign operation

During the reporting period, in the company's operations, on the one hand, the company has pulled through the value chain, refined the accounting management of operation unit, improved the market control and early warning capabilities; on the other hand, the company has emphasized the benign operation of sales, further strengthened the terminal price management, and strictly controlled the fixed expenditure to be in the budget target, which made the company's annual operating efficiency further improved. Among them, the company's material efficiency has increased by 20% or more on a year-on-year basis, the money efficiency has increased by more than 5% on a year-on-year basis, and manpower efficiency has continued to improve.

At the same time, during the reporting period, the company's air-conditioning industry has a benign operation, the sales scale and profitability have greatly improved compared to 2015, the company has released the world's first user free custom-made intelligent air steward (CHiQ intelligent air steward), and accelerated the promotion and implementation of intelligent strategy. Washing machine products have been promoting to constantly transform and upgrade to variable frequency, intelligent, quiet, energy saving, health washing products by insisting on the product strategy of large volume + variable frequency, technological innovation, quality leadership, differentiated operation.

In addition, the company has continued to improve the home appliance industry chain and product line, purchased Changhong Ridian by bidding the stock rights so as to possess its own platform for kitchen and bath, small household appliances products; during the reporting period, Changhong Ridian has further strengthened the kitchen and bath, and small household appliances businesses, adjusted the organization, established the product centers, realized the integration of product planning, research and development and cost management, smart small household appliances highlight the practicality and usability. At the same time, the e-commerce business of small household appliances is rapidly developing.

At the same time, during the reporting period, the company's improvement project for intelligent manufacturing capacity has been progressing smoothly, phase I refrigerator intelligent manufacturing benchmark line project has entered pilot construction; intelligent R & D investment has promoted a new generation of intelligent and variable frequency products, and the effect is obvious; smart life project has been advancing as planned, Changmei Science and Technology Co., Ltd. has been established and had Mianyang and Hefei business units, the company has its own fresh e-commerce brand “ifoodtube” which has more than 130,000 members and its daily order volume peak can reach more than 3,900.

Overall, in 2016, faced with multiple impacts of macroeconomic downturn, industry decline, intense competition and cross-border of Internet companies, the company has outperformed the market in product sales, achieved breakthroughs in product line diversification, and obtained remarkable and good results in cost control and efficiency improvement through the joint efforts of all Meiling people. On the other hand, the company has actively explored new paths for the transformation and upgrading of home appliance enterprises under the in-depth development of Internet technology, introduced the industry's first "Intelligent Home Eco-circle Plan", taken its own hardware products as the terminal, and explored the new business models around the food, air, water and other needs.

(II) Revenue and cost

1. Constitute of operation revenue

In RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	12, 526, 710, 867. 49	100%	10,754,200,188.12	100%	16. 48%
According to industries					
Manufacture of household appliances	12, 025, 103, 352. 55	96. 00%	10,318,999,424.25	95.95%	16. 53%
Other	501, 607, 514. 94	4. 00%	435,200,763.87	4.05%	15. 26%
According to products					
Refrigerator, freezer	6, 678, 568, 374. 39	53. 32%	6,017,333,150.01	55.95%	10. 99%
Air-conditioning	4, 158, 164, 312. 32	33. 19%	3,415,727,210.45	31.76%	21. 74%
Washing machine	508, 133, 090. 63	4. 06%	356,011,057.00	3.31%	42. 73%
Small appliance and kitchen	423, 162, 351. 81	3. 38%	288,940,970.60	2.69%	46. 45%
Other products	257, 075, 223. 40	2. 05%	240,987,036.19	2.24%	6. 68%
Other	501, 607, 514. 94	4. 00%	435,200,763.87	4.05%	15. 26%
According to region					

Domestic	9, 603, 142, 676. 83	76. 66%	8,562,301,327.00	79.62%	12. 16%
Foreign	2, 923, 568, 190. 66	23. 34%	2,191,898,861.12	20.38%	33. 38%

2. About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

√Applicable □ Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Manufacture of household appliances	12,025,103,352.55	9,590,231,985.74	20.25%	16.53%	16.43%	0.07%
According to products						
Refrigerator, freezer	6,678,568,374.39	5,236,031,795.08	21.60%	10.99%	12.94%	-1.36%
Air-conditioning	4,158,164,312.32	3,354,925,254.82	19.32%	21.74%	17.93%	2.61%
According to region						
Domestic	9,108,442,083.44	6,976,734,143.90	23.40%	12.03%	11.22%	0.55%
Foreign	2,916,661,269.11	2,613,497,841.84	10.39%	33.28%	33.10%	0.11%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

□ Applicable √ Not applicable

3. Income from physical sales larger than income from labors

√ Yes □ No

Industries	Item	Unit	2016	2015	Increase/decrease y-o-y (%)
Manufacture of household appliances industry	Sales volume	10 thousand pieces/set	1, 237. 08	957.27	29. 23%
	Production	10 thousand pieces/set	1, 253. 24	945.96	32. 48%
	Inventory	10 thousand pieces/set	130. 62	114.46	14. 12%

Reasons for y-o-y relevant data with over 30% changes

√Applicable □Not applicable

(1)In reporting period, the Company successful bidding 98.856% equity of Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred as to Changhong Ridian), the data above mentioned including the data of Changhong Ridian;

(2)In reporting period, products and sales of the products has a greatly growth on a y-o-y basis due to the rapidly soaring of washing machine and kitchen and small home appliances products

4. Fulfillment of the company's signed significant sales contracts up to this reporting period

□ Applicable √ Not applicable

5. Constitute of operation cost

Industry classification

In RMB

Industries	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Manufacture of household appliances industry	Raw material	8, 760, 386, 320. 44	91. 58%	7,461,553,895.88	90.59%	0. 99%

6. Whether the changes in the scope of consolidation in Reporting Period

√ Yes □ No

More details can be seen in the report "VII. Changes in the scope of the merger" and "VIII. Interests in other entities" of "Section XI Financial Report".

7. Major changes or adjustment in business, product or service of the Company in Reporting Period

□ Applicable √ Not applicable

8. Major sales and main suppliers

(1) Major sales client of the Company

Total top five clients in sales (RMB)	4, 437, 473, 136. 69
Proportion in total annual sales volume for top five clients	35. 42%
Proportion of the related parties' sales in total annual sales volume for top five clients	23. 74%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Client I	1,432,924,635.31	11. 44%

2	Client II	1,254,945,781.06	10.02%
3	Client III	1,089,287,870.68	8.69%
4	Client IV	451,034,633.20	3.60%
5	Client V	209,280,216.44	1.67%
Total	--	4,437,473,136.69	35.42%

Other situation of main clients

□ Applicable √ Not applicable

(2) Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	2,000,373,874.42
Proportion in total annual purchase amount for top five suppliers	17.98%
Proportion of related party's purchase in total annual purchase amount for top five suppliers	11.80%

Information of top five suppliers of the Company

Serial	Name	Sales (RMB)	Proportion in total annual purchase
1	Supplier I	445,928,352.23	4.01%
2	Supplier II	438,755,474.68	3.94%
3	Supplier III	427,639,189.69	3.84%
4	Supplier IV	404,822,829.32	3.64%
5	Supplier V	283,228,028.50	2.55%
Total	--	2,000,373,874.42	17.98%

Other notes of main suppliers of the Company

□ Applicable √ Not applicable

(III) Expenses

In RMB

	2016	2015	Increase/decrease y-o-y	Note of major changes
Sales expense	1,855,396,448.81	1,574,408,045.18	17.85%	--
Management expense	472,146,980.73	431,057,033.53	9.53%	--
Financial expense	-139,879,189.92	-102,034,012.45	-37.09%	Monetary fund has a great operational efficiency improvement in the Period
Income tax expenses	29,044,015.72	11,226,998.22	158.70%	Taxable income tax has a y-o-y

				growth in the Period

(IV) R&D expenses

√Applicable □Not applicable

In 2016 the company has continued to promote the intelligent strategy, increased the research and development to CHiQ series intelligent refrigerators and intelligent air conditioning. In the refrigerator, surrounded by the core technology (intelligent, frequency, energy saving and air cooling), the company has built the core competitiveness, released and published CHiQ second generation refrigerator that is people-centered and can realize space intelligent change according to the food needs. The company has vigorously promoted the 0.1 ℃ inverter series refrigerator by the opportunity of implementing new energy efficiency standards for refrigerators, and the inverter refrigerator has continued to significantly increase the proportion. The technology development mainly surrounds the company's technical planning and core technology to carry out the research on food recognition technology, food preservation technology, odor detection technology, energy-saving and quite technology, wide speed conversion technology, and air duct design technology.

As for air conditioning, the company insists on the technical strategy of taking intelligence and frequency as the core based on the strategic planning of overall intelligent air ecological circle, takes recognition technology as the core, deeply researches the human state perception technology and intelligent interactive technology, focuses on intelligent speech recognition technology research and development and products, and releases intelligent air steward; complete the core technology research and development for fourth generation of intelligent and comfortable precise temperature control technology platform, carry out research on the internal air duct, external flow field, heat exchange simulation and vibration noise CFD & CAE, achieve the full leadership in user perception, program costs, production efficiency, system reliability; inverter class A series products enter the national "energy efficiency lead" list; complete the platform construction for L product, realize the release of "Xiaomanyao" intelligent voice king, "Quezhiling" intelligent eye and other series of air-conditioning products, take the leading in achieving artificial intelligence breakthrough in the industry, create man-machine natural interaction mode, and win high praise from the industry and consumers.

In the cryogenic technology, the company’s subsidiary listed on new three board - Zhongke Meiling has developed the second generation of deep-freezing storage box. It has unique narrow type appearance; multi-layer sealed thermal insulation, adopts two-layer foaming door and three rubber seal stripes design to maximumly preserve the internal cooling of the box; increases the LCD display system to timely get the temperature and collection of data; uses ergonomic door handle that is easy to open, and the double lock design increases security. The blood refrigerator has technological improvement and adopts unique airduct design so as to have better temperature uniformity in refrigeration; new multi-function thermostat, the temperature can be switched, while the thermostat has a USB jack, you can write the temperature curve into a U disk, so that users can get to know the storage temperature of plasma bag easily. In addition, the "Internet + cryopreservation equipment" in the biological sample management system pushes the cryopreservation equipment to the Internet age, thereby transform the cryopreservation equipment from the sales product to providing the users with cryopreservation services.

R&D investment of the Company

	2016	2015	Change ratio
Number of R&D (people)	1204	802	50.12%
Ratio of number of R&D	10.85%	10.68%	0.17 percentage points up
R&D investment (Yuan)	680,286,093.75	626,725,377.52	8.55%
R&D investment accounted for R&D income	5.43%	5.83%	0.40 percentage points down
R&D investment capitalization (Yuan)	62,282,986.30	64,103,620.26	-2.84%
Capitalization R&D investment accounted for R&D investment	9.16%	10.23%	1.07 percentage points down

The reason of great changes in the proportion of total R&D investment accounted for operation income than last year

□ Applicable √ Not applicable

Reason for the great change in R&D investment capitalization rate and rational description

□ Applicable √ Not applicable

(V) Cash flow

In RMB

Item	2016	2015	Y-o-y changes
Subtotal of cash in-flow from operation activity	12, 094, 822, 197. 35	10,097,011,753.74	19. 79%
Subtotal of cash out-flow from operation activity	11, 109, 431, 301. 72	9,867,640,568.51	12. 58%
Net cash flow from operation activity	985, 390, 895. 63	229,371,185.23	329. 61%
Subtotal of cash in-flow from investment activity	694, 384, 009. 64	538,913,277.50	28. 85%
Subtotal of cash out-flow	1, 629, 560, 848. 76	1,090,536,212.59	49. 43%

from investment activity			
Net cash flow from investment activity	−935, 176, 839. 12	-551,622,935.09	−69. 53%
Subtotal of cash in-flow from financing activity	3, 184, 640, 052. 87	1,705,764,746.56	86. 70%
Subtotal of cash out-flow from financing activity	1, 418, 900, 313. 83	1,998,885,682.25	−29. 02%
Net cash flow from financing activity	1, 765, 739, 739. 04	-293,120,935.69	--
Net increased amount of cash and cash equivalent	1, 864, 937, 181. 75	-587,935,955.10	--

Main reasons for y-o-y major changes in aspect of relevant data

√Applicable □Not applicable

Net cash flow from operation activity have major changes, mainly because the sales money received in the Period increased over same period of last year;

Net cash flow from investment activity have major changes, mainly because the principal of trust investment paid in the period has a y-o-y growth;

Net cash flow from financing activity have major changes, mainly because collecting the money of non-public offering shares in the Period, and there are no such amount received from a year earlier;

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

√Applicable □Not applicable

The operating payable at period-end increased over that of period-begin

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	14, 302, 482. 67	5. 74%	Disposal of company-Meiling Package in the Period	N
Changes in fair value	11, 500, 963. 72	4. 61%	Gains from the change of fair value of forward foreign exchange contract in the Period	N
Asset impairment	1, 353, 446. 69	0. 54%	Accrual of the inventory falling price reserves in the Period	N
Non-operating income	57, 917, 677. 26	23. 24%	Government grants received in the Period	N

Non-operating expense	5, 949, 509. 51	2. 39%	Losses from disposal of non-current assets in the Period	N

IV. Assets and liability

(I) Major changes of assets composition

In RMB

	End of 2016		End of 2015		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	4, 058, 869, 234. 63	32. 45%	2,135,189,879.15	23.11%	9. 34%	Collecting the money of non-public offering shares and sales money in the Period
Account receivable	1, 118, 960, 552. 49	8. 95%	1,338,396,321.83	14.49%	-5. 54%	No major changes
Inventory	1, 974, 526, 734. 86	15. 79%	1,554,946,209.51	16.83%	-1. 04%	No major changes
Investment real estate	13, 275, 631. 40	0. 11%	14,084,213.51	0.15%	-0. 04%	No major changes
Long-term equity investment	81, 643, 631. 37	0. 65%	74,239,547.01	0.80%	-0. 15%	No major changes
Fix assets	1, 204, 093, 169. 72	9. 63%	1,267,493,931.98	13.72%	-4. 09%	No major changes
Construction in progress	107, 037, 409. 95	0. 86%	56,504,880.99	0.61%	0. 25%	The intelligent manufacturing projects and construction of the relocation expansion project from subsidiary -Zhongke Meiling and Mianyang Refrigeration
Short-term loans	288, 343, 724. 73	2. 31%	58,680,093.19	0.64%	1. 67%	The short-term loans increased from parent company in the Period
Long-term loans	38, 908, 788. 00	0. 31%	243,004,866.40	2.63%	-2. 32%	The long-term loans due within one year has transfer-out for re-classify

(II) Assets and liability measured by fair value

√ Applicable □Not applicable

In RMB

Items	Amount	Changes of fair	Accumulativ	Devaluati	Amount of	Amount of	Amount in the end

	at the beginning period	value gains/losses in this period	e changes of fair value reckoned into equity	on of withdrawing in the period	purchase in the period	sale in the period	of period
Financial assets							
1. Financial assets measured by fair value and whose change is recorded in current gains and losses(excluding derivative financial assets)	0	12,060,213.30					12,060,213.30
Subtotal of financial assets	0	12,060,213.30					12,060,213.30
Total	0	12,060,213.30					12,060,213.30
Financial liabilities	0	559,249.58					559,249.58

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

□ Yes √No

(III) Assets right restricted ended as reporting period

Ended as the reporting period, the Company has no major assets been closed down, detain, freeze or pledge and guarantee

V. Investment

(I) Overall situation

√ Applicable □Not applicable

Investment in the reporting (RMB)	Investment in the same period of last year (RMB)	Changes
202,350,000	62,000,000	226.37%

(II) The major equity investment obtained in the reporting period

√ Applicable □Not applicable

In RMB

Name of investee	Principal business	Method of investment	Amount of investment	Shareholding	Capital sources	Partners	Term of investment	Type of products	Status as of the balance sheet date	Expected return	Current investment profit and loss	Whether litigation	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Guangdong Changhong Ridian Technology Co., Ltd.	R&D, production and sales of: household electric appliances, non-electrical household appliance, kitchen & bathroom furniture, audio-visual equipment, radio & television equipment, computers, communication and other electronic devices and indoor hardware fitting; software and IT services; business management advisory service; the 2nd and 3rd types of medical equipment business; goods and technology import and export	Equity-purchased	95,650,000	98.856%	Self-owned capital	Wu Changyuan, Hu Zhiheng	20 years	Household electrical appliances of small home appliances, kitchen and toiler products and water purifi	Ownership Of equity has transferred	Not applicable	17,066,865.91	N	2015-12-19、2015-12-24、2016-1-5、2016-2-4	Juchao Website: www.cninfo.com.cn (No.: 2015-061, No.: 2015-062, No.: 2015-066, No.: 2015-067, No.: 2016-001, No.: 2016-008)

								er						
Changmei Technology Co., Ltd. (note 1)	Development, production and sales of computer hardware & software, technology development, production and sales of internet of Things equipment, development and maintenance of E-commerce software, information service, technical transfer and services of the internet, domestic AD designing, production, agencies and release, sales of prepackaged food, dairy products, general merchandise, alcohol, beverage and agricultural products, crop planting, self-support goods and technology import and export business.	Newly established	46,320,000	92.64%	Fund-raising	Management team of Changmei Technology	20 years	Fresh online retailers	Invested RMB 18 million in the Period	Not applicable	-6,857,143.67	N	2016-1-8, 2016-11-26	Juchao Website: http://www.cninfo.com.cn(No.: 2016-002, No.: 2016-068)
Zhongshan Changhong Electric Co., LTD (note 2)	Produced the follow products and spareparts: air-conditioner, refrigeration and freezer, heat pump, water heater, air cooler, electric fan, humidifier, electric heater, clothes dryer, dehumidifier, air purifier, air wate machine, electric fireplace, kitchen appliance and tools as well as	Capital increment	184,000,000	100%	Self-owned capital	Sichuan Changhong Air-conditioner Co., Ltd.	20 years	Home appliance of air conditioner	Invested RMB 64 million	Not applicable	12,507,061.40	N	2016-3-25	Juchao Website: http://www.cninfo.com.cn(No.: 2016-027)

	refrigerating unit; import and export business of the self-produced products and raw/auxiliary materials, equitypment and technology; software development and consulting													
Hongyuan Ground Heat Pump Technology Co., Ltd.	Production and sales of the ground heat & cold machine and whole machine system as well as the spare parts, sales of home appliances, raw materials of home appliances and spare part	Capital increment	25,500,000	51%	Self-owned capital	Ever Source Science & Technology Development Group Co., Ltd.	Long-term	Ground heat & cold all-in-one PC	Invested RMB 5.1 million in the Period, and cumulative contributed RMB 10.2 million	Not applicable	261,608.64	N	2015-4-18	Juchao Website: http://www.cninfo.com.cn(No.: 2015-016)
Hongyuan Ground Energy Heater Technology Company	Technology R&D of ground energy heater, ground energy heating and cooling integrator and ground energy heating pump environment systems, system integration, selling and post-selling service of single unit equipment and whole set systems; selling, installment, maintenance and after-sale service of home appliances products	Capital increment	24,500,000	49%	Self-owned capital	Ever Source Science & Technology Development Group Co., Ltd.	Long-term	Not applicable	Invested RMB19.6 million in the Period, and completed investment	Not applicable	-874,437.22	N	2015-4-18	Juchao Website: http://www.cninfo.com.cn(No.: 2015-016)

Total	--	--	375, 970, 000	--	--	--	--	--	--		22,103,955.06	--	--	--

Note 1: As the implementation subject of "intelligent life" project which is one of the Company’s non-public offering funds investment projects in 2016, Changmei Science and Technology Co., Ltd. (hereinafter referred to as "Changmei Technology") has registered capital of 50 million Yuan , of which the Company invests 45 million Yuan in cash in the original plan, accounting for 90% of the registered capital, and the management team of Changmei Technology invests 5 million in cash, accounting for 10% of the registered capital. The Company and Changmei Technology management team should respectively pay 40% of the amount of subscribed capital within 30 days from the date of the establishment of the new company, and the remaining amount shall be paid within 3 years from the date of the establishment of the new company.

Due to the job transfer of some non-core staff in Changmei Technology resulting in the corresponding subscribed capital unpaid, in order to ensure the smooth implementation of the company's investment project, the resolution the 27th meeting of the company’s 8th Board of Directors passed and agreed the company to transfer the subscribed capital unpaid by some non-core staff in Changmei Technology by its own funds, i.e. 2.64% stock rights of Changmei Technology (1.32 million Yuan in total). After this transfer of stock rights, the company’s subscribed capital becomes 46.32 million Yuan, accounting for 92.64% of the stock rights; the management team totally pays subscribed capital of 3.68 million Yuan, accounting for 7.36% of the stock rights.

Note 2: The resolution of the 19th meeting of the 8th Board of Directors of the company agreed the subsidiary - Zhongshan Changhong and its partner - UAE RUBA GENERAL TRADING FZE Company (hereinafter referred to as "UAE RUBA Company") to jointly increase capital in cash according to the existing shareholding ratio in the joint venture sales company - Changhong Ruba Trading Company(Private) Limited which is invested and established in Pakistan by both sides at an earlier stage, the total capital increase was US$6.4 million, of which Zhongshan Changhong invested US$3.84 million and UAE RUBA Company invested US$ 2.56 million; agreed the subsidiaries - Zhongshan Changhong and Changhong Air Conditioning to respectively invest US$5.88 million and US$120,000 to establish " CHANGHONG MEILING ELECTRIC INDONESIA.PT" in Indonesia. In order to meet the aforesaid investment matters, agreed the company and Changhong Air Conditioning to increase capital of 64 million Yuan to Zhongshan Changhong according to the existing shareholding ratio, thereinto, the amount of capital increase of the Company was 57.6 million Yuan and the amount of Changhong Air Conditioning was 6.4 million Yuan.

(III) The major non-equity investment doing in the reporting period

□ Applicable √ Not applicable

(IV) Financial assets investment

1. Securities investment

□ Applicable √ Not applicable

The company had no securities investment in the reporting period.

2. Derivative investment

√ Applicable □Not applicable

In 10 thousand Yuan

Operator	Related relationship	Whether related trade or not	Type	Initial investment	Start date	End date	Investment amount at period-begin	Amount purchased in the reporting period	Amount sales in the reporting period	Amount of reserve for devaluation of withdrawing (if applicable)	Investment amount at period-end	Ratio of investment amount at period-end in net assets of the Company at period-end	Actual gains/losses in period
Financial institution	N/A	No	Forward foreign exchange contract	56,813.32	2016-6-8	2017-12-6	0	105,152.67	67,380.74	0	37,890.69	7.33%	-118.76
Total				56,813.32	--	--	0	105,152.67	67,380.74	0	37,890.69	7.33%	-118.76
Capital resource(if applicable)				Self-owned capital									
Lawsuit involved (if applicable)				Not applicable									
Disclosure date for approval from the Board for investment of derivatives (if applicable)				2016-3-19									
Disclosure date for approval from board of shareholders for investment of derivatives (if applicable)				2016-4-7									
Risk analysis and controlling measures for derivatives holdings in the Period (including but not limited to market risk, liquidity risk, credit risks,				Risk analysis: 1. Market risk: domestic and international economic situation changes may lead to exchange rate fluctuations, forward foreign exchange transactions are under certain market risk. Forward foreign exchange business is aiming to reducing impact on corporate profits by foreign exchange settlement and sale prices, exchange rate fluctuations. The Company will follow up the exchange fluctuation, on the basis of target									

operation risk and law risks etc.)	rate determined from the business, relying on the research of the foreign currency exchange rates, combined with prediction of consignments, and burdening ability to price variations due to exchange rate fluctuations, then determine the plan of forward foreign exchange contracts, and make dynamic management to the business, to ensure reasonable profit level. 2. Liquidity risk: all foreign exchange transactions are based on a reasonable estimate of the future import and export business, to meet the requirements of the trade authenticity. In addition, forward foreign exchange transactions are processed with bank credit, will not affect liquidity of company funds. 3. Bank default risk: if cooperative banks collapse within the contract time, the Company will not be able to transact the original foreign exchange contracts with contract price, which leads the risk of income uncertainty. So the Company chose Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank and other Chinese Banks and part of the larger foreign Banks (such as Deutsche Bank, UOB, Overseas Chinese Bank, HSBC, etc.) to conduct the trading of foreign exchange capital. These banks share a solid strength and management whose failure and the risk of loss may bring to the Company is very low. 4. Operational risk: improper operation of the person in charge of forward foreign exchange transactions may cause related risk also. The Company has formulated related management system which defines the operation process and responsibility to prevent and control risks. 5. The legal risks: unclear terms based in contract signed with banks for related transactions may lead legal risks when forward foreign exchange transactions are processing. The Company will strengthen legal review, and choose good bank to carry out this kind of business as to risk control.
Invested derivative products have changes in market price or fair value in the Period, as for analysis of the fair value of derivatives, disclosed specific applied methods and correlation assumption and parameter setting	The Company determines fair value in accordance with the Chapter VII "Determination of Fair Value" carried in the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments. Fair-value is basically obtained according to prices offered by bank and other pricing services. While fair-value of derivatives is mainly obtained according to the balance between prices given by outstanding contracts and forward prices given by contracts signed during the reporting period with bank. The differences are identified as trading financial assets and liabilities. During the reporting period, forward foreign exchange contracts and losses of the Company is RMB -1.1876 Million.
Specific principle of the accounting policy and calculation for derivatives in the Period compared with last period in aspect of major changes	Not applicable
Special opinion on derivative investment and risk control by independent directors	Upon inspection, the independent directors of the Company believes that: during the reporting period, the Company carried out its foreign exchange forward deals in strict compliance with the standardized operation guidelines for listed issuer on main board (2015 amended) issued by Shenzhen Stock Exchange, the Articles of Association, Authorization Management of the Company, Management System in relating to

	Foreign Exchange Forward Deals of Hefei Meiling Co., Ltd., and these deals were conducted within the authorization scope under general meeting and board meeting. The Company conducts no foreign exchange transactions on the purpose of getting profit only, all of the forward foreign exchange transactions are operates based on normal operating and production, which is relying on specific business operations with purpose of avoiding the preventing the risks in exchange rate. The forward foreign exchange transactions of the Company are beneficial to prevent the exchange risks exposed by import and export business and thus met its requirement for operation development. There was no speculative operation, no break of relevant rules and regulations and relevant business was conducted under corresponding decision-making procedures. Interests of the Company and entire shareholders, especially minority shareholders, were not prejudiced.

(V) Application of raised proceeds

√ Applicable □Not applicable

1. Overall application of raised proceeds

√ Applicable □Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
2016	Non-public offering of A-shares	154,073.272276	33,750.503059	33,750.503059	0	0	0%	120,788.994697	The un-used fund-raising will continue on the investment on schedule. According to the fund-raising project, and been deliberated and approved by the Board and shareholders general meeting, the idle fund-raised are purchased guaranteed financial products with RMB900 million in total, rests of the funds are save in the specific account of raising funds	0
Total	--	154,073.272276	33,750.503059	33,750.503059	0	0	0%	120,788.994697	--	0

Explanation on General usage of raised capital
Being deliberated andapproved by 1st extraordinary shareholders meeting of 2016 and 17th session of 8th BOD, and verified by the Reply on Private Placement of Hefei Meiling Co., Ltd. (CSRC XK [2016] No.1396) issued from CSRC, the Company successfully offering 280,858,676 shares (A-stock) to 7 qualified investors, including Sichuan

Changhong Electric Co., Ltd. (hereinafter referred as to Sichuan Changhong), with price of 5.59 Yuan/Share and face value of 1.00 Yuan. According to the Verification Report XYZH/2016CDA40272 issued by Shine Wing Certified Public Accountants (LLP), total raised fund amounting to 1,569,999,998.84 Yuan, less vary issuance changes (tax included) 29,267,276.08 Yuan, raised fund amounts to 1,540,732,722.76 Yuan. Totally 337,505,030.59 Yuan raised fund used in the Period, including replace the self-raised fund 63,984,738.91 Yuan, invested till end of 31 October 2016; the raised-fund project has 2,640,227.91 Yuan (including bank handling charger and card issuing fee 230 Yuan) used from November to December in 2016; extra the "supply current capital project" used for current capital of the Company 270,880,063.77 Yuan (including 147,341.01 Yuan interest income). The specific raised-fund account has bank interest of 4,662,254.80 Yuan in reporting period. Ended as 31 December 2016, the specific account for raised-fund of the private placement of 2016 amounting to 1,207,889,946.97 Yuan (including interest 4,514,913.79 Yuan). Moreover, the Company purchase guaranteed financial products of 900 million Yuan in total with the idle raised-fund.

2. Situation of committed project of raised proceed

√Applicable □Not applicable

In 10 thousand Yuan

Committed investment projects and over-raised fund investment	Change the project (Y/N) (including partially changed)	Total raised-fund commitment	Investment after adjustment (1)	Invested in the period	Cumulative investment amount till end of Period-end (2)	Investment progress till end of period-end (3) =(2)/(1)	Date of reach a predetermined state of use	Benefit achieved in the Period	Achieved expected benefits (Y/N)	Major changes of project feasibility (Y/N)
Committed investment project										
Construction of intelligent manufacturing project	No	39,100.00	39,100.00	2,657.326701	2,657.326701	6.80%	Intelligent manufacturing (Hefei) project: end of 2018, construction project of freezer intelligent：end	--	--	No

							of June 2018			
Construction of intelligent R&D capability and new products development of the intelligent appliance technology	No	55,900.00	55,900.00	2,205.149981	2,205.149981	3.94%	End of 2018	--	--	No
Intelligent life project	No	32,000.00	32,000.00	1,800.0200	1,800.0200	5.63%	April 2010	--	--	No
Supplementary the floating capital		27,073.272276	27,073.272276	27,088.006377	27,088.006377	100.05%	--	--	--	No
Subtotal of committed investment project	--	154,073.272276	154,073.272276	33,750.503059	33,750.503059	--	--	--	--	--
Investment of the over-raised fund										
No over-raised fund in the Period										
Payment of bank loans (if applicable)	--	--	--	--	--	--	--	--	--	--
Supplementary the floating capital (if applicable)	--	--	--	--	--	--	--	--	--	--
Subtotal of over-raised fund investment	--	--	--	--	--	--	--	--	--	--
Total	--	154,073.272276	154,073.272276	33,750.503059	33,750.503059	--	--	--	--	--
Conditions and reasons of failure to meet schedule or predicted income (by specific projects)		1. In the "intelligent manufacturing construction project": the planning construction period of "intelligent manufacturing (Hefei) project" is 3 years, during the reporting period, the company has basically completed the pilot construction of phase I refrigerator intelligent manufacturing benchmark line project, including intelligent line construction, manufacturing execution system MES import, intelligent logistics system project and other construction contents. The planning construction period of “production line construction project for newly increased 600,000 sets of environmental protection and energy saving freezers with large an medium volume” (Hereinafter referred to as "freezer intelligent construction project") is 1 year, during the reporting period, because the No. 9 plant of company’s freezer factory where the project construction site locates is used by the								

	subsidiary - Zhongke Meiling Technology Co., Ltd. as its new plant is still under construction, the implementation of this project is affected, and the project is still in the factory planning stage. 2. The planning construction period of "intelligent R & D capacity building and intelligent home appliances technology development project" is 3 years, during the reporting period, the project is in the process of promoting in accordance with the investment plan. 3. As the implementation subject of "intelligent life project", Changmei Science and Technology Co., Ltd. (hereinafter referred to as "Changmei Technology") was established in April 2016. During the reporting period, the company has completed the initial capital contribution of RMB 18 million Yuan , which now has Mianyang and Hefei two operating units. The company has its own fresh e-business brand "ifoodtube" with more than 130,000 registered members, and the daily order volume peak can reach more than 3,900; arranges offline intelligent terminal cold chain equipment in more than 80 communities, and builds sorting and processing center, warehouse and other supporting facilities; continues to develop, improve, and upgrade the online software for intelligent life service platform, strengthens platform promotion, market development, consumer experience, urban and community operations. The reporting period is the first year of the project construction period, Changmei Technology has achieved annual sales revenue (April 2016 - December 2016) of 9,476,000 Yuan , and after-tax profits (April 2016 - December 2016) of -7,417,900 Yuan . 4. As of the end of the period, the investment progress of "supplementary liquidity Project" has finished more than 100%, mainly due to the raised funds in use including to interest on deposit of raised funds.
Presentation on the major changes in project feasibility	Not applicable
Use progress of the raised-fund and purpose	Not applicable
Changes of the site for raised-fund investment projects	Not applicable
Adjustment of the raised-fund investment projects	Not applicable
Up-front cost and replace of the raised-fund investment projects	Ended as 31 October 2016, the Company contributed self-raised fund 63,984,738.91 Yuan for the raised-fund investment project, the money has replaced as 63,984,738.91 Yuan. Shine Wing CPA (LLP) made a special audit for pre-investment and carried out an Assurance Report on Invested Self-raised fund to the Raised-fund Investment Before Hand (XYZH/2016CD40285) (hereinafter referred as to Assurance Report). Replacement are as:

In 10 thousand Yuan

Raised-fund investment project	Total investment	Commitment capital for raised-fund project	Investment of self-raised fund invested till end of 31 October 2016	Amount replaced
Construction of intelligent manufacturing project	39,870.65	39,100.00	2,545.41	2,545.41
Construction of intelligent R&D capability and new products development of the intelligent appliance technology	55,900.00	55,900.00	2,053.06	2,053.06
Intelligent life project	32,076.00	32,000.00	1,800.00	1,800.00
Total	**127,846.65**	**127,000.00**	**6,398.47**	**6,398.47**

The replacement has been deliberated and approved by the 27th session of 8th BOD and 14th session of 8th supervisory committee, independent directors are proposed an agreeable independent opinion, and sponsor institution carried out a verification opinion without objection.

Supplement working capital temporary with idle raised-fund	Not applicable
Balance and reasons of the implementation of raised-fund	Not applicable
Use of funds and fund allocation for un-used raised-fund	The raised-fund have not been used will continues to invested on the raised-fund projects in above mentioned table. Meanwhile, according to the raised-fund investment plan, and been approved by the Board and shareholder general meeting, agreeable independent opinion from independent directors and with the verification opinion without objection issued by sponsor institution, the idle raised-fund can be use for buying guaranteed financial products, totally amounting to 900 million Yuan, rests of the raised-fund will save in the specific account. Use of the raised-fund has no changes till recently.

Use of raised-fund and problems or other condition in disclosure	As for the relevant information of raised-fund disclosed, there is no any disclosure information that released without timely, true-ness, accurate and complete. The savings, usage, management and disclosure of the raised-fund have no violation conditions been found.

(3) The changed project of raised proceeds

□ Applicable √ Not applicable

No changes of raised proceeds in the Period

VI. Sales of major assets and equity

(I) Sales of major assets

□ Applicable √ Not applicable

The Company had no sales of major assets in the reporting period.

(II)Sales of major equity

□ Applicable √ Not applicable

VII. Analysis of main holding company and stock-jointly companies

√ Applicable □Not applicable

(I) Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Zhongke Meiling Cryogenic Technology Co., Ltd.	Subsidiary	Research and development, manufacturing and sales of ultra-low temperature freezer	68,150,000	174, 778, 352. 22	112, 894, 152. 41	93, 528, 664. 17	8, 634, 967. 57	8, 112, 300. 61
Jiangxi Meiling Electric Co., Ltd.	Subsidiary	Manufacturing of refrigeration and freezer	50,000,000	186, 982, 468. 76	86, 611, 646. 81	393, 776, 861. 26	-1, 054, 596. 33	1, 505, 079. 01
Mianyang Meiling Refrigeration Co., Ltd.	Subsidiary	Manufacturing of refrigeration and freezer	100,000,000	162, 633, 829. 27	97, 997, 656. 33	289, 026, 321. 88	864, 180. 56	1, 002, 038. 81
Sichuan Changhong Air-conditioner Co., Ltd.	Subsidiary	R&D, manufacturing and domestic sales of air-conditioner	200,000,000	2, 068, 601, 856. 95	540, 705, 432. 76	3, 181, 611, 510. 60	18, 334, 469. 32	30, 757, 332. 18
Zhongshan Changhong Electric Co., LTD	Subsidiary	R&D, manufacturing and foreign sales of air-conditioner	184,000,000	844, 520, 689. 49	249, 371, 640. 31	1, 545, 246, 107. 38	8, 615, 350. 80	10, 891, 273. 04
Hefei Meiling Electronic Appliance Marketing Co., Ltd.	Subsidiary	Sales of white goods	55,000,000	391, 002, 172. 29	-308, 409, 642. 03	2, 391, 219, 033. 05	-18, 447, 785. 54	-17, 763, 738. 28
Hefei Meiling Group Holdings Limited	Subsidiary	Sales of white goods	80,000,000	255, 208, 480. 19	82, 896, 244. 05	1, 429, 639, 273. 30	10, 151, 707. 70	10, 872, 844. 13
Changmei Technology Co., Ltd.	Subsidiary	E-business of agricultural products and fresh	50,000,000	17, 039, 986. 45	12, 054, 094. 36	9, 475, 992. 16	-7, 418, 397. 22	-7, 417, 905. 64
Guangdong Changhong Ridian Technology Co., Ltd.	Subsidiary	R&D, manufacturing and sales of kitchen and toilet products, small home appliances and water purifier	83,000,000	260, 498, 884. 93	109, 117, 867. 30	495, 075, 275. 53	18, 093, 904. 63	17, 264, 471. 30

(II) Notes of holding and shareholding companies

√ Applicable □Not applicable

Company Name	The method of obtaining and handling subsidiaries during the report period	The influence to the whole production and performance
Guangdong Changhong Ridian Technology Co., Ltd.	Obtained 98.856% equity by public bidding	Improve the home appliance industry chain and product lines, constructed the plantform of kitchen and toiler products as well as small home appliances. Achieved net profit of RMB 17.2645 million in 2016
Hefei Meiling Package Products Co., Ltd.	100% equity public transfer in listing	Meiling Package no longer in the consolidate scope of the Company, the equity transfer show no changes in main business of the Company, and constitute no material assets reorganization regulated in *Measures for the Administration of Material Asset Reorganization of Listed Companies*, the Company realized pre-tax income of RMB10.52 million approximately
Bengbu Meiling Appliance Marketing Co., Ltd.	Clearing off	A little effect on the overall production and operation and performance of the company
Luohe Meiling Appliance Marketing Co., Ltd.	Clearing off	A little effect on the overall production and operation and performance of the company

(III) Notes of holding and shareholding companies: Nil

VIII. Structured vehicle controlled by the Company

□ Applicable √ Not applicable

IX. Future Development Prospects

(I) Competition pattern and development trend

1. Competitive landscape: oligopoly seeks hegemony, reshuffle continues

The current all walks of life have entered a period of mega competition: first is overspeed, the product development and new business models have very fast update speed; second is breaking bounds, different industries penetrate and compete among each other; third is ultrahigh, the demographic dividend and raw material dividends disappear, bulk raw material prices rise, and costs raise; fourth is super change, subversive changes may occur at any time.

The home appliance industry has shifted from large-scale growth to aggressive growth. Home appliances oligopoly competition will become the mainstream, the shuffle among the giants is inevitable. The market competition pattern will be more intense, the shuffle will spread bidirectionally from the home appliance retail channel and home appliance manufacturing system, and show the new situation of oligopoly and tycoon competition. At the same time, influenced by the national supply side reform and industrial restructuring, the raw materials begin to sharply rise in price, the logistics industry would raise costs because of "governing ultra", and transport costs of home appliances significantly increase. At the same time, with the introduction of national inclusive policy, home appliance industry will bid farewell to low price competition and gradually return to the rational value competition.

2. Technical variables: artificial intelligence, market detonation

Internet of Things, artificial intelligence, and life technology are the several major directions for the future development of human society. In the home appliance industry, technological innovation has become the leading, as the drive capability of technological innovation becomes more and more important in the home appliance industry competition, especially the guide of new technologies and new concepts in the first-line terminal market will be favored by more and more enterprises. In addition, as the popularity of intelligence has suffered homogeneous dilemma in the market and the development of the Internet has stepped into the depth, artificial intelligence has become a new engine to accelerate the landing of smart home appliances and will give differentiation advantages to different enterprises in the terminal market, thereby becoming an important engine to pull the middle and high-end market consumption, it is expected to usher in a centralized detonation.

3. Product iteration: competitive and new products break through the bottleneck

Influenced by low price competition in the market, the function of many white products is not substantially improved, but with the rise of middle and high-end consumer groups, especially the full release of quality, high-end and fashion technology needs, the home appliances industry will usher in a new round of consumer upgrades, the arrival of quality consumption era will promote the industry to transform and upgrade to high end and intelligence.

Under the background of industrial restructuring and upgrading and products entering into the upgrading, the home appliance market that takes competitive and new products as the principle thing tends to have more distinct and clearer competition, but the competitiveness of many home appliance products is facing a new round of bottleneck and homogenization challenge. So the competitiveness of home appliance products in the next stage has to face a major breakthrough, and carry through the system innovations in quality, function, appearance, technology and other aspects, not only pursuing the product pragmatism but also giving the product a sense of science and technology, which will be the direction for whole market product iterations.

4. Channel integration: online and offline, scene services

The Internet has entered the deep water area, the user growth rate has slowed down significantly. Pure online price war and other strategies have begun to fail, and it is more and more difficult to obtain incremental users. The integration of online and offline channels has become the development direction of household appliance enterprises, its core is that the household appliance enterprises must have the ability to service users. How to make full use of and integrate resources and advantages from different online and offline channels, complete the integration of enterprise marketing, product promotion and user needs, reinforce and strengthen its own ability to enhance customer service capabilities, and thus really jump out of the channel dispute and return to the rapid landing of products and the strong activation of user demands becomes the must choice for enterprises.

5. Internationalization: global mergers and acquisitions, capital driving

Internationalization is the need adapt to the times, the internationalization of white goods industry will be particularly prominent, especially the global capital mergers and acquisitions can not only quickly enhance the enterprises' brand influence and industry status in the global market, but also promote the growth in overseas markets by the domestic and overseas resources integration and market development. In addition, the global capital mergers and acquisitions has not only become a new driving force for the enterprises' growth, but also can give attention and influence to enterprises in the new competitive track.

(II) Development strategy

1. Vision

A leading brand in China, World Class and respectable household appliance enterprise

2. Strategic thought

In 2011, the board of directors of the company proposed the strategic guiding thoughts of "Meiling Dream" and "Double Three Strategy", and upgraded the original "Double Three Strategy" to "Double Three One Core Strategy", Double Three refers to three core strategies which are product strategy, talent strategy, and cost leadership strategy and three significant strategies which are market strategy, brand strategy, and internationalization strategy, One Core refers to intelligentization.

In the next few years, the company will stand correctly, accurately and firmly in the draughts of industry, market and reformation, continue to promote the six innovations so that the company shall step forward to the direction of "Meiling Dream", and strive to create another Meiling by 2020.

3. Strategic thinking and targets

By "two insists", "two adheres" and "two transformations" (i.e. insist on product doctrine and technology driven, insist on cultural development and institutional innovation; adhere to domestic and overseas markets, adhere to talent and brand strategy; transform from single to diversification, transform from B2C to 020 and C2B), the company has strived to create another Meiling in scale, production line and organization flow by 2020. Details include: the first is to create another Meiling in scale, i.e. to achieve the annual sales revenue of 20 billion Yuan, and double the net assets; the second is to create another Meiling in production line, i.e. to enlarge the market share of main products of refrigeration, freezer and air conditioner, the washing machine, kitchen and toilet products and small home appliances comes to new main products of the Company, driven the profit mode upgrading and transform by laying out new business of fresh E-business and bio-medical; and thirdly, create another Meiling in organization procedures.

(III) Business plan

1. Business objective

Under the circumstance of macroeconomic downturn, home appliance industry decline, fierce brand competition and rising raw material prices, in 2017, the company will strive to make the operating income increase by more than 5% over the previous year and net profits attributable to parent company increase by more than 15% over the previous year under the leadership of the board of directors.

2. Operating principles

The company's operating principles in 2017 are "product leading, marketing force, manufacturing breakthrough, mechanism protection."

Product leading: Product is the company's core competitiveness. Firstly, take the new level of energy efficiency standards for the industry as an opportunity, give full play to the advantages of the company's frequency conversion technology, accelerate the switching speed of new energy efficiency and improve switching efficiency, and realize the sales volume of the new level energy efficiency product to be higher than the industry level. Secondly, continue to strengthen the advantages of intelligent and frequency products, enhance the sales of high-end products and brand influence through intelligence, greatly expand the frequency products from the offline independent channels to the online channels and overseas markets, and further strengthen the advantages of differentiated frequency. Once again, increase the popularity of air-cooling products, enhance the proportion of large and medium-sized air-cooling products in domestic and overseas markets while explore the medium and small-sized air-cooling products, reduce the proportion of straight cold refrigerator, and realize the structural upgrading. At the same time, the product lines of the company's air conditioning, washing machine, kitchen and bath, and small appliances have to speed up the structure upgrading.

Marketing force: Marketing is the source of the company's performance growth. Further deepen the value chain management, and promote the construction of marketing information system. The domestic market continues to focus on the eight words marketing culture concept that is "integrity, service, profession, passion", change the concept, strengthen the sense of service, and become "the most active brand in terminal, and the most industrious marketing people in the market". At the same time, the domestic market needs to fill the short board of regional market: on the one hand, strengthen the construction of weak links in the online channels, and enhance the proportion through deep cooperation, on the other hand, the company's dominant markets are focused on the offline channels, concentrate on breaking through the company's weak regional markets.

Further enhance the product mix and the proportion of large customers in overseas markets, strengthen the construction of qualified personnel, and strengthen the company's own brand promotion and overseas plant capacity building.

Manufacturing breakthrough: Manufacturing is the guarantee of the company's product quality and technology. Wholly pull the breakthrough for manufacturing production line efficiency by promoting intelligent manufacturing, large refrigerator efficiency enhancement project, Jiangxi Meiling high-speed production line project, high-end refrigerator fine engineering, and labor lifting project. Intelligent manufacturing is one of the direction of transformation and upgrading in manufacturing industry. Take the non-public offering investment project "intelligent manufacturing" as the core, promote the transformation of "Meiling manufacturing" to "Meiling intelligent manufacturing", realize the further breakthrough of high-end technology level, improve the manufacturing flexibility, so as to meet the individual needs of different users. Finally realize the double improvement for domestic and export fulfillment rate, and significantly reduce the comprehensive manufacturing costs.

Mechanism protection: Mechanism is the basis for the company's positive operation. An enterprise’s fundamental is the talents, and the talents’ fundamental is the mechanism. In order to realize the company’s "Meiling Dream", the competitive guarantee mechanism is the key. In 2017, the company will establish and improve the incentive mechanism, talent mechanism, innovation mechanism, responsibility mechanism, and benchmarking mechanism so as to provide powerful guarantee mechanism for the company's development in 2017.

3. Market strategy

(1) Refrigerator (freezer)

Continue to adhere to the intelligence and frequency two core product strategy, speed up the development and upgrading of a new generation of intelligent product , implement the company's intelligent strategy, and enhance the proportion of inverter products. Vigorously invest in basic technology research and product upgrading, continue to carry out intelligence, frequency, cryogenic, frost-free and other technical researches, maintain technology-leading in the industry, increase the development efforts to air-cooling, multiple temperature zone, large volume, frequency, and intelligent products, promote the company's product structure to upgrade to high end and intelligence, and drive the company's industrial transformation and upgrading; at the same time, improve manufacturing efficiency and product quality, reduce product costs and enhance product competitiveness by fully implementing intelligent upgrading and rebuilding to the production lines.

The domestic market takes frequency leading, intelligent pilot, multi-door becoming stronger, back to back getting bigger, air-cooling jump start as the thinking, makes reasonable planning, promote the products’ combination ability, and enhance the domestic sales capacity by adjusting the product structure. Regarding the channel, enhance the offline terminal sales ability through the price management, promotion management, user experience management and other means, at the same time, enhance the online sales ability by creating e-commerce hot products, enhancing after-sales service experience, and collaborative operations among all product lines and other means.

Overseas markets should adhere to the brand structure of "own brands + OEM / ODM", the mainstream homogeneous product costs take the lead in strategy, and differentiate the products with insufficient competitiveness. At the same time, focus on enhancing the service capabilities to big customers, improving the overseas delivery rate, shortening the lead time, and improving the product quality, especially improving the ability to respond quickly to solve problems in the face of customer needs.

(2)Air conditioning

Based on the company's intelligent development strategy, the company’s air-conditioning business will seize class A frequency, energy saving, intelligence, health and other industrial bright spots, focus on the company’s "Intelligent Home Eco-circle" plan, develop intelligent terminals, provide healthy and intelligent air solutions, gradually build the triune business development model of intelligent equipment + application scenarios + social sharing, lay out from the sensor, control and equipment, achieve monomer becoming stronger, system integration, and benign development, and become China's first-class air-conditioning enterprise. At the same time, vigorously expand overseas markets, carry out quality, market, product research and development, cost control and other capacity building, and ensure to enter into and stabilize the second group status in air conditioning industry in the next three to five years through regional and customer structure adjustment. In addition, the air conditioning industry will seize the opportunities of coal to electricity and home appliances energy-saving leader policy, improve product layout, and promote enterprise transformation.

(3) Washing machine

On the one hand, speed up the channel layout, rely on Meiling refrigerator (freezer) channels, assault wholesale channels, enter and upgrade G60 branches, and comprehensively cover the chain channels. Enhance research and development capabilities, grasp the technical direction of the industry, develop Meiling washing machine core technology, upgrade product lineup, and improve product competitiveness. Integrate supply chain resources, strengthen product quality, and improve consumer satisfaction and brand reputation of Meiling washing machine. Create a professional team, improve services, achieve rapid sales promotion, and improve sales structure. Enter into the second camp of the industry during “the 13th Five Year” and become one of the company’s pillar industry by mergers and acquisitions or self-built production bases.

On the other hand, the company has signed the Strategic Cooperation Framework Agreement (hereinafter referred to as the "Cooperation Agreement") with an internationally known professional manufacturer of electrical appliances - Candy Hoover Group S.r.l. (hereinafter referred to as "Candy Group") in March 2017. Both sides will carry out comprehensive and in-depth strategic cooperation in the refrigerator (freezer), washing machines and other business areas. Regrading the washing machine, the company and Candy Group will jointly set up a joint venture company working on the research and development, and sales business of washing machine products, sothat the company can further strengthen the independent research and development capabilities, enhance the competitive advantages of product lines, expand the company's product marketing share, enhance the company's core competitiveness and brand influence, and enhance the company's profitability and comprehensive competitiveness in virtue of the respective R & D and business advantages of both sides.

(4) Small appliances

Based on kitchen and bath, strengthen electric heating, develop water purification business, and build core business. Increase investments in kitchen and bath and water purification business, enhance manufacturing, research and development and market capabilities; rely on intelligent strategy to strengthen the development of intelligent products, and strive to achieve the industry leader in intelligent products; continue to promote research and development, manufacturing, Marketing,quality, and operation capacity building to enhance the industry status.

(5) Bio-medical care

The company takes Zhongke Meiling, its subsidiary listed on new three board, as the platform for the comprehensive development of bio-medical industry. Based on the related diversification in the bio-medical field, takes the single-compression mixed refrigerant as the core refrigeration technology, and takes the stock business like deep-freezing storage facilities as the basis so as to rapidly promote the product upgrading and iteration and realize the diversification of product category and transaction mode; focuses on life science and cold chain storage core businesses, combines with its own technological advantages, takes products as the carrier and market-oriented principle and user-centered management idea to steadily and rapidly expand the deep-freezing storage facilities, medical freezing products, internet cold chain terminals, liquid nitrogen storage equipment and other related industrial chains, and quickly makes bigger and stronger in biomedical field; comprehensively starts using "Meiling biomedical" brand, increases marketing efforts, builds a sound marketing channel system, and continue to promote the perfect combination of marketing channels and end products.

(6) Intelligent life new business model

Actively promote the investment project "intelligent life project", and build Meiling intelligent life O2O community fresh business platform. Focus on the layout of the community cold storage self pick-up cabinet, give play to the company’s advantages in the intelligent and refrigeration fields, and strive to develop the the fresh e-business O2O business platform with a certain influence in the industry in three to five years. Focus on regionalization and localization, gradually integrate the regional and national brand enterprises entering business, and ultimately create Meiling intelligent life project to be a national intelligent life O2O service platform. Transform to the "equipment + service" model by means of food management, provide exploration for the intelligent transformation of refrigerator, help the company to move towards high-frequency service sales from low-frequency hardware sales, form the "hardware + service" double growth engine, and drive the transformation and upgrading of the company’s profit model.

The above business plan and business objectives do not represent the listed company’s profit forecast of 2017, whether it can be achieved depends on the changes in market condition, the efforts of management team and other factors, there are a lot of uncertainties, investors should pay special attention to it.

(IV) Possible risks and countermeasures

In 2017, the domestic and foreign macroeconomic situation is still not optimistic, the competition in home appliance market will be more intense, enterprises’ living environment will be even worse. In the future, the company will face weak macroeconomic growth, grim industry situation, intensified competition, labor tension, sharp rise in raw material prices, transportation costs and human resources costs, impact of the new business model and Internet age and other risks.

1. Risk of macroeconomic fluctuations

The products the company produces and sells belong to consumer electrical products, of which the market demands are greatly impacted by macroeconomic and consumer consumption level. Macroeconomic fluctuations may have a certain impact on consumers’ income expectations, purchasing power and purchasing intention. In addition, the uncertainty of the development of real estate impacts the consumers’ demands for purchasing electrical appliances to a certain extent. If the future economic growth continues to slow down or decline, the demands and gross margin of household appliances industry may reduce, and thus make negative effects on the company's profitability.

2. Impact of intensifying industry competition and declining broader market

China's home appliance industry is a complete competing industry, there are many domestic and foreign-funded household appliances manufacturers providing products with a higher degree of homogenization and fierce competition. With the withdrawal of national preferential policy, the industry broader market continues to decline, the industry enters into aggressive growth from large-scale growth, the industry brand concentration further strengthens, the competition among the brands shows a new situation of oligarchy and giant competition. In recent years, the industry transformation and upgrading significantly speeds up, if a company cannot accurately judge and keep up with the industry's market dynamics, it will be eliminated. Increasing competition in the industry may cause irrational competition in the market and bring operational risks to the enterprises.

3. Impact of cross-border Internet industry and challenges of new business model

With the arrival of Internet era and artificial intelligence era, the Internet enterprises continue to cross boarder and swarm into intelligent home fields, which intensifies competition in the industry, subversive changes may occur at any time, and traditional household appliance enterprises are facing serious challenges. At the same time, under the impact of Internet economy and new business model, the home appliance manufacturers are actively promoting the transformation, new business model and new products emerge one after another in the home appliance industry, the development of intelligent home appliances changes quickly, if unable to make rapid response or catch up with the development trend, it may be easily replaced or even completely subverted. New rules of the game bring strong sense of crisis and sense of urgency to the enterprises.

4. Pressure of raw material price rising and transportation costs rising

In 2016, affected by the growing real estate, the reform of supply side, the pressure of environmental protection, some poor management and withdrawal of capacity, the price of bulk materials has a unilateral rise; at the same time, the transportation costs greatly rise due to logistics industry’s governance to “three excesses”. It is expected that the raw material price and logistics transportation costs will continue to rise sharply or run at high prices in 2017, but the end product selling price will be unchanged or will be difficult to digest the impact of rising raw materials prices, logistics costs and other key resource costs, which will bring greater operating pressure to the company and further affect the company's profitability.

5. Human resources risk

Household appliance industry is an industry with relatively intensive capital, technology, and labor. With the gradual expansion of the company's business scope and scale, and the arrival of intelligent home appliances and the impact of Internet, the company will greatly increase the demands for high-level management personnel, technical personnel, and innovative talents, talent introduction becomes one of the key points for human resources management, if it cannot effectively enhance the company's attraction to high-quality talents from various aspects, the company's future development will be subject to constraints. At the same time, in its intelligent manufacturing transformation period, the company needs higher requirements to the technical capacity and professional quality of workers at the production line, the improvement for the company's product quality will be influenced if the comprehensive quality of workers at the production line can not be enhanced. In addition, with the increase in orders, the demand for workers at the production line is increasing, but affected by the supply and demand in labor market and the continuous rising labor costs, the company's cost pressure will be further enlarged.

Faced with the above risks, the company on the one hand will raise awareness of risk prevention, and make overall arrangements in the product, technology, and market in advance. Focus on the smooth implementation of the company's intelligent manufacturing, intelligent research and development, and intelligent life projects, strengthen the innovation and drive of the company's intelligent technology, accelerate the implementation of the company's intelligent strategy, promote the company's transformation and upgrading from front-end manufacturing, back-end products to intelligence, promote the company's transformation and upgrading, meet the new pattern of competition in the industry, and enhance the company's core competitiveness. At the same time, through the active exploration of new business model, ultimately realize the crossings from "Meiling manufacturing" to "Meiling intelligent manufacturing", from hardware provider to service provider, from one-time transaction to continuous transaction, from a single product provider to the system provider, drive the transformation and upgrading of the company's profit model. The company will always put the basic technology research in the most important and most central position, enhance the core competitiveness of products by increasing the research on basic technology; aiming at the unique needs of different users, seize the consumer demands, accurately grasp the product development direction, and strengthen the application technology research on the products' functional aspects; meanwhile, combine with its own products, and actively explore the research on cutting-edge technology. At present, the company is transforming to diversification by enriching the product lines, further strengthens the synergy among various product lines, and creates a comprehensive household appliance enterprise with strong competitiveness; at the same time, focuses on the "intelligent home eco-circle" plan, actively explores the new paths for the transformation and upgrading of home appliance enterprises under the in-depth development of Internet technology, takes its own hardware products as the terminal, focuses on food, air, water and other needs to explore the new business model, seizes the consumers' needs, and provides users with a set of intelligent white goods system solutions.

On the other hand, the company will implement the business policy of "product leading, marketing force, manufacturing breakthrough, mechanism protection" under the leadership of the board of directors and under the guidance of "Meiling Dream": take globalization as a platform, and intelligent and frequency transformation as a breakthrough, adhere to the intelligent and variable frequency product strategy unswervingly, promote technological innovation, strengthen the research and development to intelligence, frequency, air-cooling, and cryogenic technologies, create intelligent, high-end products and personalized products, and enhance the company's product competitiveness from quality, high end and fashion technology by improving the manufacturing efficiency and technological level. Enhance the domestic offline terminal sales capacity, break the weak regional market, pay attention to the development of online channels, speed up the integration between online and offline channels; build a marketing management system centering on retail through digitization, a value management system centering on retail price, and an operation and distribution system taking customer inventory as the core, and promote the marketing transformation of digitization. Attach importance to the development of overseas markets, take the initiative to explore the construction of own brands in overseas markets, and accelerate the pace of overseas mergers and acquisitions. Give full play to the motivation of intra-organization institutional changes and management mechanism innovation, activate the team independent innovation, and provide security mechanism for the company's sustained and healthy development.

X. Reception of research, communication and interview

(I) In the report period, reception of research, communication and interview

√ Applicable □Not applicable

Time	Way	Type	Basic situation index of investigation
2016-1-7	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-1-15	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-1-22	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-1-26	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-5-11	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-5-24	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-6-16	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-6-27	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-7-29	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-2	Field research	Institute and natural person	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-3	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-5	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-10	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-23	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmF

			orSzse.do?stockcode=000521
2016-8-25	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-29	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-8-31	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-9-7	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-10-19	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-10-24	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-10-25	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-10-28	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-10-31	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-11-17	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521
2016-12-21	Field research	Institute	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000521

Reception (times)	25
Number of hospitality	121
Number of individual reception	2
Number of other reception	N/A
Disclosed, released or let out major undisclosed information	No

Section V. Iimportant Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

√ Applicable ☐ Not applicable

During the reporting period, the company has strictly executed the profit distribution policy in accordance with the revised " Articles of Association", the formulation and implementation of the company's cash dividend policy are in line with the provisions of "Articles of Association" and the requirements of the resolutions of shareholders' meeting, the dividends standards and proportion have been definite and clear, relevant decision-making procedures and mechanisms have been complete, the responsibilities of independent directors have been clear and have played its due role, minority shareholders have had the opportunities to fully express their views and aspirations, and the legitimate interests of minority shareholders have been maintained.

In the reporting period, the Company implemented Profit distribution plan for year of 2015, that is, distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2015 (including 600,875,205 shares of A-share and 162,864,000 shares of B-share), cash dividend of 45,824,352.27 Yuan was distributed in total.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Y
Well-defined and clearly dividend standards and proportion (Y/N):	Y
Completed relevant decision-making process and mechanism (Y/N):	Y
Independent directors perform duties completely and play a proper role (Y/N):	Y
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N):	Y
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	Y

(II) Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

1. Profit distribution plan for year of 2014

Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2014, cash dividend of 45,824,352.30 Yuan was distributed in total.

2. Profit distribution plan for year of 2015

Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 763,739,205 shares dated 31 December 2015, cash dividend of 45,824,352.27Yuan was distributed in total.

3. Profit distribution plan for year of 2016

Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 1,044,597,881 shares dated 31 December 2016, cash dividend of RMB 62,675,872.86 Yuan was distributed in total.

The pre-plan had been deliberated and approved by the board of directors, and it need to be submitted the annual shareholders' general meeting of 2016 for its consideration.

(III) Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2016	62, 675, 872. 86	220, 216, 680. 96	28. 46%	—	—
2015	45,824,352.27	27, 104, 893. 56	169. 06%	—	—
2014	45,824,352.30	289, 842, 658. 03	15. 81%	—	—

(IV)The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

□ Applicable √ Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

√Applicable □ Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	0. 6
Shares added for every 10-share base (Share)	0
Equity base of distribution plan (Share)	1, 044, 597, 881
Total cash dividend(RMB) (Tax included)	62, 675, 872. 86
Distributable profits (RMB)	956, 339, 194. 01

Ratio of cash dividend in total profit distribution	100%
Cash dividend:	
Distribute 0.6 Yuan (tax included) in cash for every 10 shares held by all shareholders of the Company based on total share capital 1,044,597,881 shares dated 31 December 2016, cash dividend of RMB 62, 675, 872. 86 Yuan was distributed in total.	
Detail explanation on profit distribution or capitalization from capital public reserve	
Being audited by Shine Wing Certified Public Accountants (LLP), the net profit achieved in individual statement of the parent company amounting to RMB 239, 624, 261. 53 Yuan, in line with relevant regulations, after extract for statutory surplus reserve RMB 23, 962, 426. 15 Yuan, the distributable profit in individual statement of the parent company for year of 2016 amounting to RMB 215, 661, 835. 38 Yuan; deducted the 2015 profit distribution RMB 45,824,352.27 Yuan, plus the retained profit at beginning of the year RMB 786,501,710.90 Yuan, the accumulated retained profit in individual statement of the parent company at end of 2016 amounting to RMB 956, 339, 194. 01 Yuan. In addition, the accumulated retained profit in consolidate statement at end of the 2016 amounting to RMB 968, 097, 382. 98 Yuan;the distributable profit in consolidate statement for year of 2016 amounting to RMB 196, 254, 254. 81 Yuan. According to the relevant laws and regulations and the provisions of "Articles of Association" and considering the interests of the shareholders and the company's long-term development needs, the board of directors approved the company to distribute the cash bonus of 0.6 Yuan per 10 stocks (including tax) to all shareholders on the basis of the general capital of 1,044,597,881 stocks of December 31, 2016, totally the cash bonus RMB 62,675,872.86 Yuan has been distributed (Including tax, the cash bonus accounts for 29.06% of the profit available for distribution in the individual statements of the parent company in the current year). After the distribution, the total share capital of the company keeps the same, accumulates the remaining undistributed profits of RMB 893, 663, 321. 15 Yuan which is to be distributed annually after carry-over This plan has been considered and passed by the board of directors, and needs to be submitted to 2016 annual general meeting of the company for deliberation.	

III. Implementation of commitment

(I) Commitments that the company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√Applicable □ Not applicable

Commitment	Acceptor	Content		Date	Term	Implementation
Commitments made in acquisition report or equity change report	Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as the "Sichuan Changhong")	About committed and promised in order to prevent horizontal competition in the Acquisition Report of Hefei Meiling Co., Ltd.	1. The acquirer shall not engage in refrigerator business or activity which competes or will compete with business of Meiling Electrical Appliances Co., Ltd. (hereinafter referred to as the "Meiling Electrical Appliances"),or that which has interest conflict with Meiling Electrical Appliances.	2007-6-12	Valid for long term	Strictly implemented
			2. The acquirer promises to apply shareholders' right on a legal and reasonable manner and shall not take any action to limit or affect the normal operation of Meiling Electrical Appliances.		Valid for long term	Strictly implemented
			3. For any opportunity to engage in competing business, the acquirer will advise Meiling Electrical Appliances in written for engaging such business or not. If Meiling Electrical Appliances gives no clear written reply as to whether engaging the competing business or not within 20 days after receipt of the aforesaid letter, it shall be deemed that it will not engage in such business. The acquirer will only engage in non-competing business provided that Meiling Electrical Appliances confirms not to or is deemed to not engage in such non-competing business.		Valid for long term	Strictly implemented
Commitment made during the non-public	Sichuan Changhong	Commitment regarding to reducing and preventing competition with	1. It will not engage in such business or activity that competes with or has interest conflict with that of Meiling Electrical Appliances except for the action taken for sake of Meiling Electrical Appliances as	2010-6-24	Valid for long term	Strictly implemented

offer of 2010		Meiling Electrical Appliances	required by Meiling Electrical Appliances. 2. The Company promises to apply shareholders' right on a legal and reasonable manner and shall not take any action to limit or affect the normal operation of Meiling Electrical Appliances. 3. In case that Meiling Electrical Appliances expects, on the basis of its existing business, to expand its operation scope into the business which the Company has already operated, the Company agrees to grant pre emptive right to Meiling Electrical Appliances regarding such business if the same conditions are met, provided that the Company is still the controlling shareholder or actual controller of Meiling Electrical Appliances.			
		Commitment regarding to reducing and standardizing related transaction with Meiling Electrical Appliances	1. Measures will be adopted to prevent continued related transaction with Meiling Electrical Appliances: as to the related transaction that can not be prevented, it will sign related transaction agreement with Meiling Electrical Appliances under the market principles of "equally paid and mutual benefit", and fairly determined the transaction price according to the market prevailing standards. 2. Perform the necessary obligations to make related directors and related shareholder abstain from voting according to relevant regulation, and observe legal procedure for approving related transaction and information disclosure obligations. 3. Promise not to hurt legal interests of Meiling Electrical Appliances and other shareholders through	2010-6-24	Valid for long term	Strictly implemented

		related transaction.			
		Commit to authorized Changhong Air Conditioning and Zhongshan Air Conditioning Co., Ltd. (hereinafter referred to as the "Zhongshan Air Conditioning") to use "Changhong" trademark and relevant patents for free.	2010-11-6	Valid for long term	Strictly implemented
	The Company	1. Commit to disclose periodic reports on a truthful, accurate, complete, fair and prompt manner, to disclose all the information that have important influences over investors, to accept supervision under the CSRC and Shenzhen Stock Exchange. 2. Commit to make public clarification in respect of such information that is released from any public media and may result in misleading influences on stock price once the Company is aware of such information. 3. The directors, supervisors, senior management and core technicians of the Company will accept opinions and criticism from the social publics, and they will not trade the Company's securities, directly or indirectly, with any inside information and other illegal methods. The Company promises that the documents submitted to Shenzhen Stock Exchange exist no false statement or material omission, and no relevant information will be disclosed during the application for listing without prior content from Shenzhen Stock Exchange.	2011-1-7	Valid for long term	Strictly implemented
Commitment made in transfer of air conditioning assets property	Sichuan Changhong	1. Since the property transfer didn't involve the buildings and land currently used by Changhong Air Conditioning, Sichuan Changhong commits, upon the completion of equity transfer, to continue to lease such assets to Changhong Air Conditioning at market price.	2009-12-10	Valid for long term	Strictly implemented
		2. After completion of this property transfer, Sichuan Changhong commits to manage to prevent new related transaction with Meiling Electrical Appliances. For those which can not be prevented, Sichuan Changhong commits to		Valid for long term	Strictly implemen

		determine the transaction price based on market accepted methods, so as to ensure fairness of related transaction and protection of the interest of Meiling Electrical Appliances.			ted
		3. Sichuan Changhong commits that it will not engage in air conditioning and refrigerator business or activity which competes or will compete with business of Meiling Electrical Appliances, or that which has interest conflict with Meiling Electrical Appliances.			
Commitments by Annual performance incentive fund, incentive objects while purchasing stock of the Company with performance incentive funds and owned fund	Some of the Directors, supervisors and senior executives of the Company as well as other incentive objects	1. Make promise not to reduce the shares of Meiling bought in every year during implementation of the performance incentive fund via any market ways in the later first year, which was allowed to be reduced by 50% according to the laws and regulations in the second year, and the remaining 50% was allowed to be reduced in the third year in accordance with the laws and regulations.	2013-8-15; 2014-7-3; 2015-7-21	Three years after current shares purchased	Implementing
		2. The directors, supervisors and senior management promised to manage in accordance with the relevant management approaches in accordance with the "Company Law", "Securities Law" and "The Company's shares held by the directors, supervisors and senior management of the listed company and its change management rules", as objects of annual performance incentive fund of Meiling, including but not limited to: during his tenure, the shares transferred each year shall not exceed 25% of the total number of shares held of the Company; shall not sell the shares of the Company within six months after bought it or purchase again six months after sold it; shall not transfer the shares held within six months after Dismission.	2013-8-15; 2014-7-3; 2015-7-21	From the date when annual incentive fund plan deliberated and approved by general meeting to 6 moths after director, supervisor and senior executives resigned	Implementing
Commitments of not to reducing the shares	Sichuan Changhong Electric Co., LTD and persons acting	1. Based on market conditions and as allowed by laws and rules, multiple measures were adopted adequately to increase shareholding of Meiling Appliances, so as to demonstrate its firm confidence on the PRC economy and Meiling Appliances with its actual actions, maintain sound development of capital market and promote recovery of healthy market;	2015-7-9	Valid for long term	Strictly implemented

	in concert Changhong (Hong Kong) Trading Company Limited		2. The Company continued to support operation and development of listed company. It is committed to bringing steady and real return to investors.			
			3. Sichuan Changhong has committed that Sichuan Changhong and its persons acting in concert - Changhong (Hong Kong) Trading Co., Ltd. shall not reduce holdings of "Meiling" and "Anhui Meiling B" within six months since January 18, 2016, if the holdings of "Meiling" and "Anhui Meiling B" increase due to Meiling bonus issue or share capital increased by transferring, the company will still abide by the above commitment. To violate the above commitment, all gains by reducing holdings will belong to Meiling.	2016-1-18	2016-7-18	Implemented
Commitment made during the non-public offer in 2016	Sichuan Changhong		Shares are not transfer within thirty-six (36) months since end of the private placement	2016-3-6	14 October 2016 to 14 October 2019	Implementing
	Directors and senior executives of the Company	Commitment on compensation of immediate dilution of return arising from non-public issuance of shares	1. I hereby undertake not to deliver interests to other entities or individuals without consideration or at unfair conditions, nor to prejudice the Company's interests by other means.	2016-2-23	Till the completion of projects invested with the proceeds from this non-public issuance of shares	Implementing
			2. I hereby undertake to restrain my role related consumption behaviors.			
			3. I hereby undertake not to conduct any investment and consumption which is not related to performance of duties with utilization of any company assets.			
			4. I hereby undertake that the remuneration system determined by the board of directors or the remuneration and examination committee be linked to implementation of the compensation of return measures.			

			5. In case that the Company adopts share based incentive plan in future, I hereby undertake that the exercise conditions of the incentive plan to be announced by the Company be linked to implementation of the compensation of return measures.			
			6. For the period from the date of this commitment to the date of completion of this non-public issuance of shares, if the CSRC makes other new regulatory requirements on compensation of return measures and the commitment thereof, and in case that the above commitments cannot satisfy these new requirements from the CSRC, I hereby undertake to issue supplementary commitment in compliance with the latest CSRC requirements.			
			As one of the principals responsible for compensation of return measures, I, in case of break of the above commitments or refuse to perform the above commitments, agree to receive relevant punishment or to adopt relevant administration measures according to the systems, rules and regulations of the CSRC and Shenzhen Stock Exchange.			
	The Company	1. Promise to truly, accurately, completely, fairly and timely publish periodic reports, disclose all information that has significant impacts on the investors, and accept the supervision and management of China Securities Regulatory Commission and the Shenzhen Stock Exchange.		2016-10-12	Valid for long term	Strictly implemented
		2. Make commitments that the Company will publicly clarify in time after knowing any information on any public communications media				

		that may cause misleading influence on the stock price 3. The Company's directors, supervisors and senior executives will listen carefully to the opinions and criticisms of the public and never use any acquired inside information and other improper means to directly or indirectly engage in the trading activities of the Company's stock.			
	Six issuing object except Sichuan Changhong	Promise that the restricted period of 2016 non-public offering of A shares of Meiling subscribed this time is 12 months.	2016-9-9	2016-10-14 to 2017-10-14	Implementing
Perform the commitment promptly or not	√ Yes □ No				
If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan	Non-applicable				

Note: for the commitments completed and exemption for implementing in above mentioned table, the Company will not disclose in next ordinary report

(II) Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

□ Applicable √ Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

□ Applicable √ Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

Disclosure date for specific approval opinion on fund occupation from CPA	2017-3-30
Disclosure index for specific approval opinion on fund occupation from CPA	Juchao website: www.cninfo.com.cn--Special explanation of non-operating capital occupation and other related capital transactions in Hefei Meiling Co., Ltd. in 2016.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for "Qualified Opinion" that issued by CPA

□ Applicable √ Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

□ Applicable √ Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

VII. Major accounting errors within reporting period that needs retrospective restatement

□ Applicable √ Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year's financial report; explain changes in consolidation statement's scope

√Applicable □ Not applicable

The consolidated financial statements of the Company cover 50 subsidiaries, including Sichuan Changhong Air Conditioning Co., Ltd., Zhongshan Changhong Electric Co., Ltd., Zhongke Meiling Cryogenic Technology Co., Ltd. and Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred to as "Ridian Company"). Compared with the previous year, during the reporting period, three subsidiaries are newly included in the consolidated financial statements, thereinto, include Ridian Company in the Company's consolidated financial statements due to the completion of industrial and commercial registration of changes for stock right assigning after bidding 98.856% stock rights of Ridian Company. At the same time, according to the relevant provisions of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, the company made a restatement to the beginning balance of the consolidated financial statements and the number at the same period of last year, the resolution of the 15th meeting of the company's 8th Board of Directors passed and agreed the company to invest and build Changmei Science and Technology Co., Ltd., the registered capital is RMB 50 million Yuan , which has completed the industrial and commercial registration in April 2016, and has been included in the Company's consolidated statements; the resolution of the 19th meeting of the company's 8th Board of Directors passed and agreed the subsidiaries Zhongshan Changhong and Sichuan Changhong Air Conditioning Co., Ltd. to jointly set up a subsidiary named "CHANGHONG MEILING ELECTRIC INDONESIA.PT " in Indonesia, with registered capital of US 6 million dollars, which has completed the industrial and commercial registration in August 2016, and has been included in the Company's consolidated statements.

In addition, during the reporting period, two subsidiaries Luohe Meiling Electric Marketing Co., Ltd. and Bengbu Meiling Electric Marketing Co., Ltd. were no longer included in the consolidated financial statements due to the liquidation and write-off. The subsidiary Hefei Meiling Packaging Product Co., Ltd. was no longer included in the consolidated financial statements due to the public listing for transfer.

More details can be seen in the report "VII. Changes in the scope of the merger" and "VIII. Interests in other entities" of "Section XI Financial Report"

IX. Appointment and non-reappointment (dismissal) of CPA

(I) Accounting firm appointed

Name of domestic accounting firm	Shine Wing Certified Public Accountants (LLP)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	110
Continuous life of auditing service for domestic accounting firm	8-year
Name of domestic CPA	He Yong, Xia Cuiqiong
Name of foreign accounting firm (if applicable)	N/A
Remuneration for foreign accounting firm (10 thousand Yuan) (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A

(II) Re-appointed accounting firms in this period

□Yes √No

(III) Appointment of internal control auditing accounting firm, financial consultant or sponsor

√ Applicable □Not applicable

In reporting period, Shine wing Certified Public Accountants (LLP) was appointed as audit institute of internal control for the Company, auditing charge for internal control amounting as RMB 250,000.

In reporting period, the Company carrying private placement of shares, and appointed Shenwan Hongyuan Securities Underwriting Sponsor Co., Ltd. as the sponsor institution and lead underwriter of the placement. During the offering period, totally expenses 28 million Yuan including underwriting fee and sponsor fee.

X. Particular about suspended and delisting after annual report disclosed

□ Applicable √ Not applicable

XI. Bankruptcy reorganization

□ Applicable √ Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitrations of the Company

□ Applicable √Not applicable

(I) No significant lawsuits or arbitrations occurred in the reporting period

(II) Some other significant lawsuits and arbitrations in the reporting period

To maintain the independence and integrity of "Meiling" trademark and trade name, the company has launched a series of litigation and arbitration related to "Meiling" trademark, please see 2014 first quarter report, 2014 semi-annual report, the 2014 annual report disclosed respectively on April 19, 2014, August 12, 2014, and March 26, 2014 for the relevant progress. Up to now, Hefei Meiling Household Appliances Co., Ltd., Hefei Meiling Environmental Protection Equipment Technology Co., Ltd., Hefei Meiling Purifying Equipment Technology Co., Ltd., Hefei Meiling Electrical Appliances Co., Ltd., Hefei Meiling Cabinet Electrical Appliance Co., Ltd., Hefei Meiling Vehicle Industry Co., Ltd., Hefei Meiling Intelligent Technology Co., Ltd. (former Hefei Meiling Telecommunication Technology Co., Ltd., the company changed its corporate name to Hefei Meiling Intelligent Technology Co., Ltd. on their owned, we are pursue its legal responsibility through legal proceedings) have had no right to use "Meiling" trademark.

At present, only the kitchen ventilator, cooker, water heater, water purifiers and household electrical appliances manufactured and sold by the Company and its wholly-owned subsidiary - Guangdong Changhong Ridian Technology Co., Ltd. are the company's regular products, any other small household appliances using same or similar trademark as our company or using the trade name similar to the Company’s name are the Company’s products. In view of the infringement to the Company’s trademark and trade name, false propaganda and unfair competition in the market, the Company has carried out many ways including administrative reports, criminal investigation and civil litigation to fight against infringement and counterfeiting behavior in the whole country.

XIII. Penalty and rectification

☐ Applicable √ Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

☐ Applicable √ Not applicable

During the reporting period, the Company and the controlling shareholders and the actual controllers have had good reputation, and there is no large amount due unliquidated debt sentenced by the court.

XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

√ Applicable ☐ Not applicable

Implementation for annual performance incentive fund

On August 9, 2012 and August 28, 2012, the Company considers the adoption of "Hefei Meiling annual performance incentive fund implementation plan" (hereinafter referred to as "" stimulus "") on the 16th meeting of the 7th board of directors and the 2012-second provisional shareholders meeting. Details were disclosed on information disclosure media appointed by the Company as "Securities Times", "Chinese Securities Daily", "Hong Kong Commercial Daily" and the Juchao network (www.cninfo.com.cn) on August 10, 2012 and August 29th in the form of announcement (No.: 2012-028, No.:2012-035).

1. Implementation about 2012, 2013 and 2014 performance incentive fund provision and distribution plan

See details in "Implementation of the company's annual incentive fund" in "XV Implementation of the company's stock incentive plan, employee stock ownership plan, or other employee incentive measures" in "Section V Significant Events" of the company's "2015 Annual Report" disclosed on March 25, 2016.

Up to the end of this reporting period, the company's stock purchased by some 2012 annual performance incentive objects (non-directors, supervisors and senior management) with their granted 2012 annual performance incentive funds and own funds has been fully desterilized, the company's stock purchased by some 2013 annual performance incentive objects (non-directors, supervisors and senior management) with their granted 2013 annual performance incentive funds and own funds has been desterilized by 50% for term of holding for two years, see below for the overall reducing holding-shares of some above-mentioned incentive objects; if the stock holding period of the company's stock purchased by 2014 annual performance incentive objects with their granted 2014 annual performance incentive funds and own funds is less than two years, the purchased stock of all incentive objects should be locked according to the commitments. Among the incentive objects, the current directors, supervisors and senior management have not reduced the Company's shares purchased by implementing 2012, 2013, and 2014 annual performance incentive plans.

2. Shareholding and reducing of performance incentive objects of the Company

Ended as 31 December 2016, shares hold by all incentive objects amounting to 10,161,379 shares, a 0.973 % in total share capital of the Company, including 8,828,247 A-share, a 0.845% in total share capital and 1,333,132 B-share, a 0.128% in total share capital of the Company. Ended as 31 December 2016, other grantees of the 2012 and 2013 incentive plan (not being directors, supervisors and senior management) have reduced holding of 3,244,577 in aggregate, accounting for about 0.31% of the total share capital, since September 2014 to the end of the reporting period, including reduced holding of 151,123 in the reporting period, accounting for about 0.01% of the total share capital.

XVI. Major related transaction

(I) Related transaction with routine operation concerned

√ Applicable □Not applicabl

(1) Related transaction with routine operation concerned

Serial	Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price (in 10 thousand Yuan)	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions (%)	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
1	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Commodity purchased	Electric melting, resistors, integrated circuit accessory, color masterbatch	Marketing price	14,456.41	14,456.41	1.48%	100,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
2	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Commodity purchased	Sunstroke supplies	Marketing price	0.37	0.37	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
3	Huayi Compress	Other enterprise control under the	Commodity	Compressor etc.	Marketing price	44,592.84	44,592.84	4.57%	70,000	No	Spot exchange,	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)

	or Co., Ltd.	same controlling shareholder and ultimate controller	purchased								Bank acceptance			No.:2016-027,2016-028,2016-030,2016-046
4	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Plastic products etc.	Marketing price	42,763.92	42,763.92	4.38%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
5	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Door shell, baseboard etc.	Marketing price	21,372.67	21,372.67	2.19%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
6	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Packing case, printed matter etc.	Marketing price	5,862.38	5,862.38	0.60%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
7	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Balck and white material	Marketing price	179.34	179.34	0.02%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
8	Sichuan Changhong Precision Electronic	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Printed board components etc.	Marketing price	770.77	770.77	0.08%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	s Tech. Co., Ltd.													
9	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Power supply, battery	Marketing price	6.69	6.69	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
10	081 Electronic Group	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Transformer etc.	Marketing price	278.61	278.61	0.03%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
11	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Foam pieces etc.	Marketing price	865.98	865.98	0.09%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
12	Sichuan Hongyu Metal Manufacture Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Radiator	Marketing price	55.98	55.98	0.01%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
13	Sichuan Changhong	Other enterprise control under the same controlling	Commodity purchas	Hand piece	Marketing price	468.62	468.62	0.05%	100,000	No	Spot exchange, Bank	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016

	Intelligent Manufacturing Technology Co., Ltd.	shareholder and ultimate controller	ed								acceptance			-030,2016-046
14	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Printed board, remote control and transformer	Marketing price	684.44	684.44	0.07%	100,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
15	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Sheet metal parts, plastic parts etc.	Marketing price	5,019.64	5,019.64	0.51%	15,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
16	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	DC power supply etc.	Marketing price	342.66	342.66	0.04%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
17	Sichuan Changhong Lighting Technology Co.,Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Light lamp, lamp tube etc.	Marketing price	0.57	0.57	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

18	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Advertising materials, plant etc.	Marketing price	13.77	13.77	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
19	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Electronic products	Marketing price	2.56	2.56	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
20	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Auxiliary parts	Marketing price	3.68	3.68	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
21	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Air conditioner	Marketing price	23.04	23.04	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
22	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Three pack accessories	Marketing price	1.67	1.67	0.00%	100,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

23	Sichuan Changhong Electronic Products Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Printed boards, transformers, etc.	Marketing price	3,485.14	3,485.14	0.36%	100,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
24	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Software	Marketing price	5.09	5.09	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
25	Sichuan Changhong Property Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Commodity purchased	Bonsai	Marketing price	0.04	0.04	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
26	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Accept the services	Information system services, marketing fees, repair fees, shared service fees	Marketing price	2,063.55	2,063.55	1.51%	5,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
27	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Transportation, storage, loading and unloading	Marketing price	43,875.55	43,875.55	32.11%	65,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

28	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	maintenance fee etc.	Marketing price	5.56	5.56	0.00%	5,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
29	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	After-sales maintenance fee etc.	Marketing price	11,989.08	11,989.08	8.77%	20,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
30	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Software usage fee	Marketing price	30.38	30.38	0.02%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
31	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Security service charge	Marketing price	77.48	77.48	0.06%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
32	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Maintenance fee, business activity fee	Marketing price	18.82	18.82	0.01%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

33	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Business activity fee	Marketing price	18.12	18.12	0.01%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
34	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Sales expense	Marketing price	9.75	9.75	0.01%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
35	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Accept the services	Employee physical examination	Marketing price	11.34	11.34	0.01%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
36	Sichuan Changhong International Travel Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Plane ticket	Marketing price	11.99	11.99	0.01%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
37	Sichuan Changhong Property Service	Other enterprise control under the same controlling shareholder and	Accept the services	Engineering maintenance cost	Marketing price	0.67	0.67	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Co., Ltd.	ultimate controller												
38	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Maintenance cost	Marketing price	2.84	2.84	0.00%	5,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
39	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	Laboratory technical service fee	Marketing price	23.58	23.58	0.02%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
40	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept the services	After-sale service	Marketing price	0.25	0.25	0.00%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
41	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Accept fuel and power	Water, electricity and gas fee	Marketing price	1,658.98	1,658.98	0.17%	100,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
42	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and	Accept fuel and power	Compressed air fee	Marketing price	48.05	48.05	0.00%	100	No	Spot exchange, Bank acceptanc	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

		ultimate controller									e			
43	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept fuel and power	Water, electricity and compressed air fee	Marketing price	153.20	153.20	0.02%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
44	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept fuel and power	Water and electricity fee	Marketing price	1.15	1.15	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
45	Hefei Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Accept fuel and power	Electricity fee	Marketing price	24.26	24.26	0.00%	100,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
46	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Accept fuel and power	Water and electricity fee	Marketing price	1.02	1.02	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
47	Sichuan Changhong	Other enterprise control under the	Accept fuel and	Water and electricity	Marketing price	4.51	4.51	0.00%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)

	g Property Service Co., Ltd.	same controlling shareholder and ultimate controller	power	fee										No.:2016-027,2016-028,2016-030,2016-046
48	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	108,928.79	108,928.79	8.70%	350,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
49	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	338.20	338.20	0.03%	10,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
50	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Door shell, bottom plate, etc.	Marketing price	4,693.13	4,693.13	0.37%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
51	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Color Masterbatch, plastic particle	Marketing price	13,701.81	13,701.81	1.09%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
52	Lejiayi Chain Managem	Other enterprise control under the same controlling	Sales of goods	Refrigerator, washing machine	Marketing price	365.25	365.25	0.03%	350,000	No	Spot exchange, Bank	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016

	ent Co., Ltd.	shareholder and ultimate controller									acceptance			-030,2016-046
53	PT.CHANGHONGELECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air conditioning maintenance spare parts	Marketing price	2.60	2.60	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
54	CHANGHONG(HK)TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator, air conditioner	Marketing price	45,103.46	45,103.46	3.60%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
55	CHANGHONGELECTRIC(AUSTRALIA)	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator	Marketing price	13.92	13.92	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
56	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	DC power supply etc.	Marketing price	9.76	9.76	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
57	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator, air conditioner	Marketing price	87.20	87.20	0.01%	350,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

58	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Maintenance parts	Marketing price	724.69	724.69	0.06%	350,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
59	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Waste materials	Marketing price	949.01	949.01	0.08%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
60	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Packing box	Marketing price	255.71	255.71	0.02%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
61	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	17.25	17.25	0.00%	10,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
62	Sichuan Zhiyijia Network Technology Co.,	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Refrigerator, air conditioner, washing machine	Marketing price	143,292.46	143,292.46	11.44%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Ltd.													
63	Sichuan Changhong Property Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	3.95	3.95	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
64	Anhui Xinhao Plasma Display Panel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Small home appliances	Marketing price	5.13	5.13	0.00%	10,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
65	Sichuan Changhong Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	1.57	1.57	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
66	Chengdu Changhong Electronic Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	1.55	1.55	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
67	Sichuan Changhong	Other enterprise control under the same controlling	Sales of goods	Food	Marketing price	0.31	0.31	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016

	Intelligent Health Technology Co., Ltd.	shareholder and ultimate controller											-030,2016-046
68	Sichuan Changhong Property Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	4.89	4.89	0.00%	10,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
69	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Small home appliances	Marketing price	0.14	0.14	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
70	Sichuan Huanyu Industrial Co. Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	1.42	1.42	0.00%	10,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
71	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Sheet metal parts, plastic parts, etc.	Marketing price	75.91	75.91	0.01%	10,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
72	Sichuan Changhon	Other enterprise control under the	Sales of goods	Food	Marketing price	4.32	4.32	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn)

	g Intelligent Manufacturing Technology Co., Ltd.	same controlling shareholder and ultimate controller											No.:2016-027,2016-028,2016-030,2016-046
73	Mianyang Technology Town Big Data Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	0.06	0.06	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
74	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	1.91	1.91	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
75	Sichuan Changhong Electronic Products Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Food	Marketing price	8.74	8.74	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
76	Sichuan Changhong Group Finance	Other enterprise control under the same controlling shareholder and	Sales of goods	Food	Marketing price	0.25	0.25	0.00%	10,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Co., Ltd.	ultimate controller											
77	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	16.92	16.92	0.00%	350,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
78	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	33.31	33.31	0.00%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
79	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner components	Marketing price	5.34	5.34	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
80	Sichuan Changhong Education Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of goods	Air-conditioner	Marketing price	0.31	0.31	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
81	Guangdong Changhong Electronic	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	95.61	95.61	0.01%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	s Co., Ltd.													
82	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	6.87	6.87	0.00%	350,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
83	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	46.33	46.33	0.00%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
84	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	9.64	9.64	0.00%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
85	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Providing fuel and power	Water and electricity fee	Marketing price	485.62	485.62	0.04%	350,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
86	Sichuan Hongwei Technology Co.,	Other enterprise control under the same controlling shareholder and	Providing fuel and power	Water and electricity fee	Marketing price	0.79	0.79	0.00%	350,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Ltd.	ultimate controller												
87	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Rental of warehouse rental, forklift, two living area	Marketing price	58.31	58.31	0.35%	3,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
88	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Storage lease, workshop	Marketing price	132.08	132.08	0.79%	3,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
89	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Warehouse rental, forklift	Marketing price	1.37	1.37	0.01%	10,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
90	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Part of the office rental, warehousing lease	Marketing price	118.24	118.24	0.71%	3,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
91	Sichuan Service Exp. Appliance	Other enterprise control under the same controlling shareholder and	Rent to the related party	Apartment	Marketing price	21.90	21.90	0.13%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Service Chain Co., Ltd.	ultimate controller												
92	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Apartment	Marketing price	44.87	44.87	0.27%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
93	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Rent to the related party	Apartment	Marketing price	6.86	6.86	0.04%	3,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
94	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Apartment	Marketing price	6.40	6.40	0.04%	3,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
95	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Cargo lift	Marketing price	6.37	6.37	0.04%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
96	Guangdong Changhong	Other enterprise control under the same controlling shareholder and	Rent to the related party	Part of the office rental	Marketing price	147.44	147.44	0.88%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

	Electronics Co., Ltd.	ultimate controller												
97	Shenzhen Yijia'en Technology Co. Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Two living area	Marketing price	1.81	1.81	0.01%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
98	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Two living area	Marketing price	0.50	0.50	0.00%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
99	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Warehousing fee	Marketing price	0.42	0.42	0.00%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
100	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent to the related party	Workshop lease	Marketing price	82.37	82.37	0.49%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
101	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Rent from the related party	Plant and office	Marketing price	907.78	907.78	5.43%	3,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

102	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Rent from the related party	Shops	Marketing price	8.98	8.98	0.05%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
103	Beijing Changhong Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent from the related party	Office leasing	Marketing price	8.91	8.91	0.05%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
104	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Rent from the related party	The staff dormitory	Marketing price	52.53	52.53	0.31%	3,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
105	Sichuan Hongcheng Construction Engineering Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets	Plant construction	Marketing price	590.96	590.96	3.42%	15,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046

106	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Purchase of fixed assets	Video conference equipment and computer	Marketing price	22.14	22.14	0.13%	5,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
107	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets and intangible assets	Information system, etc.	Marketing price	40.21	40.21	0.23%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
108	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets	Laboratory apparatus and computer equipment	Marketing price	137.49	137.49	0.80%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
109	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Purchase of fixed assets	Production line transformation	Marketing price	205.38	205.38	1.19%	5,000	No	Spot exchange, Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
110	Sichuan Changhong Jijia	Other enterprise control under the same controlling	Purchase of fixed	Central control cabinet	Marketing price	1.79	1.79	0.01%	5,000	No	Bank acceptance	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016

	Fine Co., Ltd.	shareholder and ultimate controller	assets											-030,2016-046
111	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Sales of fixed assets	Waste material	Marketing price	3.11	3.11	0.12%	5,000	No	Spot exchange	--	2016-3-25, 2016-5-5	Juchao Website(www.cninfo.com.cn) No.:2016-027,2016-028,2016-030,2016-046
Total				--		-	523, 189. 36	-	-	-	--	--	--	--
Detail of sales return with major amount involved				Not applicable										
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period (if applicable)				1. It is estimated that the related transaction amount resulted by purchasing goods (including door shell and plastic products etc.) and accepting fuel and power from Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 1000 million at most (tax-excluded), actually RMB 931, 650, 100 yuan occurred in reporting period (tax-excluded).										
				2. It is estimated that the related transaction amount resulted by purchasing goods (including compressor purchased etc.) from Huayi Compressor and its subsidiary by the Company for year of 2016 was RMB 700 million at most (tax-excluded), actually RMB 445,928,400 yuan occurred in reporting period (tax-excluded).										
				3. It is estimated that the related transaction amount resulted by purchasing or selling equipment, software, maintenance and spare parts and molds etc. from Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 50 million at most (tax-excluded), actually RMB 10,010,800 yuan occurred in reporting period (tax-excluded).										
				4. It is estimated that the related transaction amount resulted by purchasing goods from and providing fuel and power to Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 3500 million at most (tax-excluded), actually RMB 3,188,510,800 yuan occurred in reporting period (tax-excluded).										
				5. It is estimated that the related transaction amount resulted by purchasing compressed air, accepting energy, power and service from Huayi Compressor and its subsidiary by the Company for year of 2016 was RMB 1 million at most (tax-excluded), actually RMB 480,500 yuan occurred in reporting period (tax-excluded).										
				6. It is estimated that the related transaction amount resulted by leasing business from Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 30 million at most (tax-excluded), actually RMB 15,967,900 yuan occurred in reporting period (tax-excluded).										
				7. It is estimated that the related transaction amount from domestic finished goods logistic business outsourcing and purchased compressor to Sichuan Changhong Minsheng Logistic Co., Ltd. by the Company for year of 2016 was RMB 650 million at most (tax-excluded), actually RMB 438,755,500 yuan occurred in reporting period (tax-excluded).										
				8. It is estimated that the related transaction amount from after sales service of domestic goods outsourcing to Sichuan Service Exp. Appliance Service Chain Co.,										

	Ltd. by the Company for year of 2016 was RMB 200 million at most (tax-excluded), actually RMB 119,890,800 yuan occurred in reporting period.
	9. It is estimated that the related transaction amount resulted by accepting other service and labor service etc. or providing other service and labor service etc. to Sichuan Changhong and its subsidiary by the Company for year of 2016 was RMB 50 million at most (tax-excluded), actually RMB 22,133,900 yuan occurred in reporting period (tax-excluded).
	10. It is estimated that the related transaction amount resulted by selling goods from Sichuan Changhong Electronics Group and its subsidiary by the Company for year of 2016 was RMB 100 million at most (tax-excluded), actually RMB 4,444,200 yuan occurred in reporting period.
	11. It is estimated that the related transaction amount resulted by purchasing goods and receiving labor services, fuel power, leasing and purchasing equipment etc. from Sichuan Changhong Electronics Group and its subsidiary by the Company for year of 2016 was RMB 150 million at most (tax-excluded), actually RMB 60,030,300 yuan occurred in reporting period.
Reasons for major differences between trading price and market reference price	Not applicable

(II)Related transactions with Finance Company

1. Related transactions about the "Financial Service Agreement" signed between the Company and Sichuan Changhong Group Finance Co., Ltd.

In order to expand the financing channels and reduce financing costs and financial costs, combining the good cooperation over the past three years, the company held the eighteenth meeting of the eighth board of directors on March 18, 2016 and the first extraordinary general meeting of 2016 on April 6, 2016 which deliberated and agreed the company and Sichuan Changhong Group Finance Co., Ltd. (hereinafter referred to as "Changhong Finance Company") to carry on financial services cooperation and sign a triennial "financial service agreement". Under the agreement, Changhong Finance Company would provide a series of financial services within the business scope in accordance with the requirements of the Company and its subsidiaries, including but not limited to deposit services, settlement services, loan services, bills discounting services, guarantees and other services approved by China Banking Regulatory Commission that a finance company can engage in.

In March 2017, the Company received the 2016 Annual Audit Report which was provided by Changhong Finance Company after being audited by ShineWing Certified Public Accountants (special general partnership) who possesses related business qualifications in securities and futures. The basic indicators of Changhong Finance Company in 2016 conform to the Enterprise Group Finance Company Management Measures issued by China Banking Regulatory Commission and the relevant provisions of the Shenzhen Stock Exchange, it has been specified in the company's "Risk disposal plan for loans and deposits financial services of Sichuan Changhong Group Finance Co., Ltd." that in some situations the risk disposal procedures need to be launched, and no such situation has occurred.

According to the provisions of "Information Disclosure Memorandum No. 2 – transactions and related transactions" of Shenzhen Stock Exchange, the company carries out the loans and deposits and other related services according to the "Financial Services Agreement" signed with Changhong Finance Company, and continues to complete the risk management of loans and deposits services with Changhong Finance Company, regularly makes special risk assessments and issues risk assessment reports, and implements the obligation of information disclosure in accordance with relevant regulations. On March 19, April 7, July 29,& October 18 2016, the company has disclosed the detailed information on the appointed information disclosure media, including "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in the form of announcement (No. 2016-020, No. 2016-021, No. 2016-022, No. 2016-037), "Risk continuous assessment report about Sichuan Changhong Group Finance Co., Ltd.", and on the company's 2015 annual report, the first quarter report of 2016, the semi-annual report of 2016 and the third quarter report of 2016.

2. Related transactions between the Company and Changhong Finance Company

Up to 31 December 2016, the Company and its subsidiaries has opened financial business as savings, note drawing and notes discounted with Changhong Finance Company. The Company and its subordinate company owns 1,908,842,163.20 Yuan savings in Changhong Finance Company, takes 25.69% of the deposit taking balance in Changhong Finance Company without 30% occupied, balance of notes drawing was 544,374,441.19 Yuan and balance of notes discounted as RMB 565,252,574.29 Yuan. More details are:

In RMB

Name	Balance at year-begin	Increase in the year	Decrease in the year	Balance at year-end	Interest and commission charge received or paid
I. Savings in Changhong Group Finance Company	1,260,081,706.55	20,157,897,324.19	19,509,136,867.54	1,908,842,163.20	58,234,199.95
II. Borrowings from Changhong Group Finance Company					
1.Short-term loans	-	-	-	-	-
2.Long-term loans	-	-	-	-	-
III. Other financial business					
1.notes drawing	733,001,248.18	1,701,833,720.48	1,890,460,527.47	544,374,441.19	-
2.notes discounted	236,410,328.55	1,226,847,207.83	898,004,962.09	565,252,574.29	12,054,811.69

Note: The Company purchases Guangdong Changhong Ridian Technology Co., Ltd. (“Changhong RIdian”) in early of 2016, the above table including the financial business of savings and notes arising from related transactions between Changhong Ridian and Changhong Finance Company.

According to the regulations of "Information Disclosure Memorandum No. 2 - Transactions and Connected Transactions" of Shenzhen Stock Exchange, Shine Wing Certified Public Accountants (special general partnership) provided "Special instructions on deposits, loans and other financial business that Hefei Meiling Co., Ltd. involved in related transactions of financial company of in 2016" to state the deposits, loans, and other financial business that the company developed with Changhong Finance Company during the reporting period, and disclosed at www.cninfo.com.cn on March 30, 2017.

(III) Related transactions by assets acquisition and sold

√ Applicable ☐Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Book value of transferred assets (in 10	Assessed valuation value of transferred assets	Market fair value (in 10 thousa	Transfer price (in 10 thous	Clearing form for related transaction	Transaction gains and losses (in 10	Date of disclosure

					thousand Yuan)	(in 10 thousand Yuan) (if applicable)	nd Yuan) (if applicable)	and Yuan)		thousand Yuan)	
Sichuan Changhong Electric Co., LTD, Sichuan Changhong Innovation Investment Co., Ltd.	The controlling shareholder and its subordinate subsidiary	Equity bidding	Bidding the 98.856% equity of Guangdong Changhong Ridian Technology Co., Ltd. (including 88.916% equity of Changhong Ridian directly held by Sichuan Changhong and 9.940% equity of Changhong Ridian geld by subsidiary of Sichuan Changhong –Sichuan Changhong Innovation Investment Co., Ltd.)	Public bidding	8,984.68	9,563.93	9,565	Cash	--	2015-12-19, 2015-12-24, 2016-1-5, 2016-2-4	Juchao Website (www.cninfo.com.cn) No.: 2015-061, No.: 2015-062, No.: 2015-066, No.: 2015-067, No.: 2016-008
Reasons for major differences between transfer price and book value or assessed valuation value (if applicable)					Not applicable						
The impact on the Company's operating results and financial situation					Improved the home appliance industry chain and production line, constructed self-owned kitchen and toilet products platform as well as small appliances. Achieved operation revenue of 495.0753 million Yuan and net profit of 17.2645 million Yuan in 2016						
As for the relevant trading with performance agreement involved, actual performance of the Period					Not applicable						

(IV) Material related transaction of jointly foreign investment

☐ Applicable √ Not applicable

The Company has no material related transaction of jointly foreign investment occurred in reporting period-end.

(IV) Connect of related liability and debt

√ Applicable ☐Not applicable

Whether has non-operational contact of related liability and debts or not

□ Yes √ No

No non-operational contact of related liability or debts in Period

1. Claim receivable from related party:

Serial	Related party	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
1	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related credit	No	258.76	108,935.65	109,032.83	-	-	161.58
2	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related credit	No	220.92	338.2	521.5	-	-	37.62
3	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	285.98	-	152.5	-	-	133.47
4	Anhui Xinhao Plasma Display Panel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	64.5	5.13	63.33	-	-	6.3
5	Yibing Hongxing Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	105.8	-	91.09	-	-	14.72
6	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	77.29	77.29	-	-	-

7	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	17.25	17.25	-	-	-
8	Sichuan Huanyu Industrial Co. Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	1.42	1.42	-	-	-
9	Sichuan Changhong Group Finance Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.25	0.25	-	-	-
10	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	20.75	14,319.50	14,243.73	-	-	96.52
11	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	32.58	365.25	397.83	-	-	-
12	Hefei Changhong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	149.21	300.58	449.79	-	-	-
13	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	26.38	16.92	9.82	-	-	33.48
14	Sichuan Changhong	Other enterprise control under	Operational	No	0.08	33.73	33.37	-	-	0.44

	Package Printing Co., Ltd.	the same controlling shareholder and ultimate controller	contact of related credit							
15	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.55	4,761.08	4,761.63	-	-	-
16	Sichuan Changhong Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	5.12	1.57	6.69	-	-	-
17	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.9	26.25	0	-	-	27.15
18	PT.CHANGHONGEL ECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	21.24	2.6	21.14	-	-	2.7
19	CHANGHONG(HK)T RADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	13,321.47	45,103.46	52,370.77	-	-	6,054.16
20	CHANGHONGELECT RIC(AUSTRALIA)	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	14.48	0	-	-	14.48
21	Sichuan Changhong Property Co., Ltd.	Other enterprise control under the same controlling	Operational contact of	No	-	3.95	3.95	-	-	-

		shareholder and ultimate controller	related credit							
22	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.36	952.12	952.48	-	-	0
23	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	20	746.58	746.58	-	-	20
24	Chengdu Changhong Electronic Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	183.52	1.55	141.62	-	-	43.45
25	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	26,096.46	143,292.46	151,984.21	-	-	17,404.72
26	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	243.19	243.19	-	-	-
27	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	5.34	5.34	-	-	-
28	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate	Operational contact of related credit	No	8.03	212.31	220.34	-	-	-

		controller								
29	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	0.14	128.7	128.84	-	-	-
30	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	6.37	6.37	-	-	-
31	Sichuan Changhong Intelligent Health Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.31	0.31	-	-	-
32	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	25.47	0	-	-	25.47
33	Sichuan Changhong Electronic Products Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	8.74	8.74	-	-	-
34	Mianyang Technology Town Big Data Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.06	0.06	-	-	-
35	BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	1.91	1.91	-	-	-

36	Shenzhen Yijia'en Technology Co. Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	1.81	1.81	-	-	-
37	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	6.4	6.4	-	-	-
38	Sichuan Changhong Education Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.31	0.31	-	-	-
39	Sichuan Changhong Property Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	4.89	3.64	-	-	1.25
40	Sichuan Changhe Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related credit	No	-	0.2	0.2	-	-	-
Total				--	**40,822.75**	**319,963.28**	**336,708.53**	-	-	**24,077.51**
Influence on business performance and financial status of the Company from related liabilities				--						

2. Debts payable to related party

Serial	**Related party**	**Relationship**	**Causes**	**Balance at period-begin (10 thousand Yuan)**	**Current newly added (10**	**Current recovery (10 thousand Yuan)**	**Interest rate**	**Current interest (10 thousand**	**Balance at period-end (10 thousand**

					thousand Yuan)			**Yuan)**	**Yuan)**
1	Sichuan Changhong Electric Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related debt	3,639.39	19,108.86	17,238.04	-	-	5,510.20
2	Sichuan Changhong Electronics Holding Group Co., Ltd.	Controlling shareholder and ultimate controller	Operational contact of related debt	0.41	21.71	22.13	-	-	-
3	CHANGHONG(HK) TRADINGLIMITED	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	87.66	189.09	88.55	-	-	188.2
4	CHANGHONGELECTRICMIDDLEEAST FZE	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.16	3.57	0	-	-	3.73
5	Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	272.53	1,149.19	1,060.97	-	-	360.75
6	Guangdong Changhong Ridian Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	151.6	-	151.6	-	-	-
7	Huayi Compressor Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	14,024.94	44,640.89	53,085.21	-	-	5,580.63
8	Lejiayi Chain Management Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.09	55.89	0	-	-	55.98
9	081 Electronic Group Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	14.85	278.61	-36.95	-	-	330.41

10	Sichuan Zhiyijia Network Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	4.87	2.81	7.68	-	-	-
11	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	3.8	674	539.93	-	-	137.87
12	Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	43.88	986.57	865.79	-	-	164.66
13	Sichuan CCO Display Device Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.46	-	7.46	-	-	-
14	Sichuan Hongwei Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	503.74	338.99	-	-	164.75
15	Sichuan Hongyu Metal Manufacture Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.66	55.98	16.1	-	-	47.54
16	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,235.06	11,990.75	12,561.13	-	-	664.69
17	Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	386.57	5,862.38	5,085.70	-	-	1,163.25
18	Sichuan Changhong Power Source Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1.77	15.15	0	-	-	16.92

19	Sichuan Changhong Devices Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	285.7	684.44	145.69	-	-	824.45
20	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	36.01		6.65	-	-	29.36
21	Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	18.12	15.67	-	-	2.45
22	Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,854.53	21,374.46	18,096.14	-	-	5,132.86
23	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	47.44	773.61	597.85	-	-	223.2
24	Sichuan Changhong Minsheng Logistics Co., LTD	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,437.86	43,875.55	41,241.93	-	-	4,071.48
25	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	4,798.18	42,769.48	35,779.50	-	-	11,788.16
26	Sichuan Changhong Xinrui Technology Co., Ltd	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	1,809.92	5,019.64	3,696.10	-	-	3,133.45
27	Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	3.51	6.69	10.17	-	-	0.02
28	Sichuan Changhong Lighting Technology	Other enterprise control under the same controlling shareholder	Operational contact of	2.85	0.57	3.42	-	-	-

	Co.,Ltd.	and ultimate controller	related debt						
29	Beijing Changhong Science and Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	8.91	8.91	-	-	-
30	Sichuan Changhong Electronic System Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	7.7	-	-	-	-	7.7
31	Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	8.05	33.74	41.17	-	-	0.61
32	Sichuan Hongxin Software Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	75.68	75.68	-	-	-
33	Sichuan Huafeng Corp. Group	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	28.35	0	-	-	28.35
34	Sichuan Hongcheng Construction Engineering Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	590.96	590.96	-	-	-
35	Sichuan Changhong Electronic Products Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	3,485.14	3,480.14	-	-	5
36	Sichuan Changhong International Travel Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	11.99	10.49	-	-	1.5
37	Sichuan Changhong Property Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	0.71	0.71	-	-	0

38	Hefei Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	24.26	24.26	-	-	-
39	Sichuan Changhong Property Service Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	0.71	0.71	-	-	-
40	Sichuan Changhong Diandianbang Technology Co., Ltd.	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	-	0.03	0	-	-	0.03
41	PT.CHANGHONGELECTRICINDONESIA	Other enterprise control under the same controlling shareholder and ultimate controller	Operational contact of related debt	0.02		0.02	-	-	-
Total				**30,174.47**	**204,322.23**	**194,858.50**	**-**	**-**	**39,638.20**
Influence on business performance and financial status of the Company from related debts				--					

Note: the Company purchased Changhong Ridian at beginning of 2016, and it's a merger under the same control, the abovementioned has re-state the data at period-begin, including Changhong Ridian. For the above-mentioned statement, up to the Period-end, debts payable to related party from the Company and subordinate are amounting as 396,382,000 Yuan in total, the claim receivable from related party for the Company and subordinate amounting as 240,775,100 Yuan.

(V) Other related transactions

√ Applicable ☐Not applicable

The private placement of the Company (including issuing price and pricing principal, numbers issued and effective term of the resolution) was being deliberated and approved by the 17th session of the 8th BOD and 1st extraordinary shareholders general meeting of 2016 dated 6 March 2016 and 6 April 2016.

In view of the adjustment in aspect of the issuing price and pricing princile and numbers, the Resigning of Conditional Entry Subscription Agreement between the Company and Sichuan Changhong Electric Co., Ltd. was deliberaed and aprpoved by the 17th session of the 8th BOD and 1st extraordinary shareholders general meeting of 2016. The Company entered into a Conditional Entry Subscription Agreement with Sichuan Changhong on 6 March 2016, the Agreement has the same content with former agreement, except the clause of Princing Principle and Subscription price and Incorporation by Agreement.

Disclosure information for related transaction temporary disclosed

Temporary notice	Dated disclosed	Website for disclosure
2016-014: Resolution notice of 17th meeting of 8th session of the Board 2016-017: Notice of re-signing the "subscription agreement of privately placement with entry-into-force conditions" in relation to related transactions 2016-037: Resolution of the 1st extraordinary shareholders general meeting of 2016	7 March 2016 7 April 2016	Juchao Website: http://www.cninfo.com.cn

XVII. Significant contract and implementations

(I)Entrust, contract and leasing

1. Entrust

□ Applicable √ Not applicable

No entrust in Period.

2. Contract

□ Applicable √ Not applicable

No contract in Period.

3. Leasing

√ Applicable □Not applicable

(1) leasing

Operational leasing of the Company please found more details in “investment real estate”, “fixed assets”, “Lease of related party” and “Rent of related party” in Note of Financial Statement.

(2) Gains/losses to the Company from projects that reached over 10% in total profit of the Company in reporting period

□Applicable √ Not applicable

No gains or losses to the Company from projects that reached over 10% in total profit of the Company in reporting period.

(ii) Major guarantee

√ Applicable □Not applicable

1. Guarantee

During the reporting period, the guarantees that the company provides for its wholly-owned and holding subsidiaries are for the loans generated by supporting their production and operation, the guaranty type is assurance; the guarantees that the company and subsidiaries provide for the distributors are to provide joint liability guarantees for the high quality distributors conforming to certain conditions within the line of credit of designated banks, the E-bank acceptance bills opened under this line of credit are all used for the distributors to pay the purchase payment for goods to the Company and subsidiaries, aiming to promote the company’s channel business development, strengthen the good cooperative relationship between the company and the downstream distributors, and effectively stimulate the company and its subsidiaries’ sales growth.

Up to 31 December 2016, the company has granted credit to the guarantees of some wholly-owned and holding subsidiaries, in addition to the wholly-owned subsidiary Zhongshan Changhong, other subsidiaries have no actual guarantee; meanwhile, the company and its subsidiaries have granted credit to the guarantees of some high quality distributors, the balance of guarantees is within the line of credit. The external guarantees of the Company and subsidiaries are as follows:

In 10 thousand Yuan

Particulars about the external guarantee of the Company and subsidiaries (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Dealer of Hefei Meiling Co., Ltd.	Notice No.: 2016-068,No.: 2016-072 and No.: 2016-077 on 26 November 2016 and 14 December 2016	20,000	2016-3-11	1,459.09	Joint liability guaranty	1 year	No	No

Dealer of Sichuan Changhong Air-conditioner Co., Ltd.	Notice No.: 2016-068,No.: 2016-072 and No.: 2016-077 on 26 November 2016 and 14 December 2016	20,000	2016-1-15	433.9981	Joint liability guaranty	1 year	No	No
Total approving external guarantee in report period (A1)		40,000		Total actual occurred external guarantee in report period (A2)		1,893.0881		
Total approved external guarantee at the end of report period (A3)		40,000		Total actual balance of external guarantee at the end of report period (A4)		1,279.6881		
Guarantee between the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Zhongshan Changhong Electric Co., LTD	Notice No.: 2015-003,No.: 2015-007 and No.: 2015-015 on 26 March 2015 and 18 April 2015	55,000	2015-5-27	5,000（note 1）	Joint liability guaranty	1 year	Yes	No
			2015-3-30	8,000	Joint liability guaranty	1 year	Yes	No
			2015-12-29	15,000	Joint liability guaranty	1 year	Yes	No
			2015-12-30	17,000（note 2）	Joint liability guaranty	1 year	No	No
	Notice No.: 2016-027,No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	56,500	2016-8-5	5,000	Joint liability guaranty	1 year	No	No
			2016-10-28	5,000	Joint liability guaranty	1 year	No	No
Guangdong Changhong Ridian Technology Co., Ltd.	Notice No.: 2016-027,No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	8,500	2016-9-1	2,000	Joint liability guaranty	1 year	No	No
			2016-5-5	4,500	Joint liability guaranty	1 year	No	No

Zhongke Meiling Cryogenic Technology Co., Ltd.	Notice No.: 2016-027,No.: 2016-031 and No.: 2016-046 on 25 March 2016 and 5 May 2016	2,000	-	0	Joint liability guaranty	-	-	-
Total amount of approving guarantee for subsidiaries in report period (B1)		67,000		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		61,500		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		67,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		33,500		
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
--	--	--	--	--	--	--	--	--
Total amount of approving guarantee for subsidiaries in report period (C1)		--		Total amount of actual occurred guarantee for subsidiaries in report period (C2)		--		
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		--		Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)		--		
Total amount of guarantee of the Company(total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		107,000		Total amount of actual occurred guarantee in report period (A2+B2+C2)		63,393.0881		
Total amount of approved guarantee at the end of report period (A3+B3+C3)		107,000		Total balance of actual guarantee at the end of report period (A4+B4+C4)		34,779.6881		
Ratio of actrual guarantee (A4+B4+C4) in net assets of the Company				6. 83%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(D)				0				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)				27,000				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)				0				
Total amount of the aforesaid three guarantees(D+E+F)				27,000				
Explanations on possibly bearing joint and several liquidating responsibilities for				--				

undue guarantees (if applicable)	
Explanations on external guarantee against regulated procedures (if applicable)	

Note 1: The guarantee business of Zhongshan Changhong signed the agreement on 27 May 2015, the implementation time is : 29 September 2015 to 29 September 2016.

Note 2: The guarantee business of Zhongshan Changhong signed the agreement on 30 December 2015, the implementation time is : 1 January 2016 to 31 December 2016.

The above guarantees are all wholly-owned and holding subsidiaries of the Company. Production and operation of these wholly-owned and holding subsidiaries was normal with no overdue unpaid loans and guarantee risk is controllable. During the reporting period, the highest level of security the Company provided amounted to 670 million Yuan by the approval, the actual amount of guarantee is 615 million Yuan. The highest level of security the Company and subsidiaries provided outside amounted to 400 million Yuan by the approval, the actual amount of guarantee is 18.930881 million Yuan. At the end of the reporting period, the practical guarantee balance amounted to 347.796881 million Yuan, accounting for the Company’s latest net assets ratio of 6.83%.

Explanation on guarantee with composite way

□Applicable √Not applicable

2. Guarantee outside against the regulation

□Applicable √Not applicable

No guarantee outside against the regulation in Period.

(III) Entrust others to cash asset management

1. Trust financing

√Applicable □Not applicable

In 10 thousand Yuan

Name	Whether related trade or not	Type	Trust financing amount	Start date	End date	Criteria for fixing reward	Principal actually collected in the Period	Amount of reserve for devaluation of withdrawing (if applicable)	Anticipated income	Actual gains/losses in period	Actual collected gains/losses in period
Anhui Branch of Bank of Communication Co., Ltd.	N	Floating proceeds products	50,000.00	2015-10-20	2016-1-19	3.9% annual yield	50,000.00		486.16	498.63	498.63
Heifei Changjiang East Road Branch of ICBC	N	Floating proceeds products	10,000.00	2016-12-15	2017-4-6	4.3% annual yield	-		131.95	-	-
Sichuan Trust Co., Ltd.	N	Income of entrust products transfer	35,520.00	2016-12-28	2017-12-5	6.6% annual yield	-		2,196.60	-	-
Hefei Barnch of BEA	N	Floating proceeds products	3,000.00	2016-12-30	2017-3-30	3.65% annual yield	-		27.00	-	-
Anhui Branch of CBC	N	Floating proceeds products	20,000.00	2016-12-20	2017-3-20	4.00% annual yield	-		197.26		
Hefei Branch of Huaxia Bank Co., Ltd.	N	Floating proceeds products	30,000.00	2016-12-21	2017-6-22	4.15% annual yield	-		624.21	-	-

Anhui Branch of Bank of Communication Co., Ltd.	N	Guaranteed income	20,000.00	2016-12-23	2017-3-24	3.5% annual yield	-		174.52		
Hefei Branch of Huaxia Bank Co., Ltd.	N	Floating proceeds products	20,000.00	2016-12-28	2017-6-29	4.15% annual yield	-		416.14		
Total			188,520.00	--	--	--	50,000.00		4,253.84	498.63	--
Capital resource			Own funds 985.2 million Yuan; raised fund 900 million Yuan								
Principal uncollected for overdue and accumulated earnings			0								
Lawsuit involved (if applicable)			Not applicable								
Disclosure date for approval from the Board for trust financing (if applicable)			18 October 2016 and 26 November 2016								
Disclosure date for approval from board of shareholders for trust financing (if applicable)			2016-12-14								
Whether has trust financing plan in future			Y								

2. Entrust loans

□Applicable√Not applicable

No entrust loans in the period

(iv) Other material contracts

□Applicable√Not applicable

No other material contracts in the period

XVIII. Explanation on other significant events

1. Fulfill the precise social responsibility for poverty alleviation

□Applicable √ Not applicable

2. Performance of precise poverty alleviation social responsibility

The listed Company and its subsidiary whether belongs to the key sewage units released from enviornmetnal protection department

□Yes √No □Not applicable

Issued social responsibility report

□Yes √No

XIX. Explanation on other significant events

√ Applicable □Not applicable

(i) being deliberated and approved on the 18th session of 8th BOD and First Extraordinary shareholders meeting of 2016, the Company and subsidiary are agreed to carry forward foreign exchange fund trading business during 1 July 2016 to 30 July 2017, with balance up to US$ 500 million, delibery period for single business will not last for 2-year. Found more in the Notice (No.: 2016-020, No.: 2016-022 and No.: 2016-037) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) dated 19 March 2016 and 7 April 2016.

(ii) The resolution of the 19th meeting of the 8th Board of Directors of the company passed and agreed the company to apply for a special credit line of bank notes pool with a maximum of 300 million Yuan to China Merchants Bank Co., Ltd. Hefei Branch, and the credit term was one year, the credit variety was mainly used in bank notes pool special business, and adopted bill pledge. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-027, No. 2016-034) on March 25, 2016.

(iii) On June 2, 2016, the company held the news conference on "intelligent space control the future - Meiling intelligent home eco-circle plan and CHiQ second generation new product". At this press conference, the company launched the "intelligent home eco-circle" plan, and released the human-centered CHiQ second-generation refrigerator that can realize space intelligent changes according to food needs, and CHiQ intelligent air steward that can automatically change air. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-050) on June 3, 2016.

(iv) With the approval of “Reply to approve the non-public offering shares of Hefei Meiling

Co., Ltd.” ("CSRC License No.[2016]1396") of China Securities Regulatory, as the company has successfully issued non-public offering of 280,858,676 shares of RMB ordinary shares (A shares) to 7 specific investors that conform to the related provisions and conditions, including Sichuan Changhong Electric Co., Ltd. After the completion of this offering, the company’s registered capital increases from 736,739,205 Yuan to 1,044,597,881 Yuan.

According to the authorization of the company’s second extraordinary general meeting in 2015 to the Board of Directors, the resolution of the 26th meeting of the 8th Board of Directors of the company passed and agreed the company to increase the company’s registered capital and correspondingly revise some terms of the "Articles of Association" on the basis of the actual results of this non-public offering of shares according to the relevant laws, regulations and regulatory documents. Details have been disclosed on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-062, No. 2016-066) on October 18, 2016. The company has disclosed the full text of revised "Articles of Association of Hefei Meiling Co., Ltd." at www.cninfo.com.cn on the same day.

(v) The resolutions of the 26th meeting of the 8th Board of Directors of the company and the second extraordinary general meeting in 2016 passed and agreed the company to use its own temporarily idle funds of less than 2 billion Yuan (the amount can be scrolled to use) to invest and purchase steady finance products with time limit within one year from the financial institutions (banks, securities companies, trust companies, etc.) with high security, good liquidity, and low risk in the premise of ensuring the fund demands for day-to-day management and operations and effectively controlling the investment risks, and the investment period is one year (from the date the deliberation of the company’s stockholders' meeting passed). The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-062, No. 2016-067, and No. 2016- 077) on October 18, 2016 and December 14, 2016.

(vi) The resolutions of the 27th meeting of the 8th Board of Directors of the company and the second extraordinary general meeting in 2016 passed and agreed the company and the subsidiary Changhong Air Conditioning to continue to provide joint liability guarantee within the credit line of designated banks for qualified suppliers satisfying certain conditions on condition that the risks are controllable. The e-bank acceptance opened in this credit line should all be used by dealers to pay the purchase payment to the Company and the subsidiaries; the total amount of guarantee should not exceed 400 million Yuan , of which the guarantee amount of the company to dealers shall not exceed 200 million Yuan , the guarantee amount of Changhong Air Conditioning to its dealers should be no more than 200 million Yuan , it is subject to the guarantee contract signed by the bank, and the guarantee period is one year. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068, No. 2016-072, and No. 2016- 077) on November 26, 2016 and December 14, 2016.

(vii) The resolutions of the 27th meeting of the 8th Board of Directors of the company and the second extraordinary general meeting in 2016 passed and agreed the company to apply for registration of issuing ultra-short- term financing bonds of no more than 2 billion Yuan (including 2 billion Yuan) to National Association of Financial Market Institutional Investors through financial institutions so as to further expand the financing channels and reduce the financing costs, and adjust the financing structure to meet the company's production and operation and investment needs. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068, No. 2016-073, No. 2016-077) on November 26, 2016 and December 14, 2016.

XX. Major event of the subsidiary

√ Applicable □Not applicable

According to the resolution of the tenth meeting of the eighth board of directors held on August 28, 2015, the company's board of directors agreed the subsidiary - Zhongke Meiling Cryogenics Co., Ltd. to start the restructuring and set up the limited liability company, and apply for the listing in the National Equities Exchange and Quotations after the overall restructuring. After being audited and approved by National Equities Exchange and Quotations Co., Ltd., Zhongke Meiling has been listed in National Equities Exchange and Quotations on February 24, 2016, the security is referred to as "Zhongke Meiling", and the stock code is "835892."

In order to support the development of Zhongke Meiling, establish and improve its long-term incentive mechanism, supplement the working capital needed for its development, enhance its stock trading activity and promote the sustainable development of its business operation, the resolution of the 24th meeting of the 8th Board of Directors of the company passed and the company's Board of Directors agreed Zhongke Meiling to issue no more than 3,150,000 shares (including 3,150,000 shares) to its senior management and core staff, the issuing objects should subscribe in cash, at the same time, the Company would give up the pre-emption right of this share issuance on equal conditions. The issue price was intended to be 1.63 Yuan / share on the basis of the net assets assessed value of Zhongke Meiling up to June 30, 2016, and should issue no more than 3,150,000 shares (including 3,150,000 shares) to its senior management and core staff, the amount of financing should not exceed 5,134,500 Yuan (including 5,134,500 Yuan).

Up to now, Zhongke Meiling has successfully completed this private placement work to the management and core staff, and completed the industrial and commercial change registration work. Zhongke Meiling finally issued 315 million shares to its senior management and core employees, with the financing amount of 5,134,500 Yuan. After the completion of this introduction of Zhongke Meiling, the Company's shareholding ratio in Zhongke Meiling shall reduce from 70% to 66.7645%. Zhongke Meiling will still be the holding subsidiary of the Company and still included in the consolidated financial statements of the Company.

Found more in the Notice (No.: 2015-038, No.: 2015-039, No.: 2015-041, No.:2015-050, No.:2016-006, No.:2016-013, No.: 2016-055 and No.: 2016-056) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website dated 29 August 2015, 16 September 2016, 3 November 2015 and 30 January 2016, 24 February 2016 and 21 September. Meanwhile, more of the share issuance of Zhongke Meiling can be found in the (www.neeq.com.cn) NEEQ(National Equities Exchange and Quotatitions) for reference.

(ii) The resolutions of the 19th meeting of the 8th Board of Directors of the company passed and agreed the subsidiary Zhongshan Changhong Electric Co., Ltd. (hereinafter referred to as

"Zhongshan Changhong") and its partner UAE RUBAGENERALTRADINGFZE company to jointly increase capital in cash according to the existing shareholding ratio to the joint venture sales company - Changhong Ruba Trading Company (Private) Limited which was invested and established by both sides in Pakistan at an earlier stage, the total amount of capital increase is US$ 6.4 million dollars. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-027, No. 2016-032) on March 25, 2016.

(iii) The resolutions of the 19th meeting of the 8th Board of Directors of the company passed and agreed the subsidiary Zhongshan Changhong and Sichuan Changhong Air Conditioning Co., Ltd. to jointly invest and establish the subsidiaryCHANGHONG MEILING ELECTRIC INDONESIA.PT in Indonesia, with the registered capital of US$ 6 million dollars. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-027, No. 2016-032) on March 25, 2016.

(iv) The resolutions of the 23rd meeting of the 8th Board of Directors of the company passed and agreed the company to transfer its 99% stock rights in Mianyang Meiling Software Technology Co., Ltd. (hereinafter referred to as "Meiling Software") to its wholly-owned subsidiary Sichuan Changhong Air Conditioning Co., Ltd. (hereinafter referred to as "Changhong Air Conditioning"), the equity transferring price is based on the net assets value of Meiling Software up to June 30, 2016, and the equity transferring price is 5,798,619.62 Yuan after confirmed by both sides. After this transferring, the Company’s wholly-owned subsidiary Changhong Air Conditioning and Mianyang Meiling Refrigeration shall totally hold 100% stock rights in Meiling Software. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-052) on July 29, 2016.

(v) In order to optimize the company's resource allocation and divest the assets uncorrelated to the company’s main business and having low operating efficiency and losses, the resolutions of the 26th meeting of the 8th Board of Directors of the company passed and agreed the company to publicly transfer its 100% stock rights (thereinto, the company directly holds 48.26% stock rights of Meiling Packaging, and indirectly holds 51.74% stock rights of Meiling Packaging via the wholly-owned subsidiary Heifei Meiling Group Holdings Co., Ltd.) in the subsidiary Heifei Meiling Packaging Products Co., Ltd. (Hereinafter referred to as "Meiling Packaging") at Southwest United Equity Exchange, the listed price of stock right should be no less than estimated value of 23,218,900 Yuan of all rights and interests of shareholders in Meiling Packaging(assessment date is July 31, 2016). On December 28, 2016, according to the listing results, Hefei Qige Packaging Materials Co., Ltd. (hereinafter referred to as "Qige Packaging") has the intention transferee qualification and is eventually transferred the aforementioned stock rights with 23,880,000 Yuan .

On 19 January 2017, the equity transfer completed its changes in industry and commerce bureau, after ownership transfer, no shares of Hefei Meiling Package Products Co., Ltd. are held by the Company.

Found more in the Notice (No.: 2016-062, No.: 2016-065, No.: 2016-075 and No.: 2016-081) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website dated 18 October 201

(vi) The resolutions of the 27th meeting of the 8th Board of Directors of the company passed and agreed the company's subsidiary HongYuan Earth Energy Heat Pump Technology Co., Ltd. (Hereinafter referred to as the "Heat Pump Company") to set up HongYuan Earth Energy Heat Pump Technology Co., Ltd. Guangdong Branch (tentative name, ultimately subject to the industrial and commercial registration) in Nantou Town, Zhongshan City, Guangdong Province, and take this subsidiary as the project implementation subject, invest 14,972,000 Yuan to build product base for earth energy heat pump products to promote the production capacity of Heat Pump Company and effectively meet the market demands. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068) on November 26, 2016.

(vii) The resolutions of the 27th meeting of the 8th Board of Directors of the company passed and agreed the company's subsidiary Zhongshan Changhong Electric Co., Ltd. (Hereinafter referred to as "Zhongshan Changhong") to invest one million Yuan to set up a wholly-owned trading-type subsidiary Zhongshan Changhong Trading Co., Ltd. (tentative name, ultimately subject to the industrial and commercial registration) to engage in product import and export trading business. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068) on November 26, 2016.

(viii) The resolutions of the 27th meeting of the 8th Board of Directors of the company passed and agreed the company's subsidiary Guangdong Changhong Ridian Technology Co., Ltd. (Hereinafter referred to as "Ridian Company") to invest RMB 1 million Yuan in Zhongshan, Guangdong to set up a wholly-owned trading-type subsidiary Zhongshan Hongling Trading Co., Ltd. (tentative name, ultimately subject to the industrial and commercial registration) to engage in product import and export trading business. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068) on November 26, 2016.

(ix) The resolutions of the 27th meeting of the 8th Board of Directors of the company passed and agreed the company's subsidiary Sichuan Changhong Air Conditioning Co., Ltd. (Hereinafter referred to as "Changhong Air Conditioning ") to invest about 22,886,000 Yuan to make technical transformation of capacity expansion. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068) on November 26, 2016.

(x) As the original leasing plant of the company's subsidiary Mianyang Meiling Refrigeration Co., Ltd. (hereinafter referred to as "Mianyang Meiling") has been collected and stored by the government, the resolutions of the 27th meeting of the 8th Board of Directors of the company passed and agreed Mianyang Meiling to rent plant for removal and invest 52,920,000 Yuan (excluding rental costs) to build a new environmentally friendly energy-saving refrigerator production line expansion project. After going into operation, the project will form the production capacity of 800,000 new environmentally friendly energy-saving refrigerators. The company has disclosed the details on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn in forms of announcement (No. 2016-068) on November 26, 2016.

(xi) In order to ensure the orderly promotion of "Intelligent Life" project which is one of the company's non-public offering funds investment projects in 2016, the resolution of the 15th meeting of the 8th Board of Directors of the company passed and agreed the company to invest and build Changmei Science and Technology Co., Ltd. (hereinafter referred to as "Changmei Technology"), its registered capital is 50 million Yuan , of which the Company plans to invest 45 million Yuan in cash, accounting for 90% of the registered capital, the management team of Changmei Technology invests 5 million Yuan in cash, accounting for 10% of the registered capital. The Company and Changmei Technology management team shall respectively pay 40% of the amount of the subscribed capital within 30 days from the date of the establishment of the new company, and the remaining amount shall be paid within 3 years from the date of establishment of the new company. Due to the job transfer of some non-core staff in Changmei Technology resulting in the corresponding subscribed capital unpaid, in order to ensure the smooth implementation of the company's investment project, the resolution of the 27th meeting of the company's 8th board of directors passed and agreed the company to transfer the subscribed capital unpaid by some non-core staff in Changmei Technology by its own funds, i.e. 2.64% stock rights of Changmei Technology (1.32 million Yuan in total). After this transfer of stock rights, the company's subscribed capital becomes 46.32 million Yuan, accounting for 92.64% of the stock rights, the management team totally pays subscribed capital of 3.68 million Yuan , accounting for 7.36% of the stock rights.

Found more in the Notice (No.: 2016-002 and No.: 2016-068) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website dated 8 January 2016 and 26 November .

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

(I) Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	9,965,170	1.30%	280,858,676	0	0	-522,100	280,336,576	290,301,746	27.79%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person's shares	915,987	0.12%	69,877,638	0	0	0	69,877,638	70,793,625	6.78%
3. Other domestic shares	8,049,334	1.05%	210,981,038	0	0	-522,100	210,458,938	218,508,272	20.92%
Including: Domestic legal person's shares	4,839,035	0.63%	210,981,038	0	0	0	210,981,038	215,820,073	20.66%
Domestic natural person's shares	3,210,299	0.42%	0	0	0	-522,100	-522,100	2,688,199	0.26%
4. Foreign shares	999,849	0.13%	0	0	0	0	0	999,849	0.09%
Including: Foreign legal person's shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person's shares	999,849	0.13%	0	0	0	0	0	999,849	0.09%
II. Unrestricted shares	753,774,035	98.70%	0	0	0	522,100	522,100	754,296,135	72.21%
1. RMB Ordinary shares	591,909,884	77.50%	0	0	0	522,100	522,100	592,431,984	56.71%
2. Domestically listed foreign shares	161,864,151	21.20%	0	0	0	0	0	161,864,151	15.50%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	763,739,205	100.00%	280,858,676	0	0	0	280,858,676	1,044,597,881	100.00%

(II) Reasons for share changed

√ Applicable □ Not applicable

1. In reporting period, after six months since former senior executive Mr. Deng Xiaohui leaved, the shares of Mr. Deng 522,100 shares are release for trading.

2. Being approved by the Reply on Private Placement of Hefei Meiling Co., Ltd. (CSRC XK [2016] No.1396) issued from CSRC, the Company completed the private placement of 2016 in the Period. According to the placement results, 280,858,676 shares (A-stock) issued privately to 7 investors with price of 5.59 Yuan/Share, which have restricted for trading.

(III) Approval of share changed

√Applicable □Not applicable

Being approved by the Reply on Private Placement of Hefei Meiling Co., Ltd. (CSRC XK [2016] No.1396) issued from CSRC, the Company successfully offering 280,858,676 shares (A-stock) to 7 qualified investors, including Sichuan Changhong Electric Co., Ltd., with price of 5.59 Yuan/Share.

(IV) Ownership transfer of share changed

□Applicable √Not applicable

(V) Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

□ Applicable √ Not applicable

(VI) Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

□ Applicable √ Not applicable

(VII) Changes of restricted shares

√ Applicable □ Not applicable

In Share

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
Deng Xiaohui	522,100	522,100	0	0	Share lockup in senior executives	On 6 August 2015, he is no longer the deputy president of the Company because of occupation mobility meanwhile; lift the restricted 6 months after demission. other restricted conditions found more in “III. Implementation of commitments” in “Section V. Important Event”
Sichuan Changhong Electric Co., Ltd.	0	0	69,877,638	69,877,638	Lock up for private placement	2019-10-15
Ping An Bank – Ping An UOB Dingtai Fexible Mix Stock Investment Fund Ping An Bank Co., Ltd.-	0	0	12,522,361	12,522,361	Lock up for private placement	2017-10-15
Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd.	0	0	12,522,361	12,522,361	Lock up for private placement	2017-10-15
Collective fund trust scheme Golden Ergle- SPD-U Trust-U Trust JinYue No.4 Collected Asset Trust Plan	0	0	23,613,595	23,613,595	Lock up for private placement	2017-10-15
National Social Security Funds-504	0	0	9,838,998	9,838,998	Lock up for private placement	2017-10-15
Harvest Fund- Ping An Bank- Huaxia Asset Management Co., Ltd.	0	0	9,838,998	9,838,998	Lock up for private placement	2017-10-15
Harvest Fund－ABC－ABC-CA Fund Management (Shanghai) Co., Ltd.	0	0	8,050,089	8,050,089	Lock up for private placement	2017-10-15

Harvest Fund－Industrial Bank－Shanghai Xinghan Asset Management Co., Ltd.	0	0	8,050,090	8,050,090	Lock up for private placement	2017-10-15
Ping An Annuity Insurance Company of China, Ltd. – Ping An Pension Ruifu private placement No.1 Assest Management Products	0	0	23,613,595	23,613,595	Lock up for private placement	2017-10-15
Rongtong Fund－Guangzhou Rural Commercial bank －Wanlian Securiteis Co., Ltd.	0	0	5,879,549	5,879,549	Lock up for private placement	2017-10-15
Rongtong Fund－Ningbo Bank －Universal Trust Co., Ltd.	0	0	293,977	293,977	Lock up for private placement	2017-10-15
Rongtong Fund－CBC－Rongtong Rongyi No. 1 private placementserial special (multiple) clients Asset Management Plan	0	0	940,729	940,729	Lock up for private placement	2017-10-15
Rongtong Fund－CBC－Rongtong Rongyi No. 2 private placement serial special (multiple) clients Asset Management Plan	0	0	235,181	235,181	Lock up for private placement	2017-10-15
Rongtong Fund－CBC－Rongtong Rongyi No. 3 private placementserial special (multiple) clients Asset Management Plan	0	0	411,569	411,569	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－China Foreign Economic Relations and Trade Trust －Foreign Trade Trust ·Hengsheng Private Placement Investment Collective fund trust scheme	0	0	3,577,817	3,577,817	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementZengliNo.13 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－China Construction Investment Trust－Yongquan No.25（Caitongprivate placement No.1）Collective fund trust scheme	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Yueda Jiquan private placement No.3 Asset Management Plan	0	0	322,003	322,003	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－FuchunYuantong private placement No.6 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.8 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.12 Asset Management Plan	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Caitongprivate placement No.16 Asset Management Plan	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.13 Asset Management Plan	0	0	5,366,726	5,366,726	Lock up for private placement	2017-10-15

Caitong Fund－ICBC－Fuchunprivate placement No.1033 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.17 Asset Management Plan	0	0	2,862,254	2,862,254	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.18 Asset Management Plan	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placementBoli No.21 Asset Management Plan	0	0	4,472,272	4,472,272	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－private placementEverbright ZengyiNo.1 Asset Management Plan	0	0	1,431,127	1,431,127	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No.1028 Asset Management Plan	0	0	178,891	178,891	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No.1101 Asset Management Plan	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Hengzeng Xinxiang No.8 Asset Management Plan	0	0	393,560	393,560	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No.729 Asset Management Plan	0	0	447,227	447,227	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Shanghai Chamrich Equity Investment Fund Management Co., Ltd.	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchun Huarong Safety Pad No.1 Asset Management Plan	0	0	322,004	322,004	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Caizhi private placement No.11 Asset Management Plan	0	0	805,009	805,009	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Hengzeng Xinxiang No. 9 Asset Management Plan	0	0	822,898	822,898	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No. 1089 Asset Management Plan	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Selected Fortune VIP Zunxiang private placement No. 3 Asset Management Plan	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No. 1016 Asset Management Plan	0	0	447,227	447,227	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Hengzeng Xinxiang No. 10 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement Xixiang No.2 Asset Management Plan	0	0	411,449	411,449	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Beta private placement No.6 Asset Management Plan	0	0	268,336	268,336	Lock up for private placement	2017-10-15
Caitong Fund－ICBC－Fuchunprivate placement No.1017 Asset Management Plan	0	0	983,900	983,900	Lock up for private placement	2017-10-15

Caitong Fund—ICBC—Fuchunprivate placement No.1008 Asset Management Plan	0	0	447,227	447,227	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Xinruiprivate placement No.3 Asset Management Plan	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Fuchunprivate placement No.1009 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Shenzhen Fangwu Innovation Asset Management Co., Ltd.	0	0	715,563	715,563	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Fuchunprivate placement No.1018 Asset Management Plan	0	0	608,229	608,229	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Fuchun Shanxi private placement No.1 Asset Management Plan	0	0	411,449	411,449	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Shenzhen Pusu Capital Management Co., Ltd.	0	0	2,146,690	2,146,690	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Hai Tan private placement No.1 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Yongan Futures Co., Ltd.	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund—ICBC—Fuchunprivate placement No. 1015 Asset Management Plan	0	0	876,565	876,565	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Soochow Securities Co., Ltd.	0	0	8,944,544	8,944,544	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Zhang ZHongyi	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Shanghai Tongsheng Asset Management Co., Ltd.	0	0	715,563	715,563	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Caitong Fund—Fuchunprivate placement No.693 Asset Management Plan	0	0	715,563	715,563	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Shenzhen UBS Jingao Investment Management Co., Ltd.	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—Caitong Fund—Everbright Fuzunhui Zunping No. 1 Asset Management Plan	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—QiJuprivate placement No.2 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund—Everbright Bank—QiJu private placement No.3 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15

Caitong Fund－Everbright Bank－QiJu private placement No. 4 Asset Management Plan	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－Everbright Bank－Bohai Securities Co., Ltd.	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund－Everbright Bank－Caitong Fund－JinXIu private placement No.1 Asset Management Plan	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－Everbright Bank－Beijing ZRTDX Investment Management Co., Ltd.	0	0	3,577,817	3,577,817	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Tongan Investment Management Co., Ltd.	0	0	536,673	536,673	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－China Securities Co., Ltd.	0	0	5,366,726	5,366,726	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Tongan Investment Management Co., Ltd.	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Tongan Investment Management Co., Ltd.	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Tongan Investment Management Co., Ltd.	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Fortune Securities Co., Ltd.	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Tongan Investment Management Co., Ltd.	0	0	626,118	626,118	Lock up for private placement	2017-10-15
Caitong Fund－Ping An Bank－Shanghai Goldstate Brilliance Asset Management Co., Ltd.	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－Industrial Bank－Caitong Fund－Fuchun Jinhui Ruihe No. 5 Asset Management Plan	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－CBC－Youzeng No. 5 Asset Management Plan	0	0	805,009	805,009	Lock up for private placement	2017-10-15
Caitong Fund－Shanghai Bank－Shanghai Kuake Youfu Enterprise Management Consulting Co., Ltd.	0	0	268,336	268,336	Lock up for private placement	2017-10-15
Caitong Fund－Shanghai Bank－Fuchunprivate placement Zengli No. 12 Asset Management Plan	0	0	3,577,817	3,577,817	Lock up for private placement	2017-10-15
Caitong Fund－Shanghai Bank－Zhejiang Hanglian Iron and Steel Co., Ltd.	0	0	894,454	894,454	Lock up for private placement	2017-10-15
Caitong Fund－Shanghai Bank－Fuchunprivate placement Huifu No. 1314 Asset	0	0	1,252,236	1,252,236	Lock up for private placement	2017-10-15

Management Plan						
Caitong Fund－SPD－Caitong Fund－Puhui No. 2 Asset Management Plan	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Caitong Fund－Ningbo Bank －Tibet Yuanlesheng Asset Management Co., Ltd.	0	0	357,782	357,782	Lock up for private placement	2017-10-15
Caitong Fund－Ningbo Bank －Fuchunprivate placement No. 916 Asset Management Plan	0	0	393,560	393,560	Lock up for private placement	2017-10-15
Caitong Fund－Ningbo Bank －Jiaxiuyi Shunxing No.1 Asset Management Plan	0	0	1,073,345	1,073,345	Lock up for private placement	2017-10-15
Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	0	0	10,733,452	10,733,452	Lock up for private placement	2017-10-15
Caitong Fund－Huatai Securities －Caitong Fund－Fuchun Selected private placement No.1 Asset Management Plan	0	0	1,788,909	1,788,909	Lock up for private placement	2017-10-15
Total	522,100	522,100	280,858,676	280,858,676	--	--

Note 1: In the above table, 6 months after Mr. Deng Xiaohui, a former senior executive of the company, left his post, the lockup to the company’s stock held by him should get expired. The company’s shares held by the remaining shareholders are the restricted shares subscribed from the company’s non-public offering of A shares in 2016, this non-public offering of shares includes seven issuing objects, a total of 85 subscribers, of which except that the controlling shareholder - Sichuan Changhong has directly involved in subscription of the company’s non-public offering of shares in 2016, the other six issuing objects (Ping An Dahua Fund Management Co., Ltd., Golden Eagle Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., Ping An Annuity Insurance Company of China, Ltd, Rongtong Fund Management Co., Ltd., Caitong Fund Management Co., Ltd.) has the total allocated products of 84 subscribers. See details on the (iii) Allocated products of issuing objects” in “XII Share subscription of issuing objects” in “Section II The issuing of new shares” of the” Issuing report and listing announcement summary on the non-public offering of shares of Hefei Meiling Co., Ltd.” (Announcement No. 2016-057) which the company has disclosed on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn on October 13, 2016.

Note 2: Except for the restricted shareholders listed in the above table, there was no change in shares of other restricted shareholders during the reporting period, the reason for the restriction was because of the legal commitment of the company's share reform or the lockup share of senior executives.

II. Security offering and listing

(I) Security offering in reporting period (Not including preferred stock)

√Applicable □Not applicable

Stock and derivative securities	Issuing date	Issue price (interest rate)	Circulation figures	Listing date	Approved trading volume	Date of termination
Stock						
A-Share	2016-10-13	5.59	280,858,676	2016-10-14	280,858,676	-
Convertible bond, warrant bond and corporate bond						
N/A						
Other derivative securities						
N/A						

Security offering in reporting period (Not including preferred stock)

Approved by China Securities Regulatory Commission "Reply to the non-public offering of shares of Hefei Meiling Co., Ltd" (CSRC License No. 2096) No. 1396), the company has issued 280,858,676 shares of RMB common stock (A shares) to 7 specified objects including the controlling shareholder Sichuan Changhong through the non-public offering of shares on October 13, 2016, the issue price is 5.59 Yuan / share, the raised funds amount to 1,569,999,998.84 Yuan , after deducting the issue costs (including tax) of 29,267,276.08 Yuan , the net amount of raised funds is 1,540,732,722.76 Yuan . The new shares of the company's non-public offering have been listed on October 14, 2016.

(II) Explanation on changes of total shares, shareholders structure and assets & liability structures

√Applicable □Not applicable

The Company completed the private placement of 2016 in the Period, shares of the Company up to 1,044,597,881 shares from 763,739,205 shares. Meanwhile, Sichuan Changhong-the controlling shareholder subscribed 24.88% of the issued shares. After this private placement, Sichuan Changhong still is the controlling shareholder of the Company without any controlling rights changed.

The private placement of the Company has 1,540,732,722.76 Yuan raised funds, based on the static benchmark of the financial data on 30 June 2016, after placement, total assets of the Company raised to RMB 13,296,708,172.69 Yuan with 13.11% up; owner' equity attributable to shareholder of parent company raised to RMB 4,982,134,513.34 Yuan with 44.77% up; the asset-liability ratio (merge aperture) downs to 62.05% with 8.13% declined.

(III) Current shares held by internal staffs

□ Applicable √ Not applicable

III. Particulars about shareholder and actual controller of the Company

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

In Share

Total shareholders at end of the Period	59,595	Total common shareholders at end of last month before annual report disclosed	56,706	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable)	0

Particulars about shares held above 5% by shareholders or top 10 shares holding								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Sichuan Changhong Electric Co., Ltd.	State-owned legal person	22.47%	234,705,968	69,877,638	69,877,638	164,828,330	--	--
Hefei Industry Investment Holding (Group) Co., Ltd.	State-owned legal person	4.58%	47,823,401	0	0	47,823,401	--	--
Changhong Electric (Hong Kong) Trading Co., Ltd.	Foreign legal person	2.41%	25,165,823	0	0	25,165,823	--	--
Ping An Annuity Insurance Company of China, Ltd. – Ping An Pension Ruifu private placement No.1 Assest Management Products	Domestic non-State-owned legal person	2.26%	23,613,595	23,613,595	23,613,595	0	--	--
Golden Ergle- SPD-U Trust-U Trust JinYue No.4 Collected Asset Trust Plan	Domestic non-State-owned legal person	2.26%	23,613,595	23,613,595	23,613,595	0	--	--
CAO SHENGCHUN	Foreign nature	1.30%	13,542,207	0	0	13,542,207	--	--

	person							
Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd.	Domestic non-State-owned legal person	1.20%	12,522,361	12,522,361	12,522,361	0	--	--
Ping An Bank – Ping An UOB Dingtai Fexible Mix Stock Investment Fund	Domestic non-State-owned legal person	1.20%	12,522,361	12,522,361	12,522,361	0	--	--
Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	Domestic non-State-owned legal person	1.03%	10,733,452	10,733,452	10,733,452	0	--	--
National Social Security Funds-504	Domestic non-State-owned legal person	0.94%	9,838,998	9,838,998	9,838,998	0	--	--
Harvest Fund- Ping An Bank- Huaxia Asset Management Co., Ltd.	Domestic non-State-owned legal person	0.94%	9,838,998	9,838,998	9,838,998	0	--	--
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable)		Among the above shareholders, "Ping An Annuity Insurance Company of China, Ltd - Ping An Endowment Ruifu Dingzeng No.1 Asset Management Products" has subscribed the products managed by Ping An Annuity Insurance Company of China, Ltd in the Company's non-public offering of shares in 2016, and Ping An Annuity Insurance Company of China, Ltd holds 23,613,595 shares of the company' stock through this product; Golden Ergle- SPD-U Trust-U Trust JinYue No.4 Collected Asset Trust Plan " has subscribed the products managed by Golden Eagle Asset Management Co., Ltd. in the Company's non-public offering of shares in 2016, and Golden Eagle Asset Management Co., Ltd. holds 23,613,595 shares of the company' stock through this product; "Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd. " and "Ping An Bank – Ping An UOB Dingtai Fexible Mix Stock Investment Fund " have has subscribed the products managed by Ping An Dahua Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016, and Ping An Dahua Fund Management Co., Ltd. totally holds 25,044,722 shares of the company' stock through the above-mentioned two products; "Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) " has subscribed one of the products managed by Caitong Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016, and Caitong Fund Management Co., Ltd. totally holds 95,169,946 shares of the company' stock through this product and other products, 71 products in total; The "National Social Security Funds-504" and "Harvest Fund- Ping An Bank- Huaxia Asset						

	Management Co., Ltd." have subscribed the products managed by Harvest Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016, and Harvest Fund Management Co., Ltd. totally holds 35,778,175 shares of the company' stock through above-mentioned two product and other products, 4 products in total; See details on the (iii) Allocated products of issuing objects" in "XII Share subscription of issuing objects" in "Section II The issuing of new shares" of the "Issuing report and listing announcement summary on the non-public offering of shares of Hefei Meiling Co., Ltd." (Announcement No. 2016-057) which the company has disclosed on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn on October 13, 2016. The aforesaid shareholders make a commitment that the restricted stock trade period of the non-public offering of A shares they hold by subscribing from Meiling Electric in 2016 is twelve months. That is from October 14, 2016 to October 14, 2017.
Explanation on associated relationship among the aforesaid shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., Changhong (Hong Kong) Trade Co., Ltd. and other top 8 shareholders; and top ten shareholders with unrestricted subscription; " Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd. " and " Ping An Bank – Ping An UOB Dingtai Fexible Mix Stock Investment Fund " have subscribed the products managed by Ping An Dahua Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016; "“National Social Security Funds-504 ”和“Harvest Fund-Ping An Bank- Huaxia Asset Management Co., Ltd. ” have subscribed the products managed by Harvest Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016. The company neither knows whether there is any association among other shareholders, nor knows whether other shareholders belong to the persons acting in concert that is stipulated in the “Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies”.

Particular about top ten shareholders with un-restrict shares held

Shareholders' name	Amount of unrestricted shares held at end of Period	Type of shares	
		Type	Amount
Sichuan Changhong Electric Co., Ltd.	164,828,330	RMB ordinary shares	164,828,330
Hefei Industry Investment Holding (Group) Co., Ltd.	47,823,401	RMB ordinary shares	47,823,401
Changhong Electric (Hong Kong) Trading Co., Ltd.	25,165,823	Domestically listed foreign shares	25,165,823
CAO SHENGCHUN	13,542,207	Domestically listed foreign shares	13,542,207
China Securities Finance Corporation Limited	4,399,500	RMB ordinary shares	4,399,500

NORGES BANK	4,216,432	Domestically listed foreign shares	4,216,432
China Construction Bank CO., Ltd. –Yinhua China Dream 30 Stock Securities Investment Fund	4,125,878	RMB ordinary shares	4,125,878
ICBC- Jianxin Selected Mix Stock Investment Fund	3,526,985	RMB ordinary shares	3,526,985
Long Qifang	3,294,937	Domestically listed foreign shares	3,294,937
Bank of China Limited – Taida Hongli Reform Motivation Quantization Strategy Flexible Mix Stock Investment Fund	3,195,600	RMB ordinary shares	3,195,600
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., Changhong (Hong Kong) and other top 8 shareholders; and top ten shareholders with unrestricted subscription; as the Company has not known whether there exists any business relationship among the other shareholders with unrestricted subscription or they belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies.		
Explanation on top ten common shareholders involving margin business (if applicable)	Not applicable		

Note: In the above table, "the shareholding situation of the shareholders hold more than 5% of shares or the top ten shareholders" is subject to the data on stock transfer books provided by China Securities Depository and Clearing Corporation Limited Shenzhen Branch, during the reporting period, 7 issuing objects including Sichuan Changhong Electric Co., Ltd. , Ping An Dahua Fund Management Co., Ltd., Golden Eagle Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., Ping An Endowment Insurance Co., Ltd., Rongtong Fund Management Co., Ltd., and Caitong Fund Management Co., Ltd. have subscribed the company’s non-public offering of shares in 2016, and these shares are all restricted shares. For the number of subscribed shares of the above-mentioned 7 issuing objects and the allocated products of other 6 issuing objects except for Sichuan Changhong, see details on the “Issuing report and listing announcement summary on the non-public offering of shares of Hefei Meiling Co., Ltd.” (Announcement No. 2016-057) which the company has disclosed on the designated information disclosure media "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and www.cninfo.com.cn on October 13, 2016.

The top ten ordinary shareholders of the company and the top 10 ordinary shareholders of unrestricted conditions have not made the repurchase transactions as agreed during the reporting period.

(II) Controlling shareholder of the Company

1. Nature of controlling shareholders: local state-owned holding

2. Type of controlling shareholders: legal person

Controlling shareholders' name	Legal rep./person in charge of unit	Dated founded	Organization code	Main business
Sichuan Changhong Electric Co., Ltd.	Zhao Yong	1933-4-8	91510700205412308D	Manufactures, sales and maintenance of household appliance, automotive electrical appliance, Electronic products and spare parts, communications equipments, lighting equipment, household products, computer and other Electronic equipments, specialized equipments of Electronic and Electronic, Electronic machinery and equipment, series products of batteries, Electronic medicine products, Electronic equipments, mechanical equipment , Refrigeration equipment and accessories digital monitoring products, metal products, apparatus and instruments, culture and office machines, culture and education and sports products, kitchen cabinet and gas appliance; house and equipment rental; packing products and technical services; road transportation; storage and discharging convey; R&D, sales and services of integrated circuit and software; consultancy and services of enterprise management; hi-tech project investment and other state-permitted business; development and operation of property; engineering construction for house and buildings; callback and disposal of obsolete appliance and Electronic products; services of Information Technology; consultancy and services of finance; sales, relevant import and export business of Chemical raw materials and products(Not contain dangerous chemicals), building materials, non-ferrous metal, Steel, plastics, packing material, mechanical and electrical equipment, Precious metals, Automotive components, Electronic components, agent service of telecommunication.
Equity controlling and jointly of other foreign/domestic listed company by controlling shareholder in reporting period	1. Ended as 31 December 2016, 28.81 percent equity of Huayi Compressor Co., Ltd. (stock code: 000404), the listed company in main board of SSE, were directly hold by Sichuan Changhong. 2. Up to 31 December 2016, 1,008,368,000 common shares of the Changhong Jiahua Holdings Limited (Stock code: 08016), the listed company in GEM of Hong Kong Stock Exchange, were held by Sichuan Changhong and its persons acting in concert, representing 69.3202 percent in total issued common shares of Changhua Jiahua Holding.			

3. Controlling shareholder changes in reporting period

□ Applicable √ Not applicable

Controlling shareholder stays the same in Period

(III) Actual controller of the Company

1. Nature of actual controller: local state-owned assets management

2. Type of actual controller: legal person

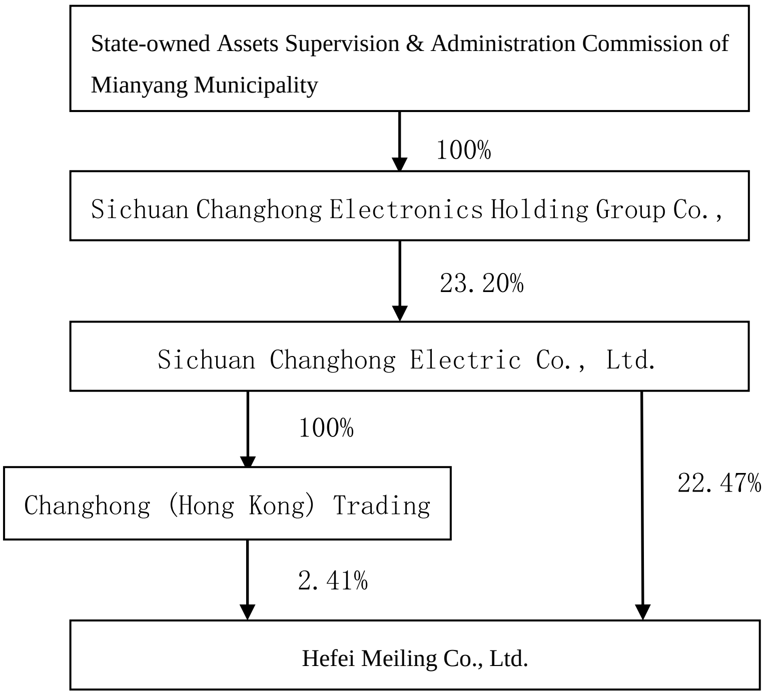
Actual controller	Legal rep./person in charge of unit	Dated founded	Organization code	Main business
State-owned Assets Supervision & Administration Commission of Mianyang Municipality	--	--	--	State-owned Assets Supervision & Administration Commission of Mianyang Municipality is entrusted by the same level government, together performs decision-making and management of state-owned asset owners, and is one organization which executes comprehensive management and supervision on its belonged state-owned assets.。
Equity controlling of other foreign/domestic listed company by actual controller in reporting period	Not applicable			

3. Changes of actual controller in Period

□ Applicable √Not applicable

Actual controller stays the same in Period

4. Property rights and the block diagram of the control relationship between the Company and the actual control



5. Actual controller controlling the Company by means of entrust or other assets management

□ Applicable √ Not applicable

(IV) Other legal person's shareholders with over ten percent shares held

□ Applicable √ Not applicable

(V)Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

√Applicable □Not applicable

During the reporting period, approved by China Securities Regulatory Commission's Reply to the approval of non-public offering of shares of Hefei Meiling Co., Ltd. (CSRC License No. [2016] 1396), the company has totally issued 280,858,676 shares of RMB ordinary shares (A shares) to 7 specified objects including the controlling shareholder Sichuan Changhong by non-public offering.

Among the 7 objects of this non-public offering, the company's controlling shareholder Sichuan Changhong Electric Co., Ltd. has promised the restricted stock trade period of this subscription is thirty-six months; and other 6 subscribing objects including Caitong Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., Ping An Dahua Fund Management Co., Ltd., Golden Eagle Fund Management Co., Ltd., Ping An Endowment Insurance Co., Ltd., and Rongtong Fund Management Co., Ltd. have promised the restricted stock trade period of this subscription is twelve months

Section VII. Preferred Stock

□ Applicable √ Not applicable

The Company had no preferred stock in the reporting.

Section VIII. Particular about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executive

Name	Title	Post status	Sex	Age	Office dated from	Office dated ended	Shares held at period-begin (Share)	Amount of shares increase in this period(Share)	Amount of shares decreased in this period (Share)	Other changes(Share)	Shares held at period-end (Share)
Liu Tibin	Chairman	Currently in office	M	54	2011-11-15	2017-7-3	0	0	0	0	0
Xu Bangjun	Deputy Chairman	Currently in office	M	52	2016-5-4	2017-7-3	0	0	0	0	0
Li Wei	Deputy Chairman, President	Currently in office	M	44	2011-6-20	2017-7-3	1,140,400	0	0	0	1,140,400
Kou Huameng	Director	Currently in office	M	47	2014-7-3	2017-7-3	0	0	0	0	0
Wu Dinggang	Director, Deputy Chairman	Currently in office	M	44	2014-7-3	2017-7-3	414,300	0	0	0	414,300
Gao Jian	Director	Currently in office	M	41	2014-7-3	2017-7-3	0	0	0	0	0
Fan Shengdao	Independent Director	Currently in office	M	50	2014-7-3	2017-7-3	0	0	0	0	0
Ren Jia	Independent Director	Currently in office	M	53	2014-7-3	2017-7-3	0	0	0	0	0
Lu Yingjin	Independent Director	Currently in office	M	52	2014-7-3	2017-7-3	0	0	0	0	0

Yu Wanchun	Chairman of Supervisory	Currently in office	M	46	2014-7-3	2017-7-3	263,300	0	0	0	263,300
Yu Xiao	Supervisor	Currently in office	M	48	2014-11-5	2017-7-3	0	0	0	0	0
Hu Jia	Supervisor	Currently in office	F	42	2013-6-6	2017-7-3	0	0	0	0	0
Deng Li	Staff Supervisor	Currently in office	M	34	2017-2-28	2017-7-3	0	0	0	0	0
Zhu Wenjie	Staff Supervisor	Currently in office	M	29	2015-4-8	2017-7-3	0	0	0	0	0
Liu Hongwei	Executive deputy president	Currently in office	M	53	2011-6-20	2017-7-3	1,333,132	0	0	0	1,333,132
Liao Tao	Deputy Chairman	Currently in office	M	46	2013-1-28	2017-7-3	548,866	0	0	0	548,866
Zhong Ming	Deputy Chairman	Currently in office	M	44	2013-12-30	2017-7-3	158,900	0	0	0	158,900
Zhang Xiaolong	Deputy Chairman and CFO	Currently in office	M	41	2013-4-18	2017-7-3	329,700	0	0	0	329,700
Li Xia	Secretary of the Board	Currently in office	F	36	2009-5-22	2017-7-3	459,100	0	0	0	459,100
Li Jin	Deputy chairman	Office leaving	M	49	2011-6-20	2016-1-20	0	0	0	0	0
Shang Wen	Staff supervisor	Office leaving	M	49	2011-6-20	2017-2-28	269,700	0	0	0	269,700
Total	--	--	--	--	--	--	4,917,398	0	0	0	4,917,398

II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Xu Bangjun	Director	Being elected	2016-5-4	Mr. Xu Bangjun elected as director of the

				Company after being deliberated and approved by the AGM of 2015
	Deputy chairman	Being elected	2016-5-4	Mr. Xu Bangjun elected as deputy chairman of the Company after being deliberated and approved by the 22nd session of 8th BOD
Li Wei	Deputy chairman	Being elected	2016-5-4	Mr. Li Wei elected as deputy chairman of the Company after being deliberated and approved by the 22nd session of 8th BOD
Deng Li	Staff Supervisor	Being elected	2017-2-28	Mr. Deng Li elected as staff supervisor of the Company after democratic election of the Workers' Conference
Li Jin	Director,Deputy chairman	Office leaving	2016-1-20	He applying for quit the director of the 8th BOD of the Company, deputy chairman, member of strategy committee and remuneration and evaluation committee of the Company due to personnel work changes
Shang Wen	Staff Supervisor	Office leaving	2017-2-28	Serves no staff supervisor of the Company due to personnal reasons

III. Post-holding

(I) Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present in latest five years

1. Liu Tibin, member of the Communist Party, born in January 1963, senior accountant, government subsidies specialist of the State Council, and he is the winner of National Labor Medal. He-a doctoral candidate, graduated from electronic industry and financial accounting major, department of industrial economy of Hangzhou Institute of Electronic and Technology. (Bachelor of Economics), was doctor student in the enterprise management major, department of business management, University of Electronic Science and Technology of China. He participated in the work in July 1984. He has served successively as the deputy GM, CFO, executive deputy GM and secretary of Party committee in Sichuan Changhong Electronic Co., Ltd.; General Accountant, deputy GM, secretary of Party committee and other post in Sichuan Changhong Electronic Group Co., Ltd.; recently he serve as the deputy chairman and member of the Party Committee of Sichuan Changhong Electronic Group Co., Ltd.; and the deputy chairman, GM and member of the Party Committee of Sichuan Changhong Electronic Co., Ltd. together as the Chairman of Huayi Compressor Co., Ltd., chairman of Sichuan Changhong Minsheng Logistic Co., Ltd. and Chairman of the Company.

2. Xu Bangjun, born in December 1964,member of Communisty Party of China, an engineer with a bachelor degree, graduated from economic management of the Sichuan Party School. He have successively held the posts of vice director of the machinery factory of Sichuan Changhong Electric Co., Ltd., GM of Sichuan Changhong Mould & Plastic Technology Co., Ltd., member of PC of Sichuan Changhong Electric Co., Ltd., employee director and chairman of the union in Sichuan Changhong Electronics Holding Group Co., Ltd., chairman of the union of Sichuan Changhong Electric Co., Ltd. Now he serves as GM Assistant of Sichuan Changhong Electric Co.,

Ltd., Chairman of the Househould Appliances Industry Group of Sichuan Changhong Electric Co., Ltd., deputy chairman of Huayi Compressor Co., Ltd. and Hefei Meiling Co., Ltd.

3. Li Wei, was born in February 1973, Member of CPC, Assistant Economist with bachelor degree, he is reading EMBA in USTC. He ever took the post of General Manager of Xi'an Sales Filiale of Sichuan Changhong Electronic Co., Ltd, General Manger of Southeast Operation Management Center of Changhong Electronic (China) Marketing Co., Ltd. and GM of Sichuan Changhong Air-conditioner Co., Ltd ; now he is the deputy chairman and president of the Company and chairman of Zhongke Meiling Cryogenic Technology Co., Ltd

4. Kou Huameng, was born in February 1970, Member of CPC, master degree candidate, and postgraduated from Sichuan Institute of Business Administration, EMBA graduate from UESTC. He served successively as deputy director of production office of Sichuan Changhong Electric Co., LTD, director of Guangxi Marketing management Committee, director of Fujian-Jiangxi Marketing Management and director and GM of Guangdong Changhong Digital Technology Co., Ltd. Now he serves as director of the Development Management Dept. of Sichuan Changhong Electric Co., LTD, director of Huayi Compressor Co., Ltd. and director of the Company.

5. Wu Dinggang, was born in March 1973, Member of CPC, owns bachelor degree, graduate from Tianjin University of Commerce China (Tianjin University of Commerce now), major in refrigeration equipment and cryogenic technique, a master's candidate. He served successively as GM of Suining Sale Branch and Chengdu Sales Branch of Sichuan Changhong Electric Co., LTD, director of Chongqing Marketing Management Department of Sichuan Changhong Electric Co., LTD, deputy GM of Changhong Electronics (China) Marketing Co., GM of market planning center of Changhong Multimedia Industry, director and GM of Le-Jia-Yi Chain Management Co., Ltd. Now he serves as director and Deputy President of the Company.

6. Gao Jian, was born in September 1975, member of China Democratic National Construction Association, owns bachelor degree and graduate from economic management educated in Anhui Provincial Party Institute. He served successively as deputy chief of Commercial Bureau of Luyang District, Hefei City, and deputy chief of Finance Bureau of Luyang District, Hefei City, and deputy director of Luyang Assets Management Office, deputy director of investment and financing management center, GM of Hefei Luyang State-owned Assets Investment Holding Group Co.,Ltd., the director of Auditing Bureau of Luyang, deputy chairman of Luyang CPPCC and chairman of Luyang Shiyu Micro Loan Co., Ltd. Now he serves as deputy president of Hefei Xingtai Financial Holding (Group) Co., Ltd., the director of Hefei Science & Technology Rural Commercial bank and the Company.

7. Gan Shengdao, was born in March 1967, member of China Democratic National Construction Association, a doctoral candidate and Doctor of Economic. He served successively as teaching assistant, lecturer and associate professor in Department of National Economic Management of Sichuan University, the associate professor and professor in Department of Business Administration of Sichuan University. Now he serves as professor and doctoral supervisor in Busines School of Sichuan University, deputy director of Financial Institute of Sichuan University, Chengdu Rainbow Electric (Group) Co., Ltd., Sichuan Sunny Seal Co., Ltd., Liangshan Rural Commercial Bank Co., Ltd. and Sichuan Yahua Industrial Group Co., Ltd, independent director of Yibing Wuliangye Co., Ltd. and outside director of Sichuan Huashi Group Co., Ltd. and independent director of the Company.

8. Ren Jia, was born in July 1963, postgraduate student, graduated from THU, major in Materials Science and Engineering. He served successively as office deputy manager of Jiangsu Overseas Group Corp., vice GM of ANYKA (Guangzhou) Co., Ltd. and vice GM of SMV. He serves as deputy president of Shanghai Xinwei Electronic Co., Ltd., GM of SIMIC Development Co., Ltd. and Independent Director of the Company.

9. Lu Yingjin, was born in October 1964, Member of CPC, a doctoral candidate, Doctor of Management Science and Engineering of the UESTC. He served successively as Assistant Engineer of Shenli Field Drilling Technical Company and lecturer of Staff Education and Training Center of South-West Petroleum Bureau, and he teaches in UESTC since 2002.And he has been a visiting scholar in the department of computer science at the University of Kentucky in the United States. Now he serves as associate professor in Economics and Management School of UESTC and Independent Director of the Company.

10. Yu Wanchun, was born in September 1970, Member of CPC, undergraduate degree, a senior accountant, graduated with a bachelor degree in accounting major of Chongqing Institute of Commerce. He took the job in July 1994. He served successively as deputy director of Financial Department of the Sichuan Changhong Electric Co., LTD, and deputy president of the Company, director of discipline inspection office of Sichuan Changhong Electronics Holding Group Co., Ltd. and director of discipline inspection supervision. Now he serves as chairman of supervisory, member of CPC of Sichuan Changhong Electric Co., LTD, director of auditing department, member of CPC of the Sichuan Changhong Electronic Holding Group Co., Ltd., and chairman of supervisory of Huayi Compressor Co., Ltd. and chairman of supervisory of the Sichuan Electronic War Industry Group Co., Ltd, supervisor of Anhui Xinhao Plasma Display Panel Co., Ltd. , Sichuan Changhong Property Co., Ltd., Sichuan Changhong Jiahua Information Products Co., Ltd. and Sichuan Hongyang Investment Co., Ltd., and the chairman of supervisory committee of the Company

11. Yu Xiao, was born in August 1968, Member of CPC, a master degree candidate, graduated with a Master's degree in Business Management of College of Business Administration of Sichuan University, a senior accountant. He served successively as deputy chief in Sichuan Changhong Electric Co., Ltd., deputy chief in Financial Accounting Office of Sales, deputy director of the Sales Department, director of the Financial Department and director of Huayi Compressor Co., Ltd. Now he serves as CFO and deputy GM of the Sichuan Changhong Electronics Holding Group Co., Ltd. and supervisor of the Company.

12. Hu Jia, was born in January 1975, Member of CPC, bachelor degree, graduated from Sichuan University major in Accountancy in July 1997, a senior accountant, Chinese Certified Public Accountant, CPA Australia, selected to national Accounting Talents of Engineering of the Ministry of Finance and the delegation of the 10th Party Congress in Sichuan Province. She served successively as division chief of Pricing Division of Cost Control Center of Sichuan Changhong Electric Co., LTD, the division chief of Payable Division, General Ledger Office, deputy director and director of the finance department. Now she serves as CFO of Sichuan Changhong Electric Co., Ltd., chairman of Sichuan Changhong Group Finance Co., Ltd., chairman of Changhong (Hong Kong) Trading Limited and supervisor of the Company.

13. Deng Li, born in August 1982, a undergraduate, study MBA in University of Science and Technology of China. He worked in Hefei Meiling Co., Ltd. since July 2006 after graduated. And successively served in training office of Hefei Meiling Co.,, Ltd. and purchasing office of freezer

business department. Now he serves as administrative chief of logistics department and staff supervisor of the Company.

14. Zhu Wenjie, member of Communist Party of China, born in January 1988, bachelor's degree, study MBA in University of Science and Technology of China. He started to work in Hefei Meiling Co., Ltd. in July 2010 after graduation, served as an accountant for big customer accounting in financial management department of Hefei Meiling Co., Ltd., securities affairs assistant at the office of secretary of the board, and director of securities affairs, and currently serves as the representative of the Company's securities affairs, director of securities affairs at the office of secretary of the board, and employee supervisor of the Company.

15. Liu Hongwei, Male, Chinese American, bored in May 1963, a doctoral candidate, Doctor of Applied Mechanics from Lehigh University; he served successively in Kulicke and Soffa Industries, Pennsylvania; Tessera Technology Corporation, Califonia; Intel Corporation in Silicon Velleg. Now he serves as executive deputy president of the Company.

16. Liao Tao, Member of CPC, was born in September 1970, owes a university degree. He successively served as chief technology office of plastic plant and project manager of operation & management of Sichuan Changhong Electric Co., Ltd.; director of engineering dept. of Guangdong Changhong Electronic Co., Ltd. and vice GM of Sichuan Changhong Air-conditioner Co., ltd. Now he serves as vice president of the Company.

17. Zhong Ming, was born in November 1972, member of CPC, a doctoral candidate, a senior engineer and a PhD major in engineering. He successively served as deputy director of research institution of Sichuan Changhong Air-conditioner Co., Ltd., deputy GM of Sichuan Changhong Air-conditioner Co., Ltd. and technical director of household appliance group of Sichuan Changhong Electric Co., LTD. He serves as deputy president of the Company currently and director of Zhongke Meiling Cryogenic Technology Co., Ltd..

18. Zhong Xiaolong, was born in February 1976, accountant, a bachelor degreed. He successively served as chief of management analysis of general management dept. of Sichuan Changhong Electric Co., LTD, GM of marketing auditing of audit dept. of Sichuan Changhong Electric Co., LTD, director of financial dept. of Guangdong Changhong Electric Co., Ltd., deputy GM of financial sharing center of Sichuan Changhong Electric Co., LTD and CFO of Sichuan COC Display Device Co., Ltd and CFO of the Company. He serves as deputy president and finance manager of the Company currently.

19. Li Xia, was born in October 1980, Member of CPC and Intermediate Accountant with Master Degree. She graduated from Accounting Department of Sichuan University Business and Management School. In July 2006, she worked in Sichuan Changhong Electronic Co., Ltd. She ever was Project Manager in Financing & Acquisition Office of Asset Management Department and Business Executive in Board Office of Sichuan Changhong Electronic Co., Ltd. she took the posts of Deputy GM and Financial Supervisor of Sichuan Changhong Innovation Investment Co., Ltd. She is the Secretary of the Board of the Company recently and chairman of supervisory committee of Zhongke Meiling Cryogenic Technology Co., Ltd..

20. Li Jin, born in April 1967, a senior engineer with a doctoral candidate, he graduated from Department of Thermal Engineering, Tsinghua University, speciality of engineering thermal physics, a doctor of engineering. He obtained the MBA master’s degree of the University of Glasgow in September 2008. He worked since July 1998, and successively served as system designer of

air-conditioning department in Sichuan Changhong Electric Co., Ltd., director of air-conditioning technology research institute and deputy director and chief engineer, the GM of Sichuan Changhong Air-conditioner Co., Ltd., director and deputy GM of Sichuan Changhong Electric Co., Ltd. and deputy chairman of Huayi Compressor Co., Ltd. now he serves as directgor and GM of Sichuan Changhong Electronics Holding Group Co., Ltd. and director of Sichuan Changhong Electric Co., Ltd.. he is no longer serves as deputy chairman of the Company since 20 Janaury 2016

21. Shang Wen, was born in August 1967, Member of CPC, bachelor degree, worked in Hefei Meiling Refrigerator Plant since graduate from Anhui University since July 1991. He served successively as propagandist and policy researcher of Hefei Meiling Refrigerator Plant, GM's secretary in Hefei Meiling Co., Ltd., deputy director, director, GM assistant of the GM Office and director of CEO Office. He is no longer serves as the staff supervisor of the Company since 28 Feburary 2017

(II) Post-holding in shareholder's unit

√ Applicable □ Not applicable

Name	shareholder's unit	Title	Start date of office term	End date of office term	Drawing remuneration and allowance from shareholder's unit (Y/N)
Liu Tibin	Sichuan Changhong Electric Co., Ltd.	Party Secretary	2015.12	-	N
	Sichuan Changhong Electronics Holding Group Co., Ltd.	Party Secretary	2015.12	-	N
	Sichuan Changhong Electric Co., Ltd.	Deputy president, GM	2005.9	-	Y
	Sichuan Changhong Electronics Holding Group Co., Ltd.	Deputy president	2005.9	-	N
Xu Bangjun	Sichuan Changhong Electric Co., Ltd.	GM Assistant	2016.9.13	-	Y
	Sichuan Changhong Electric Co., Ltd.	Chairman of Household Appliances Industry Group	2016.2.1	-	N
Kou Huameng	Sichuan Changhong Electric Co., Ltd.	Director of development and management department	2010.11.29	-	Y
Gao Jian	Hefei Xingtai Financial Holding (Group) Co., Ltd.	Deputy president	2013.11	-	Y
	Hefei Xingtai Financial Holding (Group) Co., Ltd.	Director	2014.9	-	N

Yu Wanchun	Sichuan Changhong Electric Co., Ltd.	Chief of auditing department	2013.03.25	-	N
	Sichuan Changhong Electric Co., Ltd.	Chairman of supervisory committee	2014.05.28	2017.05.28	Y
	Sichuan Changhong Electric Co., Ltd.	Director of supervisory office	2014.11	-	N
	Sichuan Changhong Electronics Holding Group Co., Ltd.	Chief of auditing department	2016.07.01	-	N
Yu Xiao	Sichuan Changhong Electronics Holding Group Co., Ltd.	Deputy GM and chief accountant	2016.01.29	-	Y
Hu Jia	Sichuan Changhong Electric Co., Ltd.	Financial administrator	2014.05.28	2017.05.28	Y
	Changhong (Hong Kong) Trading Limited	Chairman	2014.08.29	-	N
Li Jin	Sichuan Changhong Electric Co., Ltd.	Director	2014.05.28	2017.05.28	N
	Sichuan Changhong Electronics Holding Group Co., Ltd.	Director, GM	2015.11.13	-	Y
Post-holding in shareholder's unit			Not applicable		

(III) Post-holding in other unit

√ Applicable □ Not applicable

Name	Other unit	Title	Start date of office term	End date of office term	Drawing remuneration and allowance from other unit (Y/N)
Liu Tibin	Huayi Compressor Co., Ltd.	Chairman	2008.2.18	-	N
	Sichuan Changhong Minsheng Logistric Co., Ltd.	Chairman	2006.10	-	N
Xu Bangjun	Huayi Compressor Co., Ltd.	Deputy chairman	2016.5.6	2018.4.15	N
Li Wei	Zhongke Meiling Cryogenic Technology Co., Ltd.	Chairman	2015.8.28	2018.8.27	N
Kou Huameng	Huayi Compressor Co., Ltd.	Director	2015.4.16	-	N

Gao Jian	Hefei Science & Technology Rural Commercial bank	Director	2015.4	-	N
Yu Wanchun	Huayi Compressor Co., Ltd.	Chairman of Supervisory Committee	2014.8.25	2018.04.16	N
	Sichuan Electronic War Industry Group Co., Ltd	Chairman of Supervisory Committee	2015.1.14	-	N
	Anhui Xinhao Plasma Display Panel Co., Ltd.	Supervisor	2014.4.15	-	N
	Sichuan Changhong Property Co., Ltd.	Supervisor	2015.3.6	-	N
	Sichuan Changhong Jiahua Information Products Co., Ltd.	Supervisor	2015.06. 10	-	N
	Sichuan Hongyang Investment Co., Ltd.	Supervisor	2014.7.14	-	N
Hu Jia	Sichuan Changhong Group Finance Co., Ltd.	Chairman	2015.10.29	-	N
Gan Shengdao	Business School of Sichun University	Professor, doctoral supervisor, deputy director of Financial Institute of Sichuan University	1990.7	-	Y
	Chengdu Rainbow Electric (Group) Co., Ltd.	Independent Director	2012.3.23	-	Y
	Sichuan Sunny Seal Co., Ltd.	Independent Director	2011.6.21	-	Y
	Liangshan Rural Commercial Bank Co., Ltd.	Independent Director	2011.11.18	-	Y
	Sichuan Yahua Industrial Group Co., Ltd	Independent Director	2015.6.9	-	Y
	Sichuan Huashi Group Co., Ltd.	Outside director	2015.8.10	-	Y
	Yibing Wuliangye Co., Ltd.	Independent Director	2016.11.18		Y
Ren Jia	SIMIC Holdings Co., Ltd.	Deputy president	2013.1	-	Y
	SIMIC Development Co., Ltd.	GM	2014.7	-	N
Lu Yingjin	School of Management and Economics of UESTC	Associate professor	2001.12.30	-	Y
Zhong Ming	Zhongke Meiling Cryogenic Technology Co., Ltd.	Director	2015.8.28	2018.8.27	N
Li Xia	Zhongke Meiling Cryogenic Technology Co., Ltd.	Chairman of Supervisory Committee	2015.8.28	2018.8.27	N
Post-holding in other unit	Not applicable				

(IV) Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

□ Applicable √ Not applicable

IV. Remuneration of directors, supervisors and senior executives

(I) Decision-making, determine basis and actually payment of remuneration for directors, supervisors and senior executives

1. Procedure for deciding remunerations of directors, supervisors and senior management

Implemented in line with laws, regulations and relevant rules of "Company Law", "Article of Association" and "Enforcement Regulation of Remuneration and Evaluation Committee of the Board", including:

(1) Allowance plan of independent directors are implemented after deliberated in the Board and approved in Shareholders' General Meeting. Other directors and non-staff supervisors except independent directors are received no remuneration from the Company.

(2) Remuneration of senior executives are deliberated and approved by the Board according to remuneration evaluation plan together with opinions of Remuneration and Evaluation Committee.

2. Bases on which remunerations of directors, supervisors and senior management are decided

The Company conducted the performance examination on the task of directors, supervisors and senior executives according to the HR management policy, wages of directors, supervisors and senior executives are decided by their performance and evaluations check by the Company. All wages are performing by the evaluation results according to the only evaluation standard that carried by the Company.

3. Actual payment of remunerations of directors, supervisors and senior management

Allowance of the independent directors are paid by the standards approved in Annual Shareholders' General Meeting, other director, who serves as senior executive at the same time, and non-staff supervisors except independent directors did not received remuneration from the Company; remunerations for senior executives of the Company are paid strictly by the unify remuneration valuation mechanism of the Company.

Directors, supervisors and senior executives of the Company has 19 in total up to 31 December 2016, actually 12 person receiving remuneration from the Company, 2 staff supervisors are received their remuneration by actual positions (non-supervisor post); furthermore, 3 independent directors are received the allowance monthly from the Company; the Company will pay remuneration to senior executives monthly/quarterly/annually.

During the reporting period, the Company has established the executive compensation and performance management program for the senior management of 2016 in accordance with the main scope, the responsibilities, the importance of the management positions of the senior management, and the compensation level of other relevant company and position, the program includes but not limited to the company's key performance indicator (KPI) and performance evaluation criteria, procedures and major evaluation system; the major programs and systems of the reward and punishment; review the performance of duties of the company's senior management and conduct the annual performance appraisal.

At the end of the year, the Remuneration and Appraisal Committee combined the work report and self-evaluation of the senior management in 2016, followed the performance evaluation criteria and procedures, and evaluated the Key Performance Indicator (KPI) of the senior management in 2016; and other relevant indicators of performance evaluation; proposed the remuneration amount and performance appraisal approach of the senior management based on the job performance evaluation results and the remuneration policy, and reported to the Board for approval.

(II) Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Liu Tibin	Chairman	M	54	Currently in office	--	Y
Xu Bangjun	Deputy chairman	M	52	Currently in office	--	Y
Li Wei	Deputy chairman, President	M	44	Currently in office	47.36	N
Kou Huameng	Director	M	47	Currently in office	--	Y
Wu Dinggang	Director, deputy President	M	44	Currently in office	45.08	N
Gao Jian	Director	M	41	Currently in office	--	Y
Gan Shengdao	Independent Director	M	50	Currently in office	11.90	N
Ren Jia	Independent Director	M	53	Currently in office	11.90	N
Lu Yingjin	Independent Director	M	52	Currently in office	11.90	N
Yu Wanchun	Chairman of	M	46	Currently in	--	Y

	supervisory committee			office		
Yu Xiao	Supervisor	M	48	Currently in office	--	Y
Hu Jia	Supervisor	F	42	Currently in office	--	Y
Deng Li	Staff supervisor	M	34	Currently in office	17.05	N
Zhu Wenjie	Staff supervisor	M	29	Currently in office	13.12	N
Liu Hongwei	Executive vice president	M	53	Currently in office	46.59	N
Liao Tao	deputy President	M	46	Currently in office	30.07	N
Zhong Ming	deputy President	M	44	Currently in office	32.58	N
Zhang Xiaolong	deputy President and finance chief	M	41	Currently in office	30.85	N
Li Xia	Secretary of the Board	F	36	Currently in office	21.29	N
Li Jin	Deputy chairman	M	49	Office leaving	--	Y
Shang Wen	Staff supervisor	M	49	Office leaving	17.75	N
Total	--	--	--	--	337.44	--

(III) Equity incentive authorized for director, supervisor and senior executive in reporting period

The Company's audited operating results and actual operating conditions in 2015 did not reached the granted conditions of annual performance incentive funds, there are no equity incentive authorized in the Period

(IV) Equity incentive authorized for director, supervisor and senior executive in reporting period

□ Applicable √ Not applicable

V. Staff of the Company

Hefei Meiling Co., Ltd. and its controlling subsidiaries owned on-job employees of 18,967 people in total. There are 146 people in retired are enjoying expenses paid by the Company.

(I) Numbers, professional structure and education background

On-job employee in parent company (people)	6,772
On-job employee in main subsidiary (people)	12,195
Total on-job employees (people)	18,967
Current total payroll(people)	18,967
Number of retired employees with expenses paid by the parent company and main subsidiary (people)	146
professional structure	
Types of professional category	Numbers of professional category (people)
Production staff	9,894
Salesman	6,196
Technician	2,229
Financial staff	239
Administration staff	409
	-
Total	18,967
Education background	
Type of education background	Numbers (people)
High school and below	10,776
Junior college	3,269
Undergraduate	4,788
Master and above	134
Total	18,967

(II) Remuneration policy

Remuneration policy of the employees: the Company formulated human resources and compensation policy conducive to sustainable development of enterprise according to the provisions of relevant laws and policies promulgated by the state and to the Company's actual situation; through the performance appraisal, we guided managers and staff to make contribution for the development of the Company. At the same time, the Company attaches great importance to staff development, build the position system and promotion channels, and enhance staff capacity through a variety of training. We combine the incentive and guarantee compensation, encourages mutual develop between employees and the Company. The Companies concerned about employee benefits, shaping corporate culture by providing various holiday, allowance, sympathy, traffic and organizing colorful activities, thus improve employee satisfaction.

(III) Training plans

Training plan: The company has formulated the Staff Training Management System, Credit Management Regulations, Reserve Team Selection and Training Regulations and other systems and standard work flows, set up the training courses system based on the staff capacity model and combined with staff development, combined the training and staff professional qualifications with the career development. In 2016, the company has focused on promoting the 100-people echelon talent construction project, established the reserve leader, reserve cadres, outstanding college students and other talent development echelon, established the special reserves talent pool for overseas factory management team, overseas business management team in order to strengthen the reserves of overseas talent, and organized targeted and special training for the storage staff so as to provide talent reserves and supports for the company's future long-term development. At the same time, the company has improved the satisfaction and loyalty of new employees by career planning and management, propaganda and guidance of corporate culture to new college students and other new forces.

(IV) Labor outsourcing

□Applicable √Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

(I) Overview of the corporate governance

In strict compliance with the Company Law, Securities Law, Governance Principles of Listed Company issued by the CSRC, and the Rules Governing the Listing of Securities on Shenzhen Stock Exchange (amended in 2014), the Company continued to construct and perfect its governance structure, thereby forming its decision-making, supervision and operation management organization with general meeting, the board of directors, the board of supervisors and operation management as the major structure. The general meeting, board of directors, board of supervisors and operation management of the Company has definite terms of reference, which can ensure an effective balance, scientific decision-making process and coordinative operation, laying firm foundation for making decisions relating to the Company’s continuous, steady and healthy development.

During the reporting period, in accordance with the Guidelines for the Standard Operation of Listed Companies on the Main Board of Shenzhen Stock Exchange and other relevant provisions, combining with the issuance results of the company’s non-public offering of shares in 2016 and the company’s actual business development needs, the company has revised the Articles of Association and Financial Products Investment Management System of Hefei Meiling Co., Ltd., effectively fulfilled the company's internal management and control system, and further standardized the operation of the company, improved the corporate governance level, and enhanced the company's overall operational efficiency. Overall, during the reporting period, the actual situation of corporate governance has been in line with the requirements of relevant state laws and regulations, and regulatory documents relevant to governance of listed companies issued by China Securities Regulatory Commission and Shenzhen Stock Exchange.

1. Shareholders and general meeting

The Company standardized the procedures concerning convening, holding and voting of general meeting in strict compliance with the Articles of Association and Rules of Procedure of General Meeting. All shareholders, especially the minority shareholders, were equally treated to ensure all shareholders shall rank pari passu and can fully exercise their right. During the reporting period, the Company convened general meetings according to Rules of Procedure of Listed Issuer’s General Meeting (amended in 2016) issued by the CSRC and the Implementation Rules Relating to Network Voting at General Meeting of Listed Issuer issued by Shenzhen Stock Exchange (amended in September 2016). In addition to convening general meeting in forms of site conference, the Company offered convenience for shareholders to present general meeting via network voting which was safe, economic and convenient. Meanwhile, separate counting was conducted in respect of the voting by minority shareholders (other shareholders other than those which, serve as directors, supervisors and senior managers; individually or jointly, hold more than

5% of the shares of listed issuer), and the voting results will be disclosed promptly, so as to practically protect the minority interests and ensure all shareholder, especially the minority shareholders, can fully exercise their rights as shareholders.

2. The Company and controlling shareholders:

The Company has independent business and independent management capability. The Company and its controlling shareholders owe independent business, personnel, assets, organs and finance. During the period, controlling shareholder abide by requirement of Article of Association and Management System of Related Transactions, strictly regulate their behaviors, and no controlling shareholder has directly or indirectly intervened in the Company's policy-making and business activities beyond the general meeting of stockholders, no capital or assets of the Company occupied by controlling shareholder and its affiliates either.

3. The directors and board of directors

Board Meeting are revoke and open in line with the regulation of Company Law and Article of Association strictly, voting and information disclosure procedures appliance with relevant rules. All directors of the Company carry out work according to "Rules of Procedure of the Board" and "Independent Director System", seriously attend the board of directors and shareholders' meeting, exercise obligations by the law and faithfully perform their duties vigorously, positively participate in trainings of related knowledge open by Shenzhen Stock Exchange and Securities Bureau, and get familiar with related laws and regulations. Independent directors follow close to the line of Instruction of Setting Up Independent Directors System in Listed Companies and Independent Director System, take an active part in decision-making of the Company and present a prior approval and independent opinions for related transactions and major events, bring out the functions of independent directors.

In the Period, Board of the Company setting up four special committees including strategy, remuneration and appraisal, audit and nomination, each special committee respectively undertakes the functions of discussion, policy making, supervision and assessment according to the relevant working instruction, and plays important role in improving the scientific decision-making, decision-making efficiency and quality for the Board.

4. Supervisors and board of supervisors

The Company convened and held meeting of supervisors in strict compliance with the Company Law and Articles of Association, and the voting and information disclosure procedures of supervisors' meeting complied with relevant requirements. The 8th session of board of supervisors consisted or five supervisors, two of whom are staff supervisor, the number and constitution of which met applicable laws and regulations. Our supervisors can carefully performed their duties including presenting at general meeting and meeting of the board of directors in accordance to the Rules of Procedures of Board of Supervisors, to exercise supervision over the board of directors' decision-making procedures, subjects to be proposed and our operation in law, to review the periodic reports prepared by the Board and form written audit opinion in respect thereof and to make effective supervision over our material transactions, connected transaction, financial position as well as the legality and compliance of the performance by directors and senior management and issue independent opinions in respect thereof.

5. The performance appraisal and incentive and constraint mechanism

The Company owes and continues to improve fair-ness and transparency performance appraisal standards and incentive and constraint mechanism for directors, supervisors and senior management, the engagement of managers of the Company is open and transparent and meets the provisions of laws and regulations.

6. The stakeholders

The Company fully respects and maintains the legitimate rights and interests of stakeholders; strengthen communication and negotiation with each other, realizes the coordination and balance of interests for all parties including society, shareholders, company and staff, pushes forward the sustainable, steady and harmonious development of the Company together.

7. The information disclosure and transparency

During the Period, the Company strengthens management of information disclosure, performs the duty of information disclosure in strict accordance with the rules of related laws and regulations, Rules Governing the stock listed on Shenzhen Stock Exchange (2014 Reversion) and “Management System of Information Disclosure”, and appoints Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) for information disclosure medial; as for the major un-disclosed inside information, exercise strictly confidential procedures and controlling persons with inside information kowned. The Company perform duty in aspect of truthfully, accurately, timely and completely discloses information, ensures all investors obtain the Company’s information equally and other legal interest.

8. Investor relations management

The Company has seriously done the job of the investor relations management in accordance with the requirements of the "Investor Relations Management System" and "Reception and Promotion system" during the Period. Received the consultation and research of the professional institutional investors to the company, checking records for visitors and signing letter of commitment, disclosed the "investor relations activities record" timely. At the same time, communicated with the investors through the "interact easily" platform of Shenzhen Stock Exchange Investor Relations; seriously received the suggestion and opinions from investors, protect interest of the minority investors, earnestly accepted and replied the calls, faxes, and emails from the investors; cautiously dealt with the media coverage.

(II) Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

□Yes √ No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independency of the Company relative to controlling shareholders’ in aspect of businesses, personnel, assets, organization and finance

The Company totally separated in business, personnel, assets, institutions and financial aspects from Sichuan Changhong (controlling shareholder), with independent business accounting, responsibility and risk and independent business operation capability.

1. The business: the Company has an independent and complete business as well as operation ability, with specialized procurement, production, technology, marketing, management, human

resources and other departments. We autonomously manage and operate business on our own. While the management staff are independent from controlling shareholders and their subordinate enterprises. The Company is free from interference by controlling shareholders and other affiliates, and there is no dependence on controlling shareholders and other affiliates.

2. The personnel: personnel, labor, personnel and salary of the Company are completely independent. President, vice president, Secretary of the board of directors and other senior management personnel are working in the Company and receive salary, not receiving any remuneration and holding position of any except directors, supervisors in the controlling shareholder and its subordinate enterprises.

3. Assets: the Company owns places of production and management independent from its controlling shareholder, owns complete assets structure, independent production system, auxiliary production systems and supporting facilities, land use rights, ownership of houses and other assets, and independent purchase and sales system. No assets occupied by controlling shareholders and other affiliates.

4. Institutions: the Company established organization completely independent from controlling shareholders; the general meeting, board of directors, board of supervisors and the internal organization are capable of taking independent action, with no controlling shareholder intervention of corporation's decision-making behavior. The Company strengthen the power restriction system via general meeting, the Board, supervisory committee, independent directors and vary committees, formulated an effective structure for corporate governance.

5. Financial aspects: the Company set up independent financial management, and independent accounting system and financial management system, independently setting up banking account and tax declaration.

III. Horizontal competition

□Applicable √Not applicable

IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First Extraordinary General Meeting of 2016	Extraordinary General Meeting	34.48%	2016-4-6	2016-4-7	Juchao Website—(http://www.cninfo.com.cn) "Resolution Notice of First extraordinary general meeting of 2016" No.: 2016-037
AGM of 2015	AGM	34.03%	2016-5-4	2016-5-5	Juchao Website—(http://www.cninfo

					.com.cn) “Resolution Notice of Annual General Meeting of 2015” No.: 2016-046
Second Extraordinary General Meeting of 2016	Extraordinary General Meeting	31.74%	2016-12-13	2016-12-14	Juchao Website—(http://www.cninfo.com.cn) “Resolution Notice of Second extraordinary general meeting of 2016” No.: 2015-077

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

□ Applicable √ Not applicable

V. Responsibility performance of independent directors

(i)The attending of independent directors to Board meetings and general meeting

The attending of independent directors						
Independent Director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Gan Shengdao	13	1	12	0	0	否
Ren Jia	13	0	13	0	0	否
Lu Yingjin	13	1	12	0	0	否
Times presented in shareholders' general meeting by independent directors	Gan Shengdao: 1 times Ren Jia: 2 times Lu Yingjin: one time					

Explanation of absent the Board Meeting for the second time in a row:

No independent directors absent the Board Meeting for the second time in a row

(ii) Objection for relevant events from independent directors

Whether independent directors come up with objection about company's relevant matters or not

□ Yes √ No

Independent directors has no objections for relevant events in reporting period

(iii) Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

√Yes □ No

Explanation on recommendations adopted or un-adopted:

During the report period, the independent directors of the 8th session of the Board, Mr. Gao Shengdao, Mr. Ren Jia and Mr. Lu Yingjin, faithfully performed their duties, and prudently, earnestly and diligently exercised their rights as independent directors in strict accordance with "Corporation Law", "Securities Law", "Guidance on the Establishment of Independent Director System in Listed Companies" of China Securities Regulatory Commission, "Stock listing Rules"(Revised in 2014) of Shenzhen Stock Exchange, "Articles of Association", "Independent Director System", "Annual Report Working System of Independent Director", and rules of related laws and regulations, not influenced by the major shareholders, actual controllers, or other units and individuals having a stake in the Company, actively attended the general meeting of shareholders and board meeting, made independent opinions on related matters, gave reasonable suggestions to the production and management and the business development of the Company, gave full play to the role as independent directors, and maintained the legitimate rights and interests of shareholders of the Company, especially the medium and small shareholders.

1. Deepen understanding operation of the Company. Independent directors take advantage of attending the shareholders meeting and Board meetings, fully understand the situation of operation of the Company, listen to the reports of business status and operation from the management. While in deliberated the related transactions, independent directors are accredited and issued opinions on the Board Meeting; as for the other propsoals that need to decided by the Board, such as business development, financial operations and risk controlling, relevant materials are well-deliberated by independent directors, after report, they issued independent opinions and effectively promoted the scientific and objectivity of decisions of the board of directors.

(2) Positive reinforce capacitate professional. Independent directors actively joined in the training activities for directors, supervisors and senior management held by the supervision organization, studied relevant laws and regulations, deepened their understanding to relevant regulations, especially the regulations involving corporate governance structure and rights protection for shareholders with public shares, so as to strengthen and improve their protective capabilities for the Company and shareholders' rights and interests, and form the ideology of consciously protecting the shareholders with public shares.

(3) Diligently perform their duties. In the process of establishment and disclosure for 2016 annual report, the independent directors, Mr. Gan Shengdao, Mr. Ren Jia and Mr. Lu Yingjin, positively performed their duties, gave full play to their independent roles in the annual reports, carefully listened the management's report about the annual business condition and development of major events and did necessary field visits, directly met and communicated with the Certified

Public Accountants for annual report and internal control auditing in the audit process, and diligently performed their duties as the independent directors

In reporting period, independent directors propose opinions on the Board, and details of suggestions as:

Dated	Items	Agree/against	Disclosure index
2016-03-07	Independent opinion on relevant proposal of the 17th session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)
2016-03-19	Independent opinion on relevant proposal of the 18th session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)
2016-03-25	Independent opinion on relevant proposal of the 19th session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)
2016-07-29	Independent opinion on relevant proposal of the 23rd session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)
2016-09-21	Independent opinion on private placement to management from controlling subsidiary Zhongke Meiling Cryogenic Technology Co., Ltd. and The Company waiving the priority of purchasing	Agreed	Juchao Website (www.cninfo.com.cn)
2016-10-18	Independent opinion on relevant proposal of the 26th session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)
2016-11-26	Independent opinion on relevant proposal of the 27th session of 8th BOD	Agreed	Juchao Website (www.cninfo.com.cn)

VI. Responsibility performance of subordinate special committee of the Board in report period

(I) Responsibility performance for strategy committee of the Board

In accordance with the requirements of the relevant laws and regulations of the Company Law and the Listing Rules of the Shenzhen Stock Exchange and the relevant requirements of the CSRC and the Shenzhen Stock Exchange, the Strategic Committee under the Board of Directors of the company has strictly followed the provisions of the Articles of Association and the Working Rules of the Strategic Committee of the Board of Directors, strictly performed their duties, and offered proposals and carried out positive guides for the company's strategic development and foreign investments, the specific situation is as follows:

On January 6, 2016, the Strategic Committee convened the 4th meeting of the Strategy Committee of the 8th Board of Directors which considered and approved the Proposal on Investing and Building Changmei Science and Technology Co., Ltd. See details on “(i) Performance of duty of the Strategic Committee of the Board of Directors” in “VI Performance of duty of the special committees of the Board of Directors during the reporting period” in “Section IX Corporate Governance” of the company’s 2015 Annual Report which the company has disclosed at www.cninfo.com.cn on March 26, 2016.

On March 22, 2016, the Strategic Committee convened the 5th meeting of the Strategy Committee of the 8th Board of Directors which has considered and approved the Proposal on the Development Plan of the Company in 2016, the Proposal on the Capital Increase of the Subsidiary - Zhongshan Changhong Electric Co., Ltd. to Changhong Ruba Trading Company(Private) Limited and the Proposal on joint investments of the Subsidiaries - Zhongshan Changhong and Changhong Air Conditioning in the Establishment of Indonesian Subsidiary. See details on “(i) Performance of duty of the Strategic Committee of the Board of Directors” in “VI Performance of duty of the special committees of the Board of Directors during the reporting period” in “Section IX Corporate Governance” of the company’s 2015 Annual Report which the company has disclosed at www.cninfo.com.cn on March 26, 2016.

On November 23, 2016, the Strategic Committee convened the 6th meeting of the Strategy Committee of the 8th Board of Directors which has considered and approved the Proposal on the Subsidiary - HongYuan Earth Energy Heat Pump Technology Co., Ltd. to Set up Branch Offices and Invest in the Construction of Production Base for Earth Energy and Heat Pump Products, the Proposal on the Subsidiary - Zhongshan Changhong Electric Co., Ltd. to Invest and Establish a Wholly-owned Subsidiary, and the Proposal on the Subsidiary - Guangdong Changhong Ridian Technology Co., Ltd. to Invest and Establish a Wholly-owned Subsidiary.

According to the business development needs and market demands of the company's subsidiary - HongYuan Earth Energy Heat Pump Technology Co., Ltd. (hereinafter referred to as "Heat Pump Company"), it has been agreed that Heat Pump Company sets up HongYuan Earth Energy Heat Pump Technology Co., Ltd. Guangdong Branch in Nantou Town, Zhongshan City, Guangdong Province (tentative name, and ultimately subject to industrial and commercial registration), and this branch acts as the implementation subject of the project, invests 14,972,000 Yuan to build the production base for earth energy heat pump products so as to expand the production capacity of Heat Pump Company and effectively satisfy the market's needs. It has been agreed to submit the investment to the Board of Directors for consideration.

According to the operation and development needs of the company's subsidiary - Zhongshan Changhong, and in order to integrate various types of supply chain resources, reduce operating costs, and further expand the overseas sales scale of the company's air-conditioning products and others, it has been agreed that Zhongshan Changhong invests 1 million Yuan in Zhongshan, Guangdong to set up trade-based wholly-owned subsidiary - Zhongshan Changhong Trading Co., Ltd. (tentative name, and ultimately subject to industrial and commercial registration) to engage in product import and export trading business. It has been agreed to submit the investment to the Board of Directors for consideration.

According to the operation and development needs of the company's subsidiary - Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred to as "Ridian Company"), and in order to integrate various types of supply chain resources, reduce operating costs, and further expand the overseas sales scale of the company's small household appliance products, it has been agreed that Ridian Company invests 1 million Yuan in Zhongshan, Guangdong to set up trade-based wholly-owned subsidiary - Zhongshan Hongling Trading Co., Ltd. (tentative name, and ultimately subject to industrial and commercial registration) to engage in product import and export trading business. It has been agreed to submit the investment to the Board of Directors for consideration.

On March 18, 2017, the Strategic Committee convened the 7th meeting of the Strategy Committee of the 8th Board of Directors which has considered and approved the Proposal on the Development Plan of the Company in 2017, the Proposal on the Company to Invest and Build a Production Base for Producing 2,000,000 Sets of Washing Machines, and the Proposal on the Company to jointly invest with Candy Hoover Group S.r.l. to Establish a Joint Venture Company for Washing Machines.

According to the company's medium and long term development strategy, the committee members combined with the macroeconomic situation and industry status and summarized the annual work situation in 2016, discussed and established the company's business ideas and business plans in 2017, and further ensured the realization of the company's medium and long term development strategic targets.

According to the company's strategic development plan and combined with the company's business development needs, in order to make up for weakness in research and development, manufacturing capacity of the washing machine industry, it has been agreed that the company invests not more than 371,210,000 Yuan to build a production base that can produce 2,000,000 sets of automatic washing machines. The completion of this project will promote the development of the company's washing machine industry, enhance the competitiveness, profitability and future sustainable development momentum of washing machine products, it fits with the company's long-term strategic development needs. It has been agreed to submit the investment to the Board of Directors for consideration.

(3) According to the company's development strategy, and in order to expand the market size of Meiling washing machine products an enhance the brand influence of Meiling washing machine products, it has been agreed that the company and Candy Hoover Group Srl. that has the international superior resources in research and development, technology, channels and overseas customers jointly invest 150 million Yuan to set up Meiling Kadi (China) Washing Machine Co., Ltd. (pre-approved name, and ultimately subject to the name approved by the industrial and commercial bureau) to sell washing machine products, of which the company invests 90 million Yuan with its own funds, accounting for 60% of the registered capital, Candy Group invests 60 million Yuan with its own funds, accounting for 40% of the registered capital. It has been agreed to submit the investment to the Board of Directors for consideration.

(II) Responsibility performance for audit committee of the Board

Audit committee of the Board performed its functions of supervision and examination to maintain the independence of audition in auditing for year of 2016 according to the requirements of related laws and regulations such as Company Law and Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and related requirements of Securities Regulatory Commission and Shenzhen Stock Exchange by abiding of Articles of Incorporation, Implementing Regulations of Audit Committee of Board of the Directors, and Annual Work Rules of Audit Committee, the details are as follows:

1. On 29 January 2016, the “Financial Statement Report for year of 2015 and Arrangement of

Internal Control Auditing" and "Un-audited Financial Accounting Statement for year of 2015" were deliberated and approved in 9th session of 8th audit committee of the Board. Found more details in "(II) Responsibility performance for audit committee of the Board" of "VI. Responsibility performance of subordinate special committee of the Board in report period" carried in "Section IX. Corporate Governance" disclosed in Annual Report 2015, released on Juchao Website (www.cninfo.com.cn) dated 25 March 2016.

2. On 3 March 2016, the 10th session of 8th audit committee of the Board deliberated the first draft of Annual Report 2015, after a preliminary audit opinion issued from Shine Wing CPA (LLP). Found more details in "(II) Responsibility performance for audit committee of the Board" of "VI. Responsibility performance of subordinate special committee of the Board in report period" carried in "Section IX. Corporate Governance" disclosed in Annual Report 2015, released on Juchao Website (www.cninfo.com.cn) dated 25 March 2016.

3. On March 13, 2016, the audit committee held the 11th session of the 8th audit committee of the board o which reviewed and approved "The Company's 2015 Annual Audited Financial Reports", "2015 Internal Control Audit Report", "Summary report about the company's 2015 annual audit work taken up by ShineWing Certified Public Accountants", "Motion on reappointment of the audit institution for 2016 annual financial report and internal controls and its payment" and "Motion on the company to carry out forward foreign exchange transaction business", and agreed to submit the above motions to the board of directors for consideration.

4. On 22 April 2016, the "Financial Statement of 1Q of 2016" was deliberated and approved in 12th session of 8th audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for 1Q of 2016. The financial statements of 1Q of 2016 agree to submit for approval in the Board.

5. On 17 July 2016, the "Financial Statement of Semi-annual 2016" was deliberated and approved in 13th session of 8th audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for semi-annual of 2016. The financial statements of semi-annual 2016 agree to submit for approval in the Board.

6. On 14 October 2016, the "Financial Statement of 3Q 2016" was deliberated and approved in 14th session of 8th audit committee of the Board, the un-audited financial statement present a real, accurate and completed financial status and operation results of the Company for 3Q of 2016. The financial statement of 3Q 2016 agree to submit for approval in the Board.

7. On 24 January 2017, the "Financial Statement Report for year of 2016 and Arrangement of Internal Control Auditing" and "Un-audited Financial Accounting Statement for year of 2016" were deliberated and approved in 15th session of 8th audit committee of the Board, the un-audited financial statement presented an objectified financial status and operation results for year of 2016 basically.

8. On 3 March 2017, the audit committee held the 16th session of the 8th audit committee after the Shine Wing Certified Public Account (LLP) issued preliminary audit opinion. Reviewed the auditing draft of financial report for year of 2016, proposed specific opinions; members of audit committee communicated with certified public accountant who was responsible for audition

of the company, the certified public accountant who was be responsible for annual audition of the company reported related matters and adjusted matters during the audition to the audit committee, and matters of the company needs to be adjusted have been adjusted according to adjustment opinions of the certified public accountant who was responsible for annual audition. The audit committee read the first draft of audited financial accounting statements for 2016 of the company according to audition condition known from certified public accountant who was responsible for annual audition and production operation condition and financial performances reported by management level of the company, considered that the annual financing accounting statements for 2016 audited preliminarily by the Shine Wing Certified Public Account can truly, correctly and completely reflect the operation condition of the company, and confirmed the preliminary audit opinions of financing accounting statements of the company issued by the Shine Wing Certified Public Account.

9. On 18 March 2016, the 17th session of the 8th audit committee of the Board deliberated and approved the followed 5 proposals as" Audited Financial Statement Report of 2016", "Auditing Report of Internal Control for year of 2016", 'Summary Report on Auditing Works for year of 2016 from Shine Wing Certified Public Account", "Auditing Institution for Financial Report of 2017 and Internal Control Auditing Re-engagement and Remuneration Paid", and "Opening Business of Forward Exchange", and agreed to submit these auditing institutions to board of the directors of the Company for deliberation.

(III) Responsibility performance for nominations committee of the Board

The nominations committee under the board of directors practically performed their duties on the basis of requirements of laws and regulations of "Company Law" and "Rules Governing the Listing of Stocks on Shenzhen Stock Exchange" and related requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange, and in strict accordance with "Articles of Association", "Implementation Rules of Nominations Committee of the Board", in the reporting period, the nominations committee reviewed and made recommendations to the engaged senior management that needed to be submitted to the board for consideration and nomination.

On March 22, 2016, the nomination committee held its third meeting of the nomination committee of the eighth board of directors, the meeting reviewed and approved "Motion on the qualification examination of non-independent director candidates planned to be by-elected by the company's eighth board of directors" that the non-independent director candidates for the eighth board of directors recommended by the company's controlling shareholders are qualified in accordance with relevant provisions of the "Company Law", "Articles of Association" and the China Securities Regulatory Commission who are not determined to have limited access to the market by China Securities Regulatory Commission, and the educational background, work experience, professional competence and professional quality of the non-independent director candidates meet the job qualifications. We agreed to nominate Mr. Xu Bangjun to be the non-independent director candidate of the Company's the eighth board of directors and submit to the board of directors for consideration.

(IV) Responsibility performance for remuneration and appraisal committee of the board

In line with relevant laws and regulation of Company Law and "Rules Governing the Listing of Stocks on Shenzhen Stock Exchange" as well as requirement from CSRC and Shenzhen Stock Exchange, remuneration and appraisal committee of the Board, strictly follow rules of "Article of Association" and "Implementation Rules of remuneration and appraisal committee of the Board", in the reporting period, the committee proposed suggestions on the performance evaluation standards and incentive & restraint mechanism for directors, supervisors and senior executives, and review the appraisal and remuneration of directors, supervisors and senior executives, accrual and distribution for performance incentive fund included. More details are as:

On March 16, 2016, the 3rd meeting of the Remuneration and Appraisal Committee of the 8th Board of Directors was convened. The meeting reviewed and approved the "Appraisal and Payment of Remuneration of Directors and Senior Executives in the Year 2015". See details on "（iiii）Performance of duty of the Remuneration and Appraisal Committee of the Board of Directors" in "VI Performance of duty of the special committees of the Board of Directors during the reporting period" in "Section IX Corporate Governance" of the company's "2015 Annual Report" which the company has disclosed at www.cninfo.com.cn on March 25, 2016.

2. On March 18, 2017, the fourth meeting of the Remuneration and Appraisal Committee of the 8th Board of Directors was convened, the meeting has considered and approved the Remuneration Assessment and Payment of Directors and Senior Executives of the Company in 2016, and Proposal on Withdrawing 2016 Annual Performance Incentive Fund, and issued the following comments:

(1) The committee has assessed and reviewed the remuneration and payment of the directors and senior management of the company in 2016, and considered that the allowances received by the independent directors of the company should be paid according to the allowances approved by the shareholders' general meeting; the remuneration received by the senior executives of the company should be paid in strict accordance with the company's remuneration assessment system, the remuneration information disclosed by the Company is true, accurate and complete which conforms to the requirements of China Securities Regulatory Commission's "Information Disclosure Content and Format of the Company Publicly Issues Securities No. 2 - contents and format of annual report (2016 Revision)".

According to the remuneration assessment to senior executives of the company and combined with the comments of the Remuneration and Appraisal Committee, the Board of Directors of the company has reviewed and approved the remuneration assessment and payment of directors and senior executives in the 2016 annual report of the company.

According to the latest Accounting Standards for Business Enterprises No. 9 - Employee Compensation of the Ministry of Finance revised in 2014, the company's accounting policies and the provisions of Incentive Plan, after calculation, and in accordance with the financial statements and operating conditions of the company audited in 2016, the company has fulfilled the terms of the annual performance incentive fund in 2016, it has been agreed that the company withdraws the performance incentive fund of 24,182,150.92 Yuan in accordance with 10% of the audited net profits in 2016 (the net profit in above terms and withdrawing indicators refers to the net profit attributable to the shareholders of listed company). At the same time, according to the Accounting Standards for Business Enterprises No. 9 - Employee Compensation of Ministry of Finance and the relevant accounting policies of the company, the Company's performance incentive fund withdrawn in 2016 shall be included in the current profits and losses and it has been agreed to submit the “Proposal on Withdrawing the Company’s 2016 Annual Performance Incentive Fund” to the Board of Directors for consideration.

VII. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

□ Yes √ No

Supervisory committee has no objection about supervision events in reporting period

VIII. Appraisal and incentive to senior management

(I) Evaluation mechanism for senior executives of the Company

The Company formulated “Implementation Rules of Remuneration and Appraisal Committee of the Board”, the remuneration and appraisal committee established 2016 annual compensation and performance management plan for the senior management of the Company in accordance with the main scope, responsibilities, importance of their management positions and the remuneration level of other relevant enterprises and positions; the plan included but not limited to key performance indicator (KPI), performance appraisal standards, procedures and major programs and systems of main appraisal system, reward and punishment; investigated the execution of duty of the senior management and implemented annual performance appraisal to them. After reviewed by the committee, submit to the Board for approval.

At the end of the year, combined with the senior management’s working reports and self-evaluation of 2016, and according to the performance evaluation criteria and procedures, the Compensation and Appraisal Committee has carried out performance appraisal to the senior management’s key performance indication (KPI) in 2016 and other related indicators; proposed the remuneration amount and performance assessment methods for senior management according to the job performance evaluation results and remuneration distribution policy, and reported to the Board of Directors for approval.

(II) Establishment and implementation of performance incentive mechanism

1. The Company formulated a mid-long term incentive and restraint mechanism, that is “Implementation Plan of Annual Performance Incentive Fund” in 2012, on 9 August 2012 and 28 August 2012, the Plan was deliberated and approved in 16th meeting of 7th session of the Board and 2nd extraordinary general meeting 2012. Details of the aforesaid event can be found in the announcement (No.: 2012-028 and No.: 2012-035) released on appointed media Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) dated 10 August 2012 and 29 August 2012. Implementation of the annual performance incentive fund found more in “ Implementation of Annual Performance Incentive Fund” of “XV Implementation of the company’s stock incentive plan, employee stock ownership plan or other

employee incentives” in “Section V. Important Event” carried in the Report.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

□Yes √ No

There are no details of major defects in IC appraisal report in reporting period

(ii) Appraisal Report of Internal Control

Date of evaluation report of internal control disclosed (Full-text)	2017-3-30	
Index of evaluation report of internal control disclosed (Full-text)	Juchao website (www.cninfo.com.cn)	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	97.31%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	97.24%	
Defects Evaluation Standards		
Category	**Financial Reports**	**Non-financial Reports**
Qualitative criteria	**1. Material defect: defect**: severally or jointly with other defects, will lead to material wrong reporting in financial reports being not able to prevented or found or rectified in a timely manner. Occurrence of the followings will be deemed as material defect: 1. inefficiency of environment control; 2. fraud of directors, supervisors and senior management; 3. The external auditor finds material wrong reporting in current financial statement, while the Company has not found such reporting during its operation; 4. The material defect identified and reported to the management fails to be rectified in a reasonable time period; 5. The audit committee and audit department of the Company exercise invalid supervision upon internal control; 6. Other defects which may affect financial statement users to make correct judgment. **2. Major defect:** severally or jointly with other defects, will lead to wrong reporting in financial reports being not able to prevented or found or rectified in a timely manner which still needs attention	Occurrence of the followings shall be deemed as material defect, otherwise as major defect or general defect subject to the level of influence. 1. breach of national laws, regulations or regulatory documents; 2. procedure for making significant decisions is not scientific; 3. absence of system may lead to invalid system; 4. Material or major defects are not likely to rectify; 5. Large negative effects on the company and disclosed in the form of announcement; 6. Other issues that materially

	from the management though it doesn't reach or exceed material defect as described above. Occurrence of the followings will be deemed as major defect: (1) Financial losses caused by guaranteeing and investing in securities and financial derivatives transactions and disposing property right and stock right without authorization; (2) The company's financial staff or other relevant business personnel have unclear powers and responsibilities or job chaos, or are suspected of being involved in economic or job-related crimes and have been transferred to the judiciary; (3) Punishment or severely negative impacts on the company's image due to the bias implementation of the policy or accounting errors, etc.; (4) Financial losses caused by destroying, concealing, or altering the important original evidences at will, such as invoices and checks, etc. (5) Cash income is not entered into the account book, or public funds are deposited in private account or "private coffer" is established by breaking the rules. 3. General defect: other internal control related defects that do not constitute material defects or major defect.	affect the Company.
Quantitative standard	**1. Proportion of potential wrong reporting in total operating income:** Material defect: wrong reporting ≧0.5%; Major defect: 0.1%≤wrong reporting＜0.5%; General defect: wrong reporting＜0.1%. **2. Proportion of potential wrong reporting in total profit:** Material defect: wrong reporting ≧10%; Major defect: 5%≤wrong reporting＜10%; General defect: wrong reporting＜5%. **3. Proportion of potential wrong reporting in total assets:** Material defect: wrong reporting ≧0.5%; Major defect: 0.1%≤wrong reporting＜0.5%; General defect: wrong reporting＜0.1%. **4. Proportion of potential wrong reporting in total owners' equity:** Material defect: wrong reporting ≧0.5%; Major defect: 0.1%≤wrong reporting＜0.5%; General defect: wrong reporting＜0.1%.	**1. Proportion of direct property loss in total operating income:** Material defect: wrong reporting ≧0.1%; Major defect: 0.05%≤wrong reporting＜0.1%; General defect: wrong reporting＜0.05%. **2. Proportion of direct property loss in total profit:** Material defect: wrong reporting ≧10%; Major defect: 5%≤wrong reporting＜10%; General defect: wrong reporting＜5%. **3. Proportion of direct property loss in total assets:** Material defect: wrong reporting ≧0.2%; Major defect: 0.1%≤wrong reporting＜0.2%; General defect: wrong reporting＜0.1%. **4. Proportion of direct property loss in total owners' equity:** Material defect: wrong reporting ≧0.2%; Major defect: 0.1%≤

		wrong reporting＜0.2%; General defect: wrong reporting＜0.1%.
Amount of significant defects in financial reports	0	
Amount of significant defects in non-financial reports	0	
Amount of important defects in financial reports	0	
Amount of important defects in non-financial reports	0	

X. Auditing report of internal control

√Applicable □ Not applicable

Deliberation section of auditing report of IC	
We consider that: in all major aspects, Hefei Meiling Co., Ltd. has efficiency in financial report of internal control dated 31 December 2016 according to Basic Standards of Internal Control for Enterprise and relevant regulations.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2017-3-30
Index of audit report of internal control (full-text)	Juchao Website: (ww.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
whether the non-financial report had major defects	No

Whether CPA carries out qualified opinion for audit report of internal control or not

□Yes √No

Whether the opinions are consistent in audit report of internal control carrying out by CPA and the self-evaluation report of the Board or not

√Yes □ No

Section X Corporate Bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

□Yes √No

Section XI Financial Report

I. Audit Report

Type of audit opinion	Standard unqualified auditor's report
Date of audit report signing	2017-3-28
Audit authority	Shine Wing Certified Public Accountants (LLP)
Auditing file No.	XYZH/2017CDA40093
CPA's name	He Yong, Xia Cuiqiong

Auditors' Report

XYZH/2017CDA40093

To the Shareholders of Hefei Meiling Co., Ltd.:

We have audited the Companying consolidated and parent Company's financial statements of Hefei Meiling Co., Ltd. ("the Company"), including balance sheet of 31 December 2016 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

Management of the Company is responsible for prepare and present financial statement of the Company, which including: (1) Prepare financial statements with fair presentation in line with Accounting Standards for Business Enterprises; (2) Designing, executed and maintaining necessary internal control in order to prevent fundamental miscarrying in financial statement from fraudulent or errors.

II. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants' Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2016 and its operation results and cash flows for the year ended.

Shine Wing Certified Public Accountants (LLP)   Chinese CPA: He Yong

Chinese CPA: Xia Cuiqiong

Beijing, P.R.C   28 March 2017

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated balance sheet

Prepared by Hefei Meiling Co., Ltd.

2016-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	4, 058, 869, 234. 63	2, 135, 189, 879. 15
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses	12, 060, 213. 30	
Derivative financial liability		
Notes receivable	1, 421, 429, 723. 73	1, 286, 332, 682. 74
Accounts receivable	1, 118, 960, 552. 49	1, 338, 396, 321. 83
Accounts paid in advance	134, 706, 488. 38	68, 041, 820. 73
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	2, 645, 494. 32	1, 238, 199. 65
Dividend receivable		
Other receivables	39, 553, 919. 44	39, 494, 835. 30
Purchase restituted finance asset		
Inventories	1, 974, 526, 734. 86	1, 554, 946, 209. 51
Divided into assets held for sale		
Non-current asset due within one year	12, 625, 340. 00	
Other current assets	1, 454, 346, 297. 42	539, 101, 578. 44
Total current assets	10, 229, 723, 998. 57	6, 962, 741, 527. 35
Non-current assets:		
Loans and payments on		

behalf		
Finance asset available for sales	17,000,000.00	17,000,000.00
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	81,643,631.37	74,239,547.01
Investment property	13,275,631.40	14,084,213.51
Fixed assets	1,204,093,169.72	1,267,493,931.98
Construction in progress	107,037,409.95	56,504,880.99
Engineering material		
Disposal of fixed asset	75,788,138.47	75,773,138.47
Productive biological asset		
Oil and gas asset		
Intangible assets	613,969,271.63	593,449,698.85
Expense on Research and Development	45,023,750.60	53,344,827.72
Goodwill		
Long-term expenses to be apportioned	1,132,075.48	
Deferred income tax asset	84,264,603.65	78,435,177.86
Other non-current asset	34,615,630.00	44,221,416.00
Total non-current asset	2,277,843,312.27	2,274,546,832.39
Total assets	12,507,567,310.84	9,237,288,359.74
Current liabilities:		
Short-term loans	288,343,724.73	58,680,093.19
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses	559,249.58	
Derivative financial liability		
Notes payable	2,635,051,740.30	2,172,064,923.79
Accounts payable	2,331,899,310.82	1,604,075,191.50
Accounts received in advance	390,935,440.46	295,604,800.16

Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	189,592,039.00	115,297,429.40
Taxes payable	59,849,032.13	70,530,483.54
Interest payable	1,617,352.01	214,328.89
Dividend payable	2,545,801.23	2,200,499.91
Other accounts payable	622,580,323.43	643,567,087.33
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year	272,202,590.10	11,153,067.68
Other current liabilities		
Total current liabilities	6,795,176,603.79	4,973,387,905.39
Non-current liabilities:		
Long-term loans	38,908,788.00	243,004,866.40
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	29,696,403.85	38,211,463.86
Special accounts payable	1,400,000.00	
Projected liabilities	331,575,430.79	338,125,014.55
Deferred income	142,919,562.49	132,890,618.54
Deferred income tax liabilities	1,809,032.00	
Other non-current liabilities		
Total non-current liabilities	546,309,217.13	752,231,963.35
Total liabilities	7,341,485,820.92	5,725,619,868.74
Owner's equity:		
Share capital	1,044,597,881.00	763,739,205.00

Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	2, 687, 961, 060. 65	1, 529, 183, 876. 13
Less: Inventory shares		
Other comprehensive income	3, 474, 546. 95	-2, 280, 500. 61
Reasonable reserve		
Surplus public reserve	391, 029, 420. 33	367, 066, 994. 18
Provision of general risk		
Retained profit	968, 097, 382. 98	817, 667, 480. 44
Total owner's equity attributable to parent company	5, 095, 160, 291. 91	3, 475, 377, 055. 14
Minority interests	70, 921, 198. 01	36, 291, 435. 86
Total owner's equity	5, 166, 081, 489. 92	3, 511, 668, 491. 00
Total liabilities and owner's equity	12, 507, 567, 310. 84	9, 237, 288, 359. 74

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong Person in charge of accounting institute: Luo Bo

2. Balance Sheet of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	3, 071, 362, 771. 31	1, 654, 499, 494. 28
Financial liability measured by fair value and with variation reckoned into current gains/losses	12, 060, 213. 30	
Derivative financial liability		
Notes receivable	1, 053, 598, 721. 93	828, 061, 004. 44
Accounts receivable	1, 006, 701, 894. 37	943, 328, 995. 97
Account paid in advance	106, 947, 474. 25	302, 567, 578. 88
Interest receivable		
Dividends receivable		
Other receivables	26, 742, 423. 95	53, 255, 891. 89

Inventories	1,017,090,374.81	869,593,027.59
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets	1,427,283,451.40	522,617,641.34
Total current assets	7,721,787,325.32	5,173,923,634.39
Non-current assets:		
Available-for-sale financial assets	17,000,000.00	17,000,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	992,282,289.21	840,634,581.05
Investment property	11,332,015.32	11,805,903.99
Fixed assets	861,163,999.99	890,217,780.00
Construction in progress	19,478,121.20	20,365,686.01
Project materials		
Disposal of fixed assets	43,494,954.71	43,479,954.71
Productive biological assets		
Oil and natural gas assets		
Intangible assets	430,435,091.82	438,227,183.15
Research and development costs	12,797,092.26	2,162,829.06
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	69,138,686.26	70,170,515.47
Other non-current assets		
Total non-current assets	2,457,122,250.77	2,334,064,433.44
Total assets	10,178,909,576.09	7,507,988,067.83
Current liabilities:		
Short-term borrowings	261,843,724.73	34,411,720.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		

Notes payable	1,734,774,950.13	1,395,443,530.25
Accounts payable	1,521,019,717.86	1,114,807,199.47
Accounts received in advance	104,205,506.34	145,333,375.62
Wage payable	57,714,577.87	42,847,802.62
Taxes payable	25,677,906.64	20,425,867.86
Interest payable	1,617,352.01	214,328.89
Dividend payable	2,545,801.23	2,200,499.91
Other accounts payable	634,561,307.52	686,009,980.82
Divided into liability held for sale		
Non-current liabilities due within 1 year	257,750,238.18	7,487,315.76
Other current liabilities		
Total current liabilities	4,601,711,082.51	3,449,181,621.20
Non-current liabilities:		
Long-term loans	4,751,000.00	199,341,900.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	29,696,403.85	38,211,463.86
Special accounts payable		
Projected liabilities	331,575,430.79	338,125,014.55
Deferred income	64,601,290.18	68,050,877.23
Deferred income tax liabilities	1,809,032.00	
Other non-current liabilities		
Total non-current liabilities	432,433,156.82	643,729,255.64
Total liabilities	5,034,144,239.33	4,092,910,876.84
Owners' equity:		
Share capita	1,044,597,881.00	763,739,205.00
Other equity instrument		
Including: preferred stock		
Perpetual capital		

securities		
Capital public reserve	2, 753, 017, 007. 10	1, 497, 987, 446. 59
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	390, 811, 254. 65	366, 848, 828. 50
Retained profit	956, 339, 194. 01	786, 501, 710. 90
Total owner's equity	5, 144, 765, 336. 76	3, 415, 077, 190. 99
Total liabilities and owner's equity	10, 178, 909, 576. 09	7, 507, 988, 067. 83

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong Person in charge of accounting institute: Luo Bo

3. Consolidated Profit Statement

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Total operating income	12, 526, 710, 867. 49	10, 754, 200, 188. 12
Including: Operating income	12, 526, 710, 867. 49	10, 754, 200, 188. 12
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	12, 355, 268, 931. 56	10, 639, 235, 185. 22
Including: Operating cost	10, 028, 393, 422. 32	8, 626, 957, 829. 63
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		

Reinsurance expense		
Tax and extras	137, 857, 822. 93	87, 849, 554. 99
Sales expenses	1, 855, 396, 448. 81	1, 574, 408, 045. 18
Administration expenses	472, 146, 980. 73	431, 057, 033. 53
Financial expenses	-139, 879, 189. 92	-102, 034, 012. 45
Losses of devaluation of asset	1, 353, 446. 69	20, 996, 734. 34
Add: Changing income of fair value(Loss is listed with "-")	11, 500, 963. 72	81, 170. 00
Investment income (Loss is listed with "-")	14, 302, 482. 67	-12, 043, 591. 71
Including: Investment income on affiliated company and joint venture	-1, 724, 205. 46	-15, 983, 663. 17
Exchange income (Loss is listed with "-")		
III. Operating profit (Loss is listed with "-")	197, 245, 382. 32	103, 002, 581. 19
Add: Non-operating income	57, 917, 677. 26	45, 525, 813. 85
Including: Disposal gains of non-current asset	4, 155, 568. 27	1, 772, 955. 83
Less: Non-operating expense	5, 949, 509. 51	115, 465, 594. 34
Including: Disposal loss of non-current asset	5, 411, 002. 25	6, 221, 387. 00
IV. Total Profit (Loss is listed with "-")	249, 213, 550. 07	33, 062, 800. 70
Less: Income tax expense	29, 044, 015. 72	11, 226, 998. 22
V. Net profit (Net loss is listed with "-")	220, 169, 534. 35	21, 835, 802. 48
Net profit attributable to owner's of parent company	220, 216, 680. 96	27, 104, 893. 56
Minority shareholders' gains and losses	-47, 146. 61	-5, 269, 091. 08
VI. Net after-tax of other comprehensive income	7, 798, 783. 78	1, 288, 320. 82
Net after-tax of other comprehensive income attributable to owners of parent company	5, 755, 047. 56	982, 398. 38

(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	5,755,047.56	982,398.38
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements	5,755,047.56	982,398.38
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders	2,043,736.22	305,922.44
VII. Total comprehensive income	227,968,318.13	23,124,123.30

Total comprehensive income attributable to owners of parent Company	225,971,728.52	28,087,291.94
Total comprehensive income attributable to minority shareholders	1,996,589.61	-4,963,168.64
VIII. Earnings per share:		
(i) Basic earnings per share	0.2717	0.0355
(ii) Diluted earnings per share	0.2717	0.0355

As for the merger under the same control, the combined party has profit of 0.00 Yuan achieved before combination in the year while gains 615,594.18 Yuan in last year.

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong Person in charge of accounting institute: Luo Bo

4. Profit Statement of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Operating income	7,446,086,755.52	6,454,683,327.03
Less: Operating cost	6,433,627,521.78	5,501,158,020.89
Tax and extras	73,861,322.33	46,198,522.96
Sales expenses	688,401,472.30	628,028,964.03
Administration expenses	208,401,227.95	200,756,534.30
Financial expenses	-98,934,716.78	-76,986,515.39
Losses of devaluation of asset	2,102,466.99	1,884,756.30
Add: Changing income of fair value(Loss is listed with "-")	12,060,213.30	81,170.00
Investment income (Loss is listed with "-")	83,282,277.41	-4,275,552.10
Including: Investment income on affiliated company and joint venture	3,156,876.73	-7,735,291.56
II. Operating profit (Loss is listed with "-")	233,969,951.66	149,448,661.84
Add: Non-operating income	29,275,529.00	19,562,063.49

Including: Disposal gains of non-current asset	269,387.27	14,913.06
Less: Non-operating expense	2,534,291.62	86,901,951.21
Including: Disposal loss of non-current asset	2,440,092.05	5,910,524.05
III. Total Profit (Loss is listed with "-")	260,711,189.04	82,108,774.12
Less: Income tax expense	21,086,927.51	10,009,893.74
IV. Net profit (Net loss is listed with "-")	239,624,261.53	72,098,880.38
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of		

held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	239, 624, 261. 53	72, 098, 880. 38
VII. Earnings per share:		
(i) Basic earnings per share	0. 2956	0. 0944
(ii) Diluted earnings per share	0. 2956	0. 0944

Legal Representative: Liu Tibin　　Person in charge of accounting works: Zhang Xiaolong　　Person in charge of accounting institute: Luo Bo

5. Consolidated Cash Flow Statement

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	11, 699, 243, 669. 11	9, 821, 704, 004. 35
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		

Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	335,919,734.52	233,659,161.10
Other cash received concerning operating activities	59,658,793.72	41,648,588.29
Subtotal of cash inflow arising from operating activities	12,094,822,197.35	10,097,011,753.74
Cash paid for purchasing commodities and receiving labor service	8,789,463,121.16	7,699,848,052.80
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	1,223,290,043.44	1,169,853,434.73
Taxes paid	449,049,753.97	406,349,536.96
Other cash paid concerning operating activities	647,628,383.15	591,589,544.02
Subtotal of cash outflow arising from operating activities	11,109,431,301.72	9,867,640,568.51

Net cash flows arising from operating activities	985,390,895.63	229,371,185.23
II. Cash flows arising from investing activities:		
Cash received from recovering investment	500,000,000.00	400,980,332.00
Cash received from investment income	9,533,550.19	3,459,739.46
Net cash received from disposal of fixed, intangible and other long-term assets	28,393,920.60	2,749,368.50
Net cash received from disposal of subsidiaries and other units	23,314,758.79	
Other cash received concerning investing activities	133,141,780.06	131,723,837.54
Subtotal of cash inflow from investing activities	694,384,009.64	538,913,277.50
Cash paid for purchasing fixed, intangible and other long-term assets	134,749,360.71	93,486,096.59
Cash paid for investment	1,490,783,872.00	987,050,116.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	4,027,616.05	10,000,000.00
Subtotal of cash outflow from investing activities	1,629,560,848.76	1,090,536,212.59
Net cash flows arising from investing activities	-935,176,839.12	-551,622,935.09
III. Cash flows arising from financing activities		
Cash received from absorbing investment	1,570,791,736.49	4,900,000.00
Including: Cash received from absorbing minority	28,791,737.65	4,900,000.00

shareholders' investment by subsidiaries		
Cash received from loans	1, 613, 844, 864. 58	1, 700, 864, 359. 43
Cash received from issuing bonds		
Other cash received concerning financing activities	3, 451. 80	387. 13
Subtotal of cash inflow from financing activities	3, 184, 640, 052. 87	1, 705, 764, 746. 56
Cash paid for settling debts	1, 351, 232, 591. 45	1, 899, 924, 701. 39
Cash paid for dividend and profit distributing or interest paying	67, 342, 850. 57	54, 515, 544. 51
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	324, 871. 81	44, 445, 436. 35
Subtotal of cash outflow from financing activities	1, 418, 900, 313. 83	1, 998, 885, 682. 25
Net cash flows arising from financing activities	1, 765, 739, 739. 04	-293, 120, 935. 69
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	48, 983, 386. 20	27, 436, 730. 45
V. Net increase of cash and cash equivalents	1, 864, 937, 181. 75	-587, 935, 955. 10
Add: Balance of cash and cash equivalents at the period -begin	2, 121, 161, 238. 01	2, 709, 097, 193. 11
VI. Balance of cash and cash equivalents at the period -end	3, 986, 098, 419. 76	2, 121, 161, 238. 01

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong Person in charge of accounting institute: Luo Bo

6. Cash Flow Statement of Parent Company

Prepared by Hefei Meiling Co., Ltd.

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	6,286,987,522.89	5,593,115,621.61
Write-back of tax received	194,271,770.99	137,031,380.36
Other cash received concerning operating activities	28,856,943.31	19,541,500.17
Subtotal of cash inflow arising from operating activities	6,510,116,237.19	5,749,688,502.14
Cash paid for purchasing commodities and receiving labor service	5,059,846,568.26	4,949,806,686.98
Cash paid to/for staff and workers	499,890,356.04	462,425,101.84
Taxes paid	131,211,995.78	146,873,149.10
Other cash paid concerning operating activities	308,996,738.10	280,746,768.10
Subtotal of cash outflow arising from operating activities	5,999,945,658.18	5,839,851,706.02
Net cash flows arising from operating activities	510,170,579.01	-90,163,203.88
II. Cash flows arising from investing activities:		
Cash received from recovering investment	511,480,198.00	400,000,000.00
Cash received from investment income	84,794,863.59	3,459,739.46
Net cash received from disposal of fixed, intangible and other long-term assets	1,919,834.50	2,456,048.50
Net cash received from disposal of subsidiaries and other units	5,798,619.62	
Other cash received concerning investing activities	117,071,741.57	101,399,102.52
Subtotal of cash inflow from investing activities	721,065,257.28	507,314,890.48

Cash paid for purchasing fixed, intangible and other long-term assets	65,695,722.77	48,147,261.30
Cash paid for investment	1,546,450,000.00	927,000,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	70,692,821.70	16,917,669.77
Subtotal of cash outflow from investing activities	1,682,838,544.47	992,064,931.07
Net cash flows arising from investing activities	-961,773,287.19	-484,750,040.59
III. Cash flows arising from financing activities		
Cash received from absorbing investment	1,541,999,998.84	
Cash received from loans	1,583,917,936.22	1,588,236,225.91
Cash received from issuing bonds		
Other cash received concerning financing activities	162,688,163.19	179,702,763.86
Subtotal of cash inflow from financing activities	3,288,606,098.25	1,767,938,989.77
Cash paid for settling debts	1,323,059,487.45	1,796,140,016.74
Cash paid for dividend and profit distributing or interest paying	65,467,602.28	52,330,306.51
Other cash paid concerning financing activities	78,461,124.88	101,955,781.82
Subtotal of cash outflow from financing activities	1,466,988,214.61	1,950,426,105.07
Net cash flows arising from financing activities	1,821,617,883.64	-182,487,115.30
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	43,156,715.34	21,453,537.47
V. Net increase of cash and cash equivalents	1,413,171,890.80	-735,946,822.30

Add: Balance of cash and cash equivalents at the period -begin	1,654,499,494.28	2,390,446,316.58
VI. Balance of cash and cash equivalents at the period -end	3,067,671,385.08	1,654,499,494.28

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong
Person in charge of accounting institute: Luo Bo

7. Statement of Changes in Owners' Equity (Consolidated)

Prepared by Hefei Meiling Co., Ltd.

This Period

In RMB

Item	This Period												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	763,739,205.00				1,529,183,876.13		-2,280,500.61		367,066,994.18		817,667,480.44	36,291,435.86	3,511,668,491.00
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													

Other													
II. Balance at the beginning of this year	763,739,205.00				1,529,183,876.13		-2,280,500.61		367,066,994.18		817,667,480.44	36,291,435.86	3,511,668,491.00
III. Increase/ Decrease in this year (Decrease is listed with "-")	280,858,676.00				1,158,777,184.52		5,755,047.56		23,962,426.15		150,429,902.54	34,629,762.15	1,654,412,998.92
(i) Total comprehensive income							5,755,047.56				220,216,680.96	1,996,589.61	227,968,318.13
(ii) Owners' devoted and decreased capital	280,858,676.00				1,158,777,184.52							32,984,351.87	1,472,620,212.39
1.Common shares invested by shareholders	280,858,676.00				1,259,874,046.76							27,867,909.83	1,568,600,632.59
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other					-101,096,862.24							5,116,442.04	-95,980,420.20
(III) Profit distribution									23,962,426.15		-69,786,778.42	-351,179.33	-46,175,531.60

1. Withdrawal of surplus reserves									23,962,426.15		-23,962,426.15		
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)											-45,824,352.27	-351,179.33	-46,175,531.60
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													

2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	1,044,597,881.00				2,687,961,060.65		3,474,546.95		391,029,420.33		968,097,382.98	70,921,198.01	5,166,081,489.92

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	763,739,205.00				1,549,009,939.03		-3,262,898.99		359,857,106.14		843,596,827.22	16,678,477.92	3,529,618,656.32
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													

II. Balance at the beginning of this year	763,739,205.00				1,549,009,939.03		-3,262,898.99		359,857,106.14		843,596,827.22	16,678,477.92	3,529,618,656.32
III. Increase/ Decrease in this year (Decrease is listed with "-")					-19,826,062.90		982,398.38		7,209,888.04		-25,929,346.78	19,612,957.94	-17,950,165.32
(i) Total comprehensive income							982,398.38				27,104,893.56	-4,963,168.64	23,124,123.30
(ii) Owners' devoted and decreased capital					-19,826,062.90							24,576,126.58	4,750,063.68
1.Common shares invested by shareholders												4,900,000.00	4,900,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other					-19,826,062.90							19,676,126.58	-149,936.32
(III) Profit distribution									7,209,888.04		-53,034,240.34		-45,824,352.30
1. Withdrawal of surplus reserves									7,209,888.04		-7,209,888.04		
2. Withdrawal of general risk provisions													

3. Distribution for owners (or shareholders)											-45,824,352.30		-45,824,352.30
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	763,739,205.00				1,529,183,876.13		-2,280,500.61		367,066,994.18		817,667,480.44	36,291,435.86	3,511,668,491.00

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong
Person in charge of accounting institute: Luo Bo

8. Statement of Changes in Owners' Equity (Parent Company)

Prepared by Hefei Meiling Co., Ltd.

This Period

In RMB

Item	2016										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	763,739,205.00				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99
III. Increase/ Decrease in this year (Decrease	280,858,676.00				1,255,029,560.51				23,962,426.15	169,837,483.11	1,729,688,145.77

is listed with “-”)											
(i) Total comprehensive income										239,624,261.53	239,624,261.53
(ii) Owners’ devoted and decreased capital	280,858,676.00				1,259,877,498.56						1,540,736,174.56
1.Common shares invested by shareholders	280,858,676.00				1,259,874,046.76						1,540,732,722.76
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other					3,451.80						3,451.80
(III) Profit distribution									23,962,426.15	-69,786,778.42	-45,824,352.27
1. Withdrawal of surplus reserves									23,962,426.15	-23,962,426.15	
2. Distribution for owners (or shareholders)										-45,824,352.27	-45,824,352.27
3. Other											

(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others					-4,847,938.05						-4,847,938.05
IV. Balance at the end of the report period	1,044,597,881.00				2,753,017,007.10				390,811,254.65	956,339,194.01	5,144,765,336.76

Last period

In RMB

Item	2015

	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	763,739,205.00				1,497,987,059.46				359,638,940.46	767,437,070.86	3,388,802,275.78
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	763,739,205.00				1,497,987,059.46				359,638,940.46	767,437,070.86	3,388,802,275.78
III. Increase/ Decrease in this year (Decrease is listed with "-")					387.13				7,209,888.04	19,064,640.04	26,274,915.21
(i) Total comprehensive income										72,098,880.38	72,098,880.38
(ii) Owners' devoted and decreased capital					387.13						387.13
1.Common shares invested											

by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other					387.13						387.13
(III) Profit distribution									7,209,888.04	-53,034,240.34	-45,824,352.30
1. Withdrawal of surplus reserves									7,209,888.04	-7,209,888.04	
2. Distribution for owners (or shareholders)										-45,824,352.30	-45,824,352.30
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to											

capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	763,739,205.00				1,497,987,446.59				366,848,828.50	786,501,710.90	3,415,077,190.99

Legal Representative: Liu Tibin Person in charge of accounting works: Zhang Xiaolong
Person in charge of accounting institute: Luo Bo

I. Company profile

Hefei Meiling Co., Ltd (hereinafter referred to as “the Company”) is an incorporated Company established and reorganized by Hefei Meiling Refrigerator General Factory and approved on June 12th 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30th 1993, through Anhui Provincial Government [Wanzhenmin (1993) No.166] and re-examination of China Securities Regulatory Commission, the Company made first public issue for 30 million A shares and the Company was listed on Oct. 18th, 1993 in Shenzhen Stock Exchange. On August 13th, 1996, the Company was approved to issue 100 million B shares to investors abroad through [ZhengWeiFa(1996) No.26] issued by China Securities Regulatory Commission. The Company went public in Shenzhen Stock Exchange on August 28th, 1996.

State-owned Assets Supervision & Administration Commission of the State Council approved such transfers with Document Guozi Chanquan No.253 in 2007 Reply on Matters of Hefei Meiling Group Holdings Company Limited Transferring Partial State-owned Ownership, Hefei Meiling Group Holdings Company Limited (hereinafter abbreviated as Meiling Group) transferred its holding 37,852,683 shares in 82,852,683 state-owned shares of the Company to Sichuan Changhong Electronic Group Co., Ltd (hereinafter abbreviated as Changhong Group), other 45,000,000 shares to Sichuan Changhong Electric Co. Ltd (hereinafter abbreviated as Sichuan Changhong). On Aug 15, 2007, the above ownerships were transferred and Cleaning Corporation Limited.

On 27 August 2007, State-owned Assets Supervision & Administration Commission of Anhui Provincial Government replied with Document [WGZCQH(2007) No.309] Reply on “Related Matters of Share Merger Reform of Meiling Co., Ltd.”, agreed the Company’s ownership split reform plan. The Company made consideration that non-tradable share holders deliver 1.5 shares to A share holders per 10 shares, and original Meiling Group made prepayment 3,360,329 shares for some non-tradable share holders as consideration for split reform plan.

On 29 May 2008, concerning 34,359,384 state-owned shares (including 3,360,329 shares paid for other non-tradable shareholders by original Meiling Group in share reform) held by original Meiling Group, the “Notice of Freely Transfer of Meiling Electrics Equity held by Meiling Group”[HGZCQ(2008) No. 59] issued from State-owned Assets Supervision & Administration Commission of Hefei Municipal, agrees to transfer the above said shares to Hefei Xingtai Holding Group Co., Ltd.(“Xingtai Holding Co.,”) for free. On 7 August 2008, the “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders”[GZCQ(2007) No. 750] issued by SASAC, agrees the above said transferring.

On October 29, 2008, Changhong Group Company signed Agreement on Equity Transfer of Hefei Meiling Co., Ltd with Sichuan Changhong, in which 32,078,846 tradable A-shares with conditional subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On 23 December 2008, “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders”[GZCQ(2008) No. 1412] issued by SASAC agrees the above said share transferring.

On 24 December 2010, being deliberated and approved in 32nd Meeting of 6th Session of the Board and 2nd Extraordinary Shareholders' General Meeting of 2010 as well as approval of document [ZJXP(2010) No. 1715] from CSRC, totally 116,731,500 RMB ordinary shares (A stock) were offering privately to target investors with issue price of RMB 10.28/share. Capital collecting amounting to RMB 1,199,999,820 after issuing expenses RMB 22,045,500 deducted, net capital collected amounting to RMB 1,177,954,320, and paid-in capital(share capital) increased RMB 116,731,500 with capital reserve(share premium) RMB 1,061,106,088.5 increased. The increasing capital has been verified by Capital Verification Report No.: ［XYZH2010CDA6021］ issued from Shinwing CPA Co., Ltd.

On 20 June 2011, the general meeting of the Company considered and approved the 2010 profit distribution plan, namely to distribute cash dividends of RMB0.5 (tax included) plus two shares for every ten shares held by shareholders to all shareholders, based on the total share capital of 530,374,449 shares as of 31 December 2010. The total share capital of the Company upon profit distribution increased to 636,449,338 shares. The capital increase was verified by Anhui Huashen Zhengda Accounting Firm with the verification report WHSZDKYZ(2011)No.141.

On 26 June 2012, the general meeting of the Company considered and approved the 2011 profit distribution and capitalization of capital reserve plan, namely to distribute cash dividends of RMB0.5 (tax included) plus two shares for every ten shares to all shareholders capitalized from capital reserve, based on the total share capital of 636,449,338 shares as of 31 December 2011. The total share capital of the Company upon implementation of capitalization of capital reserve increased to 763,739,205 shares from 636,449,338 shares, and was verified by Anhui Anlian Xinda Accounting Firm with the verification report WALXDYZ(2012)No.093.

On November 18, 2015, considered and approved by the 12th meeting of the 8th Board of Directors of the company and the first extraordinary general meeting in 2016, and approved by the document of China Securities Regulatory Commission [CSRC License No. (2016) 1396] "Reply to the approval of non-public offering of shares of Hefei Meiling Co., Ltd.", the company has actually raised funds of 1,569,999,998.84 Yuan by non-public offering of no more than 334,042,553 new shares at face value of RMB 1 Yuan per share and with issue price no less than RMB4.70 per share, after

deducting the issue costs of 29,267,276.08 Yuan , the net amount of raised funds is 1,540,732,722.76 Yuan , the increased paid-in capital (share capital) of RMB 280,858,676.00 Yuan , increased capital reserve (share premium) of 1,259,874,046.76 Yuan . This capital increase has been verified by No. ［XYZH2016CDA40272］ capital verification report of ShineWing Certified Public Accountants special general partnership.

Ended as 31 December 2016, total share capital of the Company amounting to 1,044,597,881shares with ordinary shares in full. Among which, 881,733,881 shares of A-share accounting 84.41% in total shares while B-share with 162,864,000 shares accounting 15.59% in total shares. Detail share capital as:

Type of stock	Quantity	Proportion
(I)Restricted shares	**290,301,746**	**27.79%**
1. State-owned shares		
2. State-owned legal person's shares	70,793,625	6.78%

3. Other domestic shares	218,508,272	20.92%
Including: Domestic legal person's shares	215,820,073	20.66%
Domestic natural person's shares	2,688,199	0.26%
4. Foreign shares	999,849	0.09%
(II)Unrestricted shares	**754,296,135**	**72.21%**
1. RMB Ordinary shares	592,431,984	56.71%
2. Domestically listed foreign shares	161,864,151	15.50%
3. Overseas listed foreign shares		
4. Others		
Total shares	**1,044,597,881**	**100.00%**

The Company belongs to the manufacture of light industry, and engaged in the production and sale of refrigerator, freezer and air-conditioner. Unified social credit code of the Company: 9134000014918555XK; Address: No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei City; Legal Representative: Liu Tibin; register capital(paid-in capital): RMB 10,445,978,810,000; type of company: limited liability company(joint venture and listed of Taiwan, Hong Kong and Macau) Business Scope: Manufacture of cooling apparatus, air-conditioner, washing machine, injection plastic machine of computer controlling, computer heater, plastic products, packaging products and decorations. Business of self-produced products, technology export and import-export of the raw&auxilary materials, machinery equipment, instrument and technology; department sales and transportation

II. Scope of consolidated financial statement

The Company's consolidated financial statement included 50 subsidiaries including Sichuan Changhong Air Conditioner CO., Ltd, Zhongshan Changhong Home Appliances Company Limited and Zhongke Meiling Low Temperature Technology Co., Ltd, etc. As compared to previous year, Subsidiary Changmei Technology Co. Ltd. and CHONGHONG MEILING ELECTRIC INDONESIA,PT was newly included due to direct investment in this year; Subsidiary Changhong Ridian Technology Co. Ltd. was newly included due to enterprise merger under the same control; Subsidiary Bengbu Meiling Appliances Marketing Company Limited and Luohe Meiling Appliances Marketing Company Limited were excluded due to liquidation; Subsidiary Hefei MeiLing Packing Co., Ltd. were excluded due to sale of equity.

More detail can be seen in "VII. Changes of consolidated scope" and "VIII. Rights and interest in other subjects" in the Note.

III. Basis for preparation of financial statement

1. Basis for preparation

The financial statements of the Company were prepared in accordance with the actual transactions and proceedings, and relevant regulation of Accounting Standards for Enterprise released by the Ministry of Finance, and was on the basis of sustainable operation, and the accounting policy and estimation stated in the "IV. Significant Accounting Policy and Accounting Estimation".

2. Continuous operation

The Company recently has a history of profitability operation and has financial resources supporting, and prepared the financial statement on basis of going concern is reasonable.

IV. Significant Accounting Policy, Accounting Estimation

1. Statement on observation of accounting standards for enterprise

The financial statement prepared by the Company applies with the requirements of Accounting Standard for Enterprise, and reflects the financial condition, operational achievements and cash flow of the Company effectively and completely.

2. Accounting period

The accounting period of the Company is the calendar date from 1 January to 31 December.

3. Standard currency for accounting

The Company takes RMB as the standard currency for accounting.

4. Accountant arrangement method of business combination under common control and not under common control

As acquirer, the Company measures the assets and liabilities acquired through business combination under common control at their carrying values as reflected in the consolidated financial statement of the ultimate controller as of the combination date. Capital reserve shall be adjusted in respect of any difference between carrying value of the net assets acquired and carrying value of the combination consideration paid. In case that capital reserve is insufficient to offset, the Company would adjust retained earnings.

The acquiree’s net identifiable assets, liabilities or contingent liabilities acquired through business combination not under common control shall be measured at fair value as of the acquisition date. The cost of combination represents the fair value of the cash or non-cash assets paid, liabilities issued or committed and equity securities issued by the Company as at the date of combination in consideration for acquiring the controlling power in the acquiree, together with the sum of any directly related expenses occurred during business combination(in case of such business combination as gradually realized through various transactions, the combination cost refers to the sum of each cost of respective separate transaction). Where the cost of the combination exceeds the acquirer’s interest in the fair value of the acquirer’s identifiable net assets acquired, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the Company shall firstly make further review on the fair values of the net identifiable assets, liabilities or contingent liabilities acquired as well as the fair value of the non-cash assets portion of combination consideration or the equity securities issued by the Company. In case that the Company finds the cost of combination is still lower than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets after such further review, the difference is recognized in non-operating income for the current period when combination occurs.

5. Measures on Preparation of Consolidated Financial Statements

The Company shall put all the subsidiaries controlled and main body structured into consolidated financial statements.

Any difference arising from the inconformity of accounting year or accounting policies between the subsidiaries and the Company shall be adjusted in the consolidated financial statements.

All the material inter-company transactions, non-extraordinary items and unrealized profit within the combination scope are written-off when preparing consolidated financial statement. Owners' equity of subsidiary not attributable to parent company and current net gains and losses, other comprehensive income and total comprehensive income attributable to minority shareholders are recognized as non-controlling interests, minority interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders in consolidated financial statement respectively.

As for subsidiary acquired through business combination under common control, its operating results and cash flow will be included in consolidated financial statement since the beginning of the period when combination occurs. When preparing comparative consolidated financial statement, the relevant items in previous year's financial statement shall be adjusted as if the reporting entity formed upon combination has been existing since the ultimate controller commenced relevant control.

As for equity interests of the investee under common control acquired through various transactions which eventually formed business combination, the Company shall supplement disclosure of the accounting treatment in consolidated financial statement in the reporting period when controlling power is obtained. For example, as for equity interests of the investee under common control acquired through various transactions which eventually formed business combination, adjustments shall be made as if the current status had been existing when the ultimate controller commenced control in connection of preparing consolidated financial statement; in connection with preparing comparative statement, the Company shall consolidate the relevant assets and liabilities of the acquiree into the Company's comparative consolidated financial statement to the extent not earlier than the timing when the Company and the acquiree are all under control of the ultimate controller, and the net assets increased due to combination shall be used to adjust relevant items under owners' equity in comparative statement. In order to prevent double computation of the value of the acquiree's net assets, the relevant profits and losses, other comprehensive income and change of other net assets recognized during the period from the date when the Company acquires original equity interests and the date when the Company and the acquiree are all under ultimate control of the same party (whichever is later) to the date of combination in respect of the long-term equity investment held by the Company before satisfaction of combination shall be utilized to offset the beginning retained earnings and current gains and losses in the period as the comparative financial statement involves, respectively.

As for subsidiary acquired through business combination not under common control, its operating results and cash flow will be included in consolidated financial statement since the Company obtains controlling power. When preparing consolidated financial statement, the Company shall adjust the subsidiary's financial statement based on the fair value of the various identifiable assets, liabilities or contingent liabilities recognized as of the acquisition date.

As for equity interests of the investee not under common control acquired through various transactions which eventually formed business combination, the Company shall supplement disclosure of the accounting treatment in consolidated financial statement in the reporting period when controlling power is obtained. For example, as for equity interests of the investee not under common control acquired through various transactions which eventually formed business combination, when preparing consolidated financial statement, the Company would re-measure the equity interests held in the acquiree before acquisition date at their fair value as of the acquisition date, and any difference between the fair value and carrying value is included in current investment income. in case that the equity interests in acquiree held by the Company before the relevant acquisition date involves other comprehensive income at equity method and change of other owners' equity (other than net gains and losses, other comprehensive income and profit distribution), then the equity interests would transfer to investment gains and losses for the period which the acquisition date falls upon. The other comprehensive income arising from change of the net liabilities or net assets under established benefit scheme as acquiree's re-measured such scheme is excluded.

The transaction with non-controlling interest to dispose long-term equity investment in a subsidiary without losing control rights over the subsidiary, the difference between the proceeds from disposal of interests and the decrease of the shared net assets of the subsidiary is adjusted to capital premium (share premium). In case capital reserve is not sufficient to offset the difference, retained earnings will be adjusted.

As for disposal of part equity investment which leads to losing control over the investee, the Company would re-measure the remaining equity interests at their fair value as of the date when the Company loses control over the investee when preparing consolidated financial statement. The sum of consideration received from disposal of equity interest and fair value of the remaining equity interest, less the net assets of the original subsidiary attributable to the Company calculated based on the original shareholding proportion since the acquisition date or the date then consolidation commences, is included in investment gains and losses for the period when control is lost, meanwhile to offset goodwill. Other comprehensive income related to equity interest investment in original subsidiaries is transferred into current investment gains and losses upon lost of control.

If the disposal of the equity investment of a subsidiary is realized through multiple transactions until loss of control and is a package deal, the accounting treatment of these transactions should be dealt with as one transaction of disposal of the subsidiary until loss of control. However, before the Company loses total control of the subsidiary, the differences between the actual disposal price and the share of the net assets of the subsidiary disposed of in every transaction should be recognized as other comprehensive income in the consolidated financial statements, and transferred to profit or loss when losing control.

6. Accounting treatment for joint venture arrangement and joint controlled entity

The joint venture arrangement of the Company consists of joint controlled entity and joint venture. As for jointly controlled entity, the Company determines the assets held and liabilities assumed separately as a party to the jointly controlled entity, recognizes such assets and liabilities according to its proportion, and recognizes relevant income and expense separately under relevant agreement or according to its proportion. As for asset transaction relating to purchase and sales with the jointly controlled entity which does not constitute business activity, part of the gains and losses arising from such transaction attributable to other participators of the jointly controlled entity is only recognized.

7. Cash and cash equivalents

Cash in the cash flow statement comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including but not limited to the followings which meet the aforesaid conditions: debt investment matured within three months upon the acquisition date, bank time deposit which can be early withdrew by serving a notice and transferrable deposit receipt, etc. for time deposit which can not be used for payment at any time, it would be note recognized as cash; while if can be used for such purpose, it would be recognized as cash. Guarantee deposit over three months in other monetary capital shall not be recognized as cash equivalents, and those less than three months are recognized as cash equivalents.

8. Foreign currency business and foreign currency financial statement conversion

(1) Foreign currency business

As for the foreign currency business, the Company converts the foreign currency amount into RMB amount pursuant to the spot exchange rate as of the business day. As at the balance sheet date, monetary items expressed by foreign currency are converted into RMB pursuant to the spot exchange rate as of the balance sheet date. The conversion difference occurred is recorded into prevailing gains and losses, other than the disclosure which is made according to capitalization rules for the exchange difference occurred from the special foreign currency borrowings borrowed for constructing and producing the assets satisfying condition of capitalization. As for the foreign currency non-monetary items measured by fair value, the amount is then converted into RMB according to the spot exchange rate as of the confirmation day for fair value. And the conversion difference occurred during the procedure is recorded into prevailing gains and losses directly as change of fair value. As for the foreign currency non-monetary items measured by historical cost, conversion is made with the spot exchange rate as of the business day, with no change in RMB amount.

(2) Conversion of foreign currency financial statement

Spot exchange rate as of the balance sheet date is adopted for conversion of assets and liabilities in foreign currency balance sheet; as for the items in statement of owners' equity except for "Undistributed profit", conversion is made pursuant to the spot exchange rate of business day; income and expense items in income statement then are also converted pursuant to the spot exchange rate of transaction day. Difference arising from the aforementioned conversions shall be listed separately in items of owners' equity. Spot exchange rate as of the occurrence date of cash flow is adopted for conversion of foreign currency cash flow. The amount of cash affected by exchange rate movement shall be listed separately in cash flow statement.

9. Financial assets and financial liabilities

(1) Financial assets

1) Classification of financial assets

In consideration of investment targets and economic essence, the Company groups the financial assets owned by it as four categories, namely financial assets measured by fair value and whose movement is recorded into prevailing gains and losses, held-to-maturity investment, loans and accounts receivables, as well as financial assets available-for-sale.

Financial assets measured by fair value and whose movement is recorded into prevailing gains and losses represent the financial assets which are held mainly for disposal in a short time and listed as tradable financial assets in the balance sheet.

Held-to-maturity investment represents the non-derivative financial assets which has fixed maturity day, fixed or available-for-confirmation recovered amount and for which the management has definite intention and ability to hold till maturity.

Loans and accounts receivables represent the non-derivative financial assets which have no quotation in an active market and fixed or available-for-confirmation recovered amount.

Financial assets available-for-sale including the non-derivative financial assets available-for-sale and the financial assets which have not been grouped as others at the initial confirmation

2) Recognition and measurement for financial assts

Financial assets, while become party of the contract of financial instrument in the Company, recognized in balance sheet by fair value. For the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the relevant transaction expense arising from acquisition is recorded into prevailing gains and losses directly, while the relevant transaction expense of other financial assets is recorded into initial recognition amount.

Financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, together with financial assets available-for-sale, would have follow-up measurement according to fair value; effective interest method is adopted for loans and accounts receivables and held-to-maturity investment which are shown in amortized cost.

Fair value change of financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses is recorded into gains and losses of fair value change; interests or cash dividend acquired from holding assets are recognized as investment income; when disposing such assets, the difference between their fair value and initial accounting amount is recognized as investment gains and losses. Meanwhile, gains and losses of fair value shall be adjusted.

Except impairment losses and exchange gains/loss from financial assets with foreign currency, variation of the fair value for financial assets available for sale should reckon into shareholders' equity. The variation of fair value accumulative reckon into equity previously should transfer into current gains/losses while recognition of this financial asset terminated. For the interest during period of holding for instrument investment of liability available for sale based on real interest rate, and cash dividend related with instrument investment of equity available for sale that announced by invested enterprises should reckon into current gains/losses as investment incomes.

3) Impairment of financial assets

Except for the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the Company will make check in the carrying value of other financial assets as at the balance sheet date. If there is objective evidence proving impairment of certain financial assets, the Company then makes provision for impairment.

When the financial assets calculated by amortized cost decrease in value, count and draw the provision for impairment according to the balance between present value and book value of predicted future cash flows (Excluding future credit losses that haven't occurred yet.). If there is any objective evidence to indicate that the financial assets has recovered and is objectively connected with matters occurred after confirming the losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses.

When the fair value of financial assets available for sale goes down substantially or non- transiently, the accumulating losses previously and directly reckoned in shareholder's equity and formed due to shrinkage of fair value will be transferred and reckoned in impairment losses. As for the debt instrument investment available for sale with confirmed impairment losses, if its fair value rises after and it is objectively connected with matters occurred after confirming the primary impairment losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses. And the debt instrument investment available for sale with confirmed impairment losses shall be directly reckoned in stockholder's equity if its fair value rises after.

4) Transfer of financial assets

The financial assets meet one of following requirements will be terminated recognition: ① The contract rights of collecting cash flow of the financial assets is terminated; ②The financial assets has already been transferred, and the Company has transferred almost all risks and remunerations of financial assets ownership to the transferee; ③The financial assets has been transferred, even though the Company has neither transferred nor kept almost all risks and remunerations of financial assets ownership, the Company has given up controlling the financial assets.

If the enterprise has neither transferred or kept almost all risks and remunerations of financial assets ownership, nor given up controlling the financial assets, then confirm the relevant financial assets according to how it continues to involve into the transferred financial assets and confirm the relevant liabilities accordingly. The degree of keeping involving into the transferred financial assets refers to the risk level with which the fluctuation of this financial asset value makes the enterprise face.

If the entire transfer of financial assets satisfies the demand for derecognition, reckon the balance between the book value of the transferred financial assets and the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income in the current profits and losses.

If part transfer of financial assets satisfies the demand for derecognition, apportion the integral book value of the transferred financial assets between the derecognized parts and the parts not yet derecognized according to each relative fair value, and reckon the balance between the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income that should be apportioned to the derecognized parts and the apportioned aforementioned carrying amounts in the current profits and losses.

(2) Financial liabilities

When making the initial recognition for financial liabilities, the Company classifies the financial liabilities into ones which are measured by fair value and whose change is recorded into prevailing gains and losses, and other financial liabilities.

Financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses include tradable financial liabilities and financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses at the initial recognition day. Follow-up measurements are made by fair value. Recorded into prevailing gains and losses are the gains or losses formed through fair value change and dividend and interest expenditure regarding to the financial liabilities.

As for other financial liabilities, effective interest rate method is adopted and follow-up measurement is made according to amortized cost.

1) Method for recognition of fair value of financial assets and liabilities

For those financial instruments existing in active markets, market quotation in the active market is used to confirm their fair values. In active market, the Company takes the present bid price of already-held financial assets or plan-to-undertake financial liabilities as the fair values of relevant assets and liabilities; the Company takes the present offer price of plan-to-buy financial assets and –already-undertaken liabilities as the fair values of relevant assets and liabilities. In the situation that there are no present bid and offer price for financial assets and liabilities, while there is no material change in economic environment after the latest business day, then fair value of the financial assets and liabilities is to confirm pursuant to the latest business market quotation.

Fair value of the financial instruments which have no active market is confirmed by adoption of estimation technology. Estimation technology includes reference to the price applied by parties which know well situation and are willing to make deals in the latest market business, reference to the current fair value of other financial assets which are the same in principle, reference to discounted cash flow method and option pricing model.

10. Bad debt provision for accounts receivable

Allowance method is adopted for the bad debt losses which are likely to happen. And conducting impairment test independently or by combination at period-end, withdrawn bad debt provision and then recorded into current gains and losses. As for the accounts receivable which are not able to call back through definite evidence, they shall be treated as bad debt losses after approval of the Group according to regulated procedures to offset withdrawn bad debt provision.

The following situation as standards for confirmation of bad debt losses of accounts receivable: revoke, bankruptcy, insolvency, serious insufficiency of cash flow of its debit units, or the debit units have to stop production due to serious natural disaster and are not able to settle the debts or in predicted time, or other definite evidence showing that the debt is not available to call back or the possibility of calling back is tiny.

Account receivables were divided as follow categories at period-end, which was performed impairment test in way of individual or group, and withdrawal bad debt provision:

(1) Account receivable with single significant amount:

Determine basis or amount standards for single significant amount	If totally amount takes over 80% of the total for over 5% occupied, than 5% of single amount in total amounts recognized as single significant amount; if totally amount takes less than 80% of the total for over 5% occupied, than lower recognition standards till qualified 80% in total
Method of bad debt provision accrual for account receivable with single major amount	Withdrawal bad debt provision according to difference between the current value of future cash flow and book values; if there has no impairment been found in individual test, withdrawal bad debt provision while testing by group

(2) Account receivable withdrawal bad debt provision based on combination:

Basis for combination recognized	
Combination 1	Account receivable except combination 2
Combination 2	Employee reserve fund, foreign investment amount, contact with related party in consolidated statement of Changhong Group, export tax refund receivable, account receivable with L/C or insurance, government subsidy etc.
Methods on withdrawal of bad debt provision based on combination	
Combination 1	Withdrawal bad debt provision by proportion in different age group
Combination 2	Risks are under control without bad debt provision accrual

In combination 1, withdrawal proportion of bad debt provision for account receivable based on age analysis:

Age	Withdrawal proportion of account receivable (%)	Withdrawal proportion of other account receivable (%)
Within 1year(1year included)	5	5
1－2years	15	15
2－3 years	35	35
3－4 years	55	55
4－5 years	85	85
Over 5 years	100	100

(3) Account receivable with single minor amount but withdrawal single item bad debt provision:

Reasons for withdrawal single item bad debt provision	Account with minor amount but have significant inflow risk on predicted future cash flow

Withdrawal method for bad debt provision	Impairment test on the current value of predicted future cash flow, bad debt provision withdrawal.

11. Inventories

Inventories of the Company principally include raw materials, stock goods; work in process, self-made semi-finished product, materials consigned to precede, low-value consumption goods, goods in transit, goods in process and mould etc.

Perpetual inventory system is applicable to inventories. For daily calculation, standard price is adopted for raw materials, low-value consumption goods and stock goods. Switch-back cost of the current month is adjusted by distribution price difference at the end of the month, the dispatched goods will share the cost differences of inventory while in settlement the business income; and low-value consumption goods is carried forward at once when being applied for use; the mould expenses will evenly deferred share based on balance at period-begin plus increase amount in this period divided by 12 months.

Inventory at period-end is valued by the Lower-of-value between the cost and net realizable value. For those individual stock, suffering damage, totally or partly out of fashion or has lower sales price than cost, predicted recoverable parts in cost, and withdrawal provision of inventory depreciation single. For those raw materials, stock commodities and goods in transit, withdrawal provision of inventory depreciation by follow methods:

(1) Determined the net realizable value of raw materials on the higher amount between the final prices of estimated sale-price deducted cost (about to happen till products finished), estimated sales expense and relevant taxes, and the fair value of external disposal.

(2) Withdrawal obsolete provision for commodity stocks and goods in transit by the follow proportion:

1) Refrigerator, freezer and washing machine

Grade	Stock duration	Withdrawal proportion for obsolete provision
Grade-A	Within 3 months	0%
	4-6 months	5%
	7-12 months	15%
	1-2 years	25%
	2-3 years	40%
	Over 3 years	100%
Qualified		40%
Grade-B		50%
Grade-C		60%
Unqualified		60%
Disposal		65%
Sample machine		30%
Special user type that exceed the order quantity		50%

2) Air-conditioner

Location level	Withdrawal proportion for obsolete provision
Repair	50%
Awaiting repair	70%
Store return	70%
De-stocking	70%
Overstock	100%

With respect to the inventories and delivered goods which are not vested to the above classification, their realizable net value will be calculated by the Company based on the estimated selling price of the inventories less estimated selling expense and related taxes. The Company re-checks the above mentioned proportion at every end of the year. Calculated the net realizable value by difference between the estimated sale price less the estimated sales expense and relevant taxation; after comparison with the book value of commodity stocks and goods in transit, determined whether adjusted the proportion or not. Mould expense will amortize in installment in usual times. Once the use-life of mould is terminated, and than transfer its remaining cost into gains/losses, no withdrawal of obsolete provision at period-end.

12. Long-term equity investment

Long-term equity investment of the Company is mainly about investment in subsidiary, investment in associates and investment in joint-ventures.

For long-term equity investments acquired through business combination under common control, the initial investment cost shall be the acquirer’s share of the carrying amount of net assets of the acquiree as of the combination date as reflected in the consolidated financial statement of the ultimate controller. If the carrying amount of net assets of the acquiree as of the combination date is negative, the investment cost of long-term equity investment shall be zero. For long-term equity investment acquired through business combination not under common control, the initial investment cost shall be the combination cost.

Excluding the long-term equity investment acquired through business combination, there is also a king of long-term equity investment acquired through cash payment, for which the actual payment for the purchase shall be investment cost; If Long-term equity investments are acquired by issuing equity securities, fair value of issuing equity investment shall be investment cost; for Long-term equity investments which are invested by investors, the agreed price in investment contract or agreement shall be investment cost; and for long-term equity investment which is acquired through debt reorganization and non-monetary assets exchange, regulations of relevant accounting standards shall be referred to for confirming investment cost.

The Company adopts cost method for investment in subsidiaries, makes calculation for investments in joint-ventures and associates by equity method.

When calculated by cost method, long-term equity investment is priced according to its investment cost, and cost of the investment is adjusted when making additional investment or writing off investment; When calculated by equity method, current investment gains and losses represent the proportion of the net gains and losses realized by the invested unit in current year attributable to or undertaken by the investor. When the Company is believed to enjoy proportion of net gains and losses of invested unit, gains and losses attributable to the Company according to its shareholding ratio is to computer out according to the accounting policy and accounting period of the Company, on the basis of the fair value of various recognizable assets of the invested unit as at the date of obtaining of the investment, after offset of gains and losses arising from internal transactions with associates and joint-ventures, and finally to make confirmation after adjustment of net profit of the invested unit. Confirmation on gains and losses from the long-term equity investment in associates and joint-ventures held by the Company prior to the first execution day, could only stand up with the precedent condition that debit balance of equity investment straightly amortized according to its original remaining term has already been deducted, if the aforementioned balance relating to the investment do exist.

In case that investor loses joint control or significant influence over investee due to disposal of part equity interest investment, the remaining equity interest shall be calculated according to Enterprise Accounting Principles No.22-Recognition and Measurement of Financial Instrument. Difference between the fair value of the remaining equity interest as of the date when lose of joint control or significant influence and the carrying value is included in current gains and losses. Other comprehensive income recognized in respect of the original equity interest investment under equity method should be treated according to the same basis which the investee adopts to directly dispose the relevant assets or liabilities when ceasing adoption of equity method calculation; and also switches to cost method for calculating the long-term equity investments which entitles the Company to have conduct control over the invested units due to its additional investments; and switches to equity method for calculating the long-term equity investments which entitles the Company to conduct common control or significant influence, while no control over the invested units due to its additional investments, or the long-term equity investments which entitles the Company with no control over the invested units any longer while with common control or significant influence.

When disposing long-term equity investment, the balance between its carrying value and effective price for obtaining shall be recorded into current investment income. When disposing long-term equity investment which is calculated by equity method, the proportion originally recorded in owners' equity shall be transferred to current investment income according to relevant ratio, except for that other movements of owners' equity excluding net gains and losses of the invested units shall be recorded into owners' equity.

13. Investment real estate

The investment real estate of the Company includes leased houses and buildings, and is accounted value by its cost. Cost of purchased-in investment real estate consists of payment for purchase, relevant taxes and other expenditure which is attributable to the assets directly; while cost of self-built investment real estate is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state.

Consequent measurement of investment estate shall be measured by cost method. Depreciation is provided with average service life method pursuant to the predicted service life and net rate of salvage value. The predicted service life and net rate of salvage value and annual depreciation are listed as follows:

Type	Depreciation term	Predicted rate of salvage value	Depreciation rate per annum
Houses and buildings	30-40 years	4%-5%	2.375%-3.20%

When investment real estate turns to be used by holders, it shall switch to fixed assets or intangible assets commencing from the date of such turning. And when self-used real estate turns to be leased out for rental or additional capital, the fixed assets or intangible assets shall switch to investment real estate commencing from the date of such turning. In situation of switch, the carrying value before the switch shall be deemed as the credit value after the switch.

When investment is disposed, or out of utilization forever and no economic benefit would be predicted to obtain through the disposal, the Company shall terminate recognition of such investment real estate. The amount of income from disposal, transfer, discarding as scrap or damage of investment real estate after deducting the asset' s carrying value and relevant taxation shall be written into current gains and losses.

14. Fixed assets

Fixed assets of the Company represent the tangible assets and assets package: held by the Company for purpose of producing commodities, providing labor service, leasing or operational management, service life exceeds one year, and unit price exceeds RMB 2,000. Including four categories of houses and buildings, machinery equipments, transportation equipments and other equipments

Their credit value is determined on the basis of the cost taken for obtaining them. Of which, cost of purchased-in fixed assets include bidding price and import duty and relevant taxes, and other expenditure which occurs before the fixed assets arrive at the state of predicted utilization and which could be directly attributable to the assets; while cost of self-built fixed asset is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state; credit value of the fixed assets injected by investors is determined based on the agreed value of investment contracts or agreements, while as for the agreed value of investment contracts or agreements which is not fair, it shall take its fair value as credit value; and for fixed assets which are leased in through finance leasing, credit value is the lower of fair value of leased assets and present value of minimized leasing payment as at the commencing date of leasing.

Consequent expenditure related to fixed assets consists of expenditures for repair and update reform. For those meeting requirements for recognization of fixed assets, they would be accounted as fixed asset cost; and for the part which is replaced, recognization of its carrying value shall cease; for those not meeting requirements for recognization of fixed assets, they shall be accounted in current gains and losses as long as they occur. When fixed asset is disposed, or no economic benefit would be predicted to obtain through utilization or disposal of the asset, the Company shall terminate recognization of such fixed asset. The amount of income from disposal, transfer, discarding as scrap or damage of fixed asset after deducting the asset' s carrying value and relevant taxation shall be written into current gains and losses.

The Company withdraws depreciation for all fixed assets except for those which have been fully depreciated while continuing to use. It adopts average service life method for withdrawing depreciation which is treated respectively as cost or current expense of relevant assets according to purpose of use. The depreciation term, predicted rate of salvage value and depreciation rate applied to fixed assets of the Company are as follows:

No.	Type	Depreciation term	Predicted rate of salvage value	Depreciation rate per annum
1	Houses and buildings	30-40 years	4%-5%	2.375%-3.20%
2	Machinery equipments	10-14 years	4%-5%	6.786%-9.60%
3	Transport equipment	5-12 years	4%-5%	7.92%-19.20%
4	Other equipments	8-12 years	4%-5%	7.92%-12.00%

The Company makes re-examination on predicted service life, predicted rate of salvage value and depreciation method at each year-end. Any change will be treated as accounting estimation change.

15. Construction in process

Construction in process is measured with effective cost. Self-operated constructions projects are measured with direct materials, direct salaries and direct construction expense; construction projects undertaken by external are measured with the engineering payment payable; and engineering cost (income abatement) of equipment-installation projects is confirmed with consideration of value of the equipments, installation fee, and expenditure arising from trial operation of the projects. Borrowing expense and exchange gains and losses which should be capitalized are also included in cost of construction in process.

16. Borrowing expense

Borrowing expenses include interest expense, amortization of discount or premium, auxiliary expenses and exchange difference due to borrowing in foreign currency. The borrowing expense which could be directly attributable to purchase or production of assets satisfying capitalization condition, starts capitalization when capital expenditure and borrowing expense occur and when necessary purchase or production conducted for promoting assets to reach the predicted available-for-use or available-for-sale state; and capitalization shall cease when purchased or produced assets satisfying capitalization condition have reached the predicted available-for-use or available-for-sale state. Other borrowing expense is recognized as expense during the occurrence period.

Capitalization shall be exercised for interest expense actually occurred from special borrowings in current period after deduction of the interest income arising from unutilized borrowing capital which is saved in banks or deduction of investment income obtained from temporary investment; For recognization of capitalized amount of common borrowing, it equals to the weighted average of the assets whose accumulated expense or capital disburse is more than common borrowing times capitalization rate of occupied common borrowing. Capitalization rate is determined according to weighted average interest rate of common borrowing.

Assets satisfying capitalization principle generally refer to fixed assets, investment real estate and inventories which can only arrive at predicted available-for-use and available-for-sale state after quite a long time (generally over one year) in purchase or production activities.

If abnormal interruption happens during purchase or production of assets satisfying capitalization principle and the interruption lasts over 3 months, the capitalization for the borrowing expense shall pause until the purchase or production restarts.

17. Intangible assets

The Company holds intangible assets including land use right, trademark, patent technology and non-patent technology. Intangible assets are measured according to the effective costs paid for obtaining the assets. For those intangible assets purchased in by the Company, their effective cost consist of actual payment and relevant other expenditure; for the intangible assets input by investors, effective cost is determined according to the value agreed in investment contracts and agreements, while if the agreed value is not fair, then effective value is confirmed according to fair value.

Land use right is averagely amortized according to its transfer term commencing from the sate of transfer; trademark use-rights averagely amortized by 10 years; patent technology, non-patent technology and other intangible assets is averagely amortized according to the shortest of their predicted service life, beneficial term concluded by contract and effective term regulated by laws. Amortization amount is recorded in assets cost and current gains and losses relevant to beneficial objectives.

Re-examination on predicted service life and amortization method of the intangible assets which have limited service life shall be conducted at the end of each year. If changed, it would be treated as change of accounting estimation. Re-examination on predicted service life of intangible assets which have uncertain service life shall be conducted. For any evidence proving that service life of intangible assets is limited, then the service life shall be estimated and the Company shall make amortization within the predicted service life period.

18. Research and development

As for expenditure for research and development, the Company classifies it into expenditure on research phase and development phase, based on nature of the expenditure and that whether the final intangible assets formed by research & development is of great uncertainty. Expenditure arising during research should be recorded in current gains and losses upon occurrence; expenditure arising during development is confirmed as intangible assets when satisfying the following conditions:

(1) Completions of the intangible assets make it available for application or sell in technology;

(2) Equipped with plan to complete the intangible asset and apply or sell it;

(3) There is market for products produced with this intangible assets or the intangible asset itself;

(4) Have sufficient technology, financial resource and other resources to support development of the intangible assets, and have ability to apply or sell the assets;

(5) Expenditure attributable to development of the intangible assets could be reliable measured.

Expenditure arising during development not satisfying the above conditions shall be recorded in current gains and losses upon occurrence. Development expenditure which had been recorded in gains and losses in previous period would not be recognized as assets in later period. Expenditure arising during development phase which has been starting capitalization is listed in balance sheet as development expenditure, and transferred to intangible assets since the project reaches at predicted utilization state.

19. Impairment of non-financial long-term assets

As at each balance sheet date, the Company has inspection on long-term equity investment, fixed assets, construction in process and intangible assets with limited service life. When the following indications appear, assets may be impaired, and the Company would have impairment test. As for goodwill and intangible assets which have uncertain service life, no matter there is impairment or not, impairment test shall be conducted at the end of every year. If it is hard to make test on recoverable amount of single asset, test is expected to make on the basis of the assets group or assets group portfolio where such asset belongs to.

After impairment test, if the carrying value exceeds the recoverable amount of the asset, the balance is recognized as impairment loss. As long as impairment loss of the aforementioned assets is recognized, it couldn't be switched back in later accounting periods. Recoverable amount of assets refers to the higher of fair value of assets net disposal expense and present value of predicted cash flow of the asset.

Indications for impairment are as follows:

(1) Market value of asset drops a lot in current period, the drop scope is obviously greater than the predicted drop due to move-on of times or normal utilization;

(2) Economy, technology or law environment where enterprise operates or market where asset is located will have significant change in current or recent periods, which brings negative influence to enterprise;

(3) Market interest rate or returning rate of other market investments have risen in current period, which brings influence in calculating discount rate of present value of predicted future cash flow of assets, which leads to a great drop in recoverable amount of such assets;

(4) Evidence proving that asset is obsolete and out of time or its entity has been damaged;

(5) Asset has been or will be keep aside, terminating utilization or disposed advance;

(6) Internal report of enterprise shows that economic performance of asset has been or will be lower than prediction, such as that net cash flow created by asset or operation profit (or loss) realized by asset is greatly lower (or higher) than the predicted amount;

(7) Other indications showing possible impairment of assets

20. Goodwill

Goodwill represents balance between equity investment cost or business combination cost under no common control exceeding the attributable part or fair value of recognizable net assets of party invested or purchased (obtained through business combination) as of acquisition day or purchase day.

Goodwill relating to subsidiaries is separately listed in consolidated financial statement. And goodwill relating to associates and joint-ventures is included in carrying value of long-term equity investment.

21. Long-term deferred expenses

Long-term deferred expenses of the Company refer to the expense which has been paid out while should be amortized from the current period and periods thereafter, with amortization term over 1 year (excluding 1 year). Such expense is averagely amortized during the beneficial period. If such long-term deferred expense could not bring benefit to following accounting periods, the unamortized value of the item shall be fully transferred to current gains and losses.

22. Staff remuneration

Employee benefits mainly include all kinds of remuneration incurred in exchange for services rendered by employees or compensation to the termination of employment relationship such as short-term wages, post-employment benefits, compensation for the termination of employment relationship and other long-term employee welfare.

Short-term remuneration includes: staff salary, bonus, allowances and subsidies, staff benefits, social insurances like medical insurance, work-related injury insurance and maternity insurance, housing fund, labor union funds and staff education funds, short-term paid absence of duty, short-term profit sharing scheme, non-monetary benefits as well as other short-term remuneration. During the accounting period when staff provides services, the short-term remuneration actually occurred is recognized as liabilities and shall be included in current gains and losses or related asset costs according to the beneficial items.

Retirement benefits mainly consist of basic pension insurance, unemployment insurance and early-retirement benefits, etc. retirement benefit scheme represents the agreement reached by the Company and its employees in respect of retirement benefits, or the rules or regulations established by the Company for providing retirement benefits to employees. In particular, defined contribution plan means a retirement benefit plan, pursuant to which, the Company makes fixed contribution to independent fund, upon which, it is not obliged to make further payment. Defined benefit plan refers to retirement benefit scheme other than defined contribution plan.

The early retirement policy for staff and workers of the Company is the compensation for encouraging staff and workers to accept the reduction voluntarily. The employees make applications voluntarily, the two parties sign the compensation agreement after approved by the Company and calculate the compensation amount according to the compensation standard passed by the staff representative conference, and the Company confirms it as dismiss welfare and reckons it in current profits and losses. As the Company promises to adjust the treatment for early retiring staff and workers with the increase of social basic cost of living allowances, the discount elements will not be considered for calculating the dismiss welfare.

23. Estimated liabilities

If the business in connection with such contingencies as a security involving a foreign party, commercial acceptance bill discount, pending litigation or arbitration, product quality assurance, etc. meets all of the following conditions, the Company will confirm the aforesaid as liabilities: the obligation is an existing obligation of the Company; performance of the obligation is likely to cause economic benefits to flow out of the enterprise; the amount of the obligation is reliably measurable.

24. Principle of recognition of revenue and measurement method

The Company's sales revenue is mainly comprised of revenue from sale of goods, labor providing income and revenue from assignment of asset use rights. The principle of recognition of such revenue is as follows:

(1) Revenue from the sale of goods shall be recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow into the Company; The export business is recognised when the packing list is received; and the associated costs incurred or to be incurred can be measured reliably. Air-conditioner OEM/ODM will recognize revenue while notes issued after commodity transferring to the shipping space that appointed by the client.

(2) The Company confirms the realization of service income when the gross income and total cost of labor service cab be unfailingly calculated, the economic benefits related to labor service are likely to flow into the Group, and the progress of labor service can be confirmed reliably. On balance sheet date, with regard to those with results provided for labor service transactions can be estimated reliably, confirm the relevant service income according to percentage of completion method and determine the percentage-of-completion method by the proportion of the occurred cost in the estimated total cost; as

for those with results provided for labor service transactions can't be estimated reliably and with occurred labor cost predicted to be able to get compensation, confirm to provide service income according to labor cost amount occurred and capable of getting compensation, and carry over the occurred labor costs; for those with results provided for labor service transactions can't be estimated reliably and with occurred labor cost predicted to be not able to get compensation, reckon the occurred labor cost in the current profits and losses, but not confirm to provide service income.

(3) The economy benefit of use-right of transfer assets probably wills inflow to the Company, if the income can be measure accountability, than use-right income of transfer assets recognized.

25. Government subsidies

Government subsidy at the Company be able to meet its attached conditions, and can be confirmed when received. Government grants for monetary assets, in accordance with the measurement of the amount actually received, according to a fixed quota for the allocation of the grant criteria, in accordance with the amount of accounts receivable measurement; government subsidies for non-monetary assets, in accordance with the fair value, fair value should not reliably achieved, in accordance with the notional amount (RMB 1.00) measurement.

Asset-related government grants recognized as deferred income, and average life of related assets included in the current profit and loss distribution. With the proceeds of the relevant government subsidies to compensate for the period after the relevant costs or losses recognized as deferred income and, while recognizing the associated costs included in current period profit and loss; for compensation related costs that have occurred or loss, directly gains and losses included in the current period.

26. Deferred Income Tax Assets and Deferred Income Tax Liabilities

A deferred tax asset and deferred tax liability shall be determined by a difference (temporary difference) between the carrying amount of an asset or liability and its tax base. The deferred tax asset shall be recognized for the carry forward of unused deductible losses that it is probable that future taxable profits will be available against which the deductible losses can be utilized. For temporary difference arising from initial recognition of goodwill, no corresponding deferred income tax liabilities will be recognized. For temporary difference arising from initial recognition of assets and liabilities occurred in the transaction related to non business combination which neither affect accounting profit nor assessable income (or deductable losses), no corresponding deferred income tax assets and deferred income tax liabilities will be recognized. As of the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the effective tax rate applicable to the period when recovery of assets or settlement of liabilities occur.

The Company recognizes deferred income tax assets to the extent of future assessable income tax which is likely to be obtained to offset deductable temporary difference, deductable losses and tax credits.

27. Lease

The Company categorizes the lease into the financial lease and the operating lease.

The financial lease is the lease in which all risks and returns related to the ownership of assets are transferred in substance. The Company as a lease holder, on the date of lease, the financial lease is recognized as the fixed asset at lower cost of fair value of the rental asset and the NPV of minimum payment of leasing. The minimum payment of leasing is recognized as long-term payable and the difference is accounted into unrecognized financing expense.

The operating lease is the lease apart from the financial lease. The Company, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Company, as a leaser, accounts the rental income into current period by straight line method during the term of the lease.

28. Income tax accounting

The Company accounted the income tax in a method of debit in balance sheet. The income tax expenses include income tax in the current year and deferred income tax. The income tax associated with the events and transactions directly included in the owners' equity shall be included in the owners' equity; and the deferred income tax derived from business combination shall be included in the carrying amount of goodwill, except for that above, the income tax expense shall be included in the profit or loss in the current period.

The income tax expense in the current year refers to the tax payable, which is calculated according to the tax laws on the events and transactions incurred in the current period. The deferred income tax refers to the difference between the carrying amount and the deferred tax assets and deferred tax liabilities at the year-end recognized in the method of debit in the balance sheet.

29. Segment information

Business segment was the major reporting form of the Company, which divided into 4 parts: air-conditioner, refrigerator and freezer, marketing and others. The transfer price among the segments will recognize based on the market price, common costs will allocated by income proportion between segments except for the parts that without reasonable allocation.

30. Explanation on significant accounting estimation

The management of the Company needs to apply estimation and assumption when preparing financial statement which will affect the application of accounting policy and amounts of assets, liabilities, income and expense. The actual condition may differ from the estimation. Constant evaluation is conducted by the management in respect of the key assumption involved in the estimation and judgment of uncertainties. Effect resulting from change of accounting estimation is recognized in the period the change occurs and future periods.

The following accounting estimation and key assumption may result in material adjustment to the book value of assets and liabilities in future period.

(1) Inventory impairment provision

The Company provides impairment provision according to the type of finished products and goods delivered under fixed proportion, and estimates the realizable net value of inventories by reference to the projected selling price of similar inventories less sales expenses and related taxes on a regular basis, so as to evaluate the rationality of the provision proportion. If the actual selling price or expense differs from the previous estimation, the management will make corresponding adjustment to the proportion. The estimation results based on existing experiences may differ from the latter actual results, which may result in adjustment to the book value of inventories in the balance sheet and affect over the gains and losses of the period when the estimation changes.

(2) Accounting estimation on long-term assets impairment provision

The Company makes impairment test on fixed assets such as buildings, machine and equipments which have impairment indication and long-term assets such as goodwill as at the balance sheet date. The recoverable amount of relevant assets and assets group shall be the present value of the projected future cash flow which shall be calculated with accounting estimation.

If the management amends the gross profit margin and discount rate adopted in calculation of future cash flow of assets and assets group and the amended gross profit margin is lower than the currently adopted one or the amended discount rate is higher than the currently adopted one, the Company needs to increase provision of impairment provision. If the actual gross profit margin is higher (or the discount rate is lower) than the estimation of management, the Company can not transfer back the long term assets impairment provision provided already.

(3) Accounting estimation on realization of deferred income tax assets

Estimation on deferred income tax assets needs estimation on the taxable income and applicable tax rate for each future year. Realization of deferred income tax assets depends on whether a company is able to obtain sufficient taxable income in future. Change of future tax rate and switch back of temporary difference could affect the balance of income tax expense (gains) and deferred income tax. Change of the aforesaid estimation may result in material adjustment to deferred income tax.

(4) Usable term and residual value rate of fixed assets and intangible assets

The Company, at least at the end of each accounting year, reviews the projected usable life and residual value rate of fixed assets and intangible assets. The projected usable life and residual value rate are determined by the management based on the historical experiences of similar assets by reference to the estimation generally used by the same industry with consideration on projected technical upgrade. If material change occurs to previous estimation, the Company shall accordingly adjust the depreciation expenses and amortization expenses for future period.

(5) Projected liabilities arising from product quality guarantee

The Company commits to repair the major spare parts of refrigerators sold through go-to-countryside promotion activity for free for ten years. As to the maintenance expenses that may be increased arising from such commitment, the Company has provided projected liabilities.

Taking into account the various uncertainties during the ten years, the Company considers no discount factor of such projected liabilities. In stead, the Company reviews the parameters (probility, proportion, maintenance expense per single set) based on the actual occurrence of maintenance expenses as of each balance sheet date. If obvious change is found, the Company will adjust the projected liabilities according to the latest parameters so as to reflect the best estimation.

31. Other comprehensive income

Other comprehensive income represents various gains and losses not recognized in current gains and losses according to other accounting rules.

Other comprehensive income items shall be reported in the following two classes under other relevant accounting rules:

(1) Other comprehensive income items that can not be reclassified into gains and losses in future accounting periods, mainly including changes arising from re-measurement of net liabilities or net assets under defined benefit plan and interest in investee's other comprehensive income which are measured under equity method and which can not be reclassified into gains and losses in future accounting periods;

(2) Other comprehensive income items that will be reclassified into gains and losses in future accounting periods upon satisfaction of required conditions, mainly including interest in investee's other comprehensive income which are measured under equity method and which will be reclassified into gains and losses in future accounting periods upon satisfaction of required conditions, gains or losses arising from change of fair value of available-for-sale financial assets, gains or losses arising from reclassification of held-to-maturity investment into available-for-sale financial assets, gains or losses occurred by cash flow hedging instruments attributable to effective hedge, foreign currency financial statement translation difference, etc.

32. Change of significant accounting policies and accounting estimates

(1) Change of significant accounting policies

The Company had no change of significant accounting policies in the year.

(2) Change of significant accounting estimates

The Company had no change of significant accounting estimates in the year.

V. Taxation

1. Major taxes (expenses) and tax rates

Tax(expenses)	Tax base	Tax rate
VAT	Income from sales of goods and from processing	17%、13%、11%、6%、5%
Business tax	Rental income and off-price expense	5%
Urban maintenance and construction tax	Turnover tax	5% or 7%
Education surcharge	Turnover tax	3%
Local education surcharge	Turnover tax	2%
Corporate income tax	Taxable income	15% or 25%
House Property Tax	Original Book value of house property×(1-30%)or annual rent income	1.2% or 12%
Land use tax	Actual land area used	RMB 2.5/M^2 to RMB 15/M^2

2. Preferential tax and approval documents

The Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company were recognized as second Hi-Tech Enterprise for year of 2014 in Anhui Province with term of three years. Therefore, the Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company enjoys 15% rate for the income tax for State Hi-Tech Enterprise. On 22 January 2015, being recognized by "Name Lists of First Hi-Tech Enterprise for year of 2014 in Anhui Province"[WGQR(2014) No. 37] from Anhui Science & Technology Department, the Company and Zhongke Meiling Cryogenics Technology Limited Company continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

Subsidiary Zhongshan Changhong Electric Co., LTD. was recognized as First Hi-Tech Enterprise for year of 2008 in Guangdong Province with 15% rate for the income tax for State Hi-Tech Enterprise enjoys for term of three years. On 10 October 2014, being recognized by "Name Lists of Second Hi-Tech Enterprise for year of 2014 in Guangdong Province"[YKGS(2014) No.15] from Guangdong Science & Technology Department, Zhongshan Changhong Appliance Co., Ltd. continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

The subsidiary Sichuan Changhong Air Conditioning Co., Ltd. has passed the review for high-tech enterprise certification on December 8, 2016, which is valid for three years. After passing the filing and auditing of tax bureau, the company will only pay the corporate income tax by 15% of the tax rate.

Subsidiary Mianyang Meiling Software Technology Co., Ltd. pass the software enterprise certificate on 27 June 2014, and obtained the Software Enterprise Certification [Chuan No.:R-2014-0072]. Calculating the promotion period since the year of profit-making, the 1st year to 2nd year, the income tax shall be exempted, levy income tax based on half of the statutory rates from the 3rd year to 5th year, and enjoy the preferential till expired

Subsidiary Mianyang Meiling Software Technology Co., Ltd. pass the software enterprise certificate on 27 June 2014, and obtained the Software Enterprise Certification [Chuan No.:R-2014-0072]. Calculating the promotion period since the year of profit-making, the 1st year to 2nd year, the income tax shall be exempted, levy income tax based on half of the statutory rates from the 3rd year to 5th year, and enjoy the preferential till expired

The subsidiary Guangdong Changhong Ridian Technology Co., Ltd. has applied for the affirmation of high-tech enterprises, on December 9, 2016, the company has been listed in the "List of 3rd batch enterprises drafted to be affirmed as high-tech enterprises of Guangdong province in 2016" released by the national high-tech enterprises affirmation management leading group office of Ministry of Science and Technology, and would pay the income tax by 15% of the income tax which is a privilege to the national high-tech enterprises.

VI. Notes to the major items in the consolidated financial statements

With respect to the financial statements figures disclosed below, unless otherwise specified, "year-beginning" refers to Jan. 1, 2016; "year-end" refers to Dec. 31, 2016; "the year" refers to Jan. 1 to Dec. 31, 2016; "the last year" refers to Jan. 1 to Dec. 31, 2015; the currency is RMB.

1. Monetary fund

Item	Balance at year-end	Balance at year-begin
Cash	94,415.53	46,496.63
Bank deposit	3,827,367,022.13	2,043,331,029.26
Other Monetary fund	231,407,796.97	91,812,353.26
Total	**4,058,869,234.63**	**2,135,189,879.15**
Including: total amount deposited in overseas	19,067,202.50	3,650,516.73

Other monetary fund:

Item	Amount at year-end
Deposits	184,335,513.55
Account of foreign currency for verification	43,772,022.45
Union Pay online	2,208,249.18
Taobao account	1,092,011.79
Total	**231,407,796.97**

Deposit which serves as non cash and cash equivalents refers to the banking acceptance draft deposit with a term of over three months, amounting to RMB 44,690,554.87, guarantee margin amounting to RMB 220,000, the loan margin amounting to RMB 27,609,260. China Union Pay, Taobao account and Ten Pay are all third party payment platforms. Except for the deposit of RMB 251,000.00, utilization of other balance is not subject to any restriction.

According to the national policies relating to foreign exchange management, all goods payment denominated in foreign currency should be transferred to reviewing accounts which may not be used temporarily. Upon approval of such review, those payments may be transferred to general accounts. Due to the relatively short time for reviewing foreign exchange, balance of the reviewing accounts is not limited on utilization.

2. Financial assets measured at fair value and whose changes are recorded in the profits and losses of the current period

Item	Balance at year-end	Balance at year-begin
Derivative financial assets	12,060,213.30	

Derivative financial assets refers to the RMB forward exchange fund in the year

3. Notes receivable

(1) Category of notes receivable

Item	Amount at year-end	Amount at year-begin
Bank acceptance bill	1,096,452,069.60	1,286,319,058.59
Commercial acceptance bill	324,977,654.13	13,624.15
Total	**1,421,429,723.73**	**1,286,332,682.74**

(2) Notes receivable mortgaged by end of the year

Item	Amount mortgaged by end of the year
Bank acceptance	174,237,778.45

Note: in order to improve the utilization rate of notes, the Company pledged to banks those notes that haven’t expired yet in exchange for issuance of banking acceptance drafts.

(3) Note receivables endorsement or discount at year-end and are not expired on balance sheet date

Item	Termination confirmation amount at year-end	No termination confirmation amount at year-end
Bank acceptance bill	2,453,613,738.31	
Commercial acceptance bill	34,951,039.44	
Total	**2,488,564,777.75**	

(4)Notes transfer to account receivable due to the failure implementation from drawer at year-end: Nil

3. Accounts receivable

(1) Account receivable by category

Category	Amount at year-end				
	Book balance		Bad debt provision		Book value
	Amount	Percent age	Amount	Percent age	
Significant account receivable and withdrawal bad debt provision single					
Account receivable withdrawal bad debt provision by combination					

Combination 1	834,543,507.58	71.22%	43,843,529.45	5.25%	790,699,978.13
Combination 2	323,321,432.79	27.59%		0.00%	323,321,432.79
Subtotal of combination	1,157,864,940.37	98.81%	43,843,529.45	3.79%	1,114,021,410.92
Account receivable with single minor amount but withdrawal bad debt provision singly	13,898,468.17	1.19%	8,959,326.60	64.46%	4,939,141.57
Total	**1,171,763,408.54**	**100.00%**	**52,802,856.05**	**4.51%**	**1,118,960,552.49**

(Continued)

Category	Amount at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Percent age	Amount	Percent age	
Significant account receivable and withdrawal bad debt provision single					
Account receivable withdrawal bad debt provision by combination					
Combination 1	899,278,954.60	64.20%	50,987,076.18	5.67%	848,291,878.42
Combination 2	488,135,576.26	34.85%		0.00%	488,135,576.26
Subtotal of combination	1,387,414,530.86	99.05%	50,987,076.18	3.67%	1,336,427,454.68
Account receivable with single minor amount but withdrawal bad debt provision singly	13,315,915.98	0.95%	11,347,048.83	85.21%	1,968,867.15
Total	**1,400,730,446.84**	**100.00%**	**62,334,125.01**	**4.45%**	**1,338,396,321.83**

1) No account receivable with single major amount but withdrawal bad debt provision singly at year-end.

2) Account receivable with withdrawal bad debt provision for combination 1 by aging account

Item	Balance at year-end		
	Account receivable	Bad debt provision	Provision proportion
Within 1 year	817,156,334.38	40,857,816.72	5.00%
1-2 years	16,240,289.85	2,436,043.48	15.00%
2-3 years	709,294.36	248,253.03	35.00%
3-4 years	302,606.15	166,433.38	55.00%
4-5 years			85.00%
Over 5 years	134,982.84	134,982.84	100.00%
Total	**834,543,507.58**	**43,843,529.45**	

3) Account receivable with no withdrawal bad debt provision for combination 2

Combination	Book balance
Account connect with related parties	291,315,034.61
Letter of Credit	32,006,398.18
Total	**323,321,432.79**

4) Account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables, and withdrawal bad debt provision by combination shows no risk characteristic of the receivables, 8 clients involved.

(2) Bad debt reserve provided for, reversed (or recovered) during this year

Bad debt reserve written off this year was RMB 3,023,539.08, and the bad debt reserve reversed this year was RMB 6,507,729.88. No trade receivables written-off in previous year was recovered this year.

(3) No account receivable actually written-off in the Year.

(4) In the Year, top five receivables collected by arrears party amounting to RMB 431,686,312.59 in total, accounted for 36.84% of the receivables at balance of the year-end, the bad debt provision accrual correspondingly amounting to RMB 8,052,057.89 at year-end balance.

5. Accounts paid in advance

(1) Age of account paid in advance

Item	Amount at year-end		Amount at year-begin	
	Amount	Percentage	Amount	Percentage
Within 1 year	131,113,656.82	97.33%	66,062,097.51	97.09%
1－2 years	2,983,725.64	2.22%	1,427,195.93	2.10%
2－3 years	487,258.38	0.36%	84,878.71	0.12%
Over 3 years	121,847.54	0.09%	467,648.58	0.69%
Total	**134,706,488.38**	**100.00%**	**68,041,820.73**	**100.00%**

(2) Top 5 of account paid in advance in balance at year-end amounting to RMB 63,059,987.89, accounted for 46.81% of the account.

6. Interest receivable

Item	Amount at year-end	Amount at year-begin
Deposit interest receivable	2,645,494.32	1,238,199.65

7. Other accounts receivable

(1) Category of other account receivable

Category	Amount at year-end				
	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Significant other account receivable and withdrawal bad debt provision single					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	8,798,418.31	20.99%	2,091,596.95	23.77%	6,706,821.36
Combination 2	32,347,098.08	77.18%			32,347,098.08
Subtotal of combination	41,145,516.39	98.17%	2,091,596.95	5.08%	39,053,919.44
Other account receivable with single minor amount but withdrawal bad debt provision singly	767,932.63	1.83%	267,932.63	34.89%	500,000.00

Category	Amount at year-end				
	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Total	**41,913,449.02**	**100.00%**	**2,359,529.58**	**5.63%**	**39,553,919.44**

(Continued)

Category	Amount at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Significant other account receivable and withdrawal bad debt provision single					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	9,229,628.47	21.24%	3,691,780.99	40.00%	5,537,847.48
Combination 2	33,956,987.82	78.14%		0.00%	33,956,987.82
Subtotal of combination	43,186,616.29	99.38%	3,691,780.99	8.55%	39,494,835.30
Other account receivable with single minor amount but withdrawal bad debt provision singly	267,932.63	0.62%	267,932.63	100.00%	
Total	**43,454,548.92**	**100.00%**	**3,959,713.62**	**9.11%**	**39,494,835.30**

1) No significant other account receivable and no withdrawal bad debt provision single at year-end.

2) Other account receivable with withdrawal bad debt provision for combination 1 by aging account

Book Age	Balance at year-end		
	Account receivable	Bad debt provision	Provision proportion
Within 1 year	5,300,340.70	265,017.04	5.00%
1-2 years	1,394,115.53	209,117.33	15.00%
2-3 years	229,230.00	80,230.50	35.00%
3-4 years	610,000.00	335,500.00	55.00%
4-5 years	420,000.00	357,000.00	85.00%
Over 5 years	844,732.08	844,732.08	100.00%
Total	**8,798,418.31**	**2,091,596.95**	

3) Other account receivable with no withdrawal bad debt provision for combination 2

Combination	Book balance
Contact with related party	12,870,014.08
Employee’s reserve loans	18,784,317.17
Export rebate	159,982.87
Pre-paid charge of the employee	532,783.96
Total	**32,347,098.08**

4) The other account receivable with major amount at year-end and accrual for bad debt provision single refers to the receivable amount of 267,932.63 Yuan from Guangdong Xiongfeng Electric Co., Ltd., pre-paid insurance indemnity 500,000.00 Yuan.

(2) Reversal (or withdraw) of reserve for bad debts in the Year

Releasing bad-debt provision in the Year amounting to RMB 1,600,184.04; bad debt recovered the original verification was RMB 6,000.00 in the year.

(3) No actual verification of other receivables in the year

(4) Classification of other accounts receivable according to the nature of account

Nature	Book balance at year-end	Book balance at year-begin
Employee's reserve loans	18,784,317.17	12,957,099.30
Non-consolidated related party	12,870,014.08	730,771.79
Deposit	8,062,507.62	3,918,959.87
Advance money temporary	1,413,879.45	140,406.00
Other	622,747.83	5,438,195.23
Export rebate	159,982.87	20,269,116.73
Total	**41,913,449.02**	**43,454,548.92**

(5) Top 5 other receivables collected by arrears party at balance of year-end:

Name	Nature of account	Balance at year-end	Book age	Proportion in total other receivables at year-end	Bad Balance at year-end of debt provision
Sichuan Tianyou Guigu Technology Co. Ltd.	Capital-reduction money receivable	12,500,000.00	Within 1 year	29.82%	
Han Shaofeng	Employees deposit	1,545,000.00	Within 1 year	3.69%	
Nanjing Customes of PRC	Cash deposit	1,344,924.85	Within 1 year	3.21%	67,246.24
Beijing Tongzhou New Rural Construction Service Center	Guarantee money	1,000,000.00	Within 1 year	2.39%	50,000.00
Pu Lingqiao	Employees deposit	901,743.63	Within 1 year	2.15%	
Total		**17,291,668.48**		**41.26%**	**117,246.24**

(6) No other account receivable involved government subsidies at year-end.

(7) No other receivables terminated recognization due to the transfer of financial assets at year-end.

(8) No assets and liability transfer other receivables and continues to involve at year-end.

8. Inventories

(1) Classification of inventories

Item	Amount at year-end		
	Book balance	Impairment provision	Book value

Item	Amount at year-end		
	Book balance	Impairment provision	Book value
Raw materials	239,470,144.24	2,133,956.27	237,336,187.97
Stock commodities	1,477,211,122.85	71,224,130.62	1,405,986,992.23
Low value consumable articles	11,908,736.75		11,908,736.75
Goods in transit	245,587,568.44	2,700,789.83	242,886,778.61
Goods-in-process	31,950,329.21		31,950,329.21
Deferred expense for moulds	44,457,710.09		44,457,710.09
Total	**2,050,585,611.58**	**76,058,876.72**	**1,974,526,734.86**

(Continues)

Item	Amount at year-begin		
	Book balance	Impairment provision	Book value
Raw materials	142,734,356.80	1,427,876.25	141,306,480.55
Stock commodities	1,292,031,075.82	79,430,353.78	1,212,600,722.04
Low value consumable articles	11,776,746.58		11,776,746.58
Goods in transit	112,214,773.27	177,014.68	112,037,758.59
Goods-in-process	19,621,573.80		19,621,573.80
Deferred expense for moulds	57,602,927.95		57,602,927.95
Total	**1,635,981,454.22**	**81,035,244.71**	**1,554,946,209.51**

(2) Inventory falling price reserves

Item	Amount at year-begin	Increased in the year	Decreased in the year		Amount at year-end
			Switch-back	Other switch-out	
Raw materials	1,427,876.25	706,080.02			2,133,956.27
Stock commodities	79,430,353.78	6,417,796.55		14,624,019.71	71,224,130.62
Goods in transit	177,014.68	3,217,863.71		694,088.56	2,700,789.83
Total	**81,035,244.71**	**10,341,740.28**		**15,318,108.27**	**76,058,876.72**

(3) Provision for inventories

Item	Specific basis for determining of net realizable value	Reasons for the Switch-back or conversion in the year
Raw materials	Cost is higher than net realizable value (The processed products are decline)	

Stock commodities	Cost is higher than net realizable value (The market price at year-end fell)	
Goods in transit	Cost is higher than net realizable value (The market price at year-end fell)	
Goods in process	Cost is higher than net realizable value (The processed products are decline)	

9. Non current assets due within one year

Item	Balance at year-end	Balance at year-begin	Nature
Time deposits due within one year	12,625,340.00		Reclassification of time deposit

Note: This project is the three-year term fixed deposit that the subsidiary Zhongshan Changhong has deposited at Guangdong Development Bank Zhongshan Branch for getting the bank's long-term loan. The deposit amount is US $ 6,810,000.00 dollars, equivalent to RMB 47,240,970.00 Yuan, of which US$ 1,820,000.00 dollars, equivalent to RMB 12,625,340.00 Yuan, will expire in 2017 and reclassify to this project.

10. Other current assets

Item	Balance at year-end	Balance at year-begin	Nature
Financial products	1,385,200,000.00	500,000,000.00	Bank financial products
Value-added tax to be deducted	56,525,274.99	12,862,817.57	Reclassify of value-added tax to be deducted
Advance payment of income tax	12,357,316.25	24,200,227.82	Reclassify of advance payment of income tax
Advance payment of taxes and surcharges	263,706.18	2,038,533.05	Re-classify the prepaid construction tax and education surcharge
Total	**1,454,346,297.42**	**539,101,578.44**	

11. Finance asset available for sales

(1) Finance asset available for sales

Item	Balance at year-end			Balance at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Equity instrument available for sales	17,000,000.00		17,000,000.00	17,000,000.00		17,000,000.00
Including: measured by cost	17,000,000.00		17,000,000.00	17,000,000.00		17,000,000.00
Total	**17,000,000.00**		**17,000,000.00**	**17,000,000.00**		**17,000,000.00**

(2) Finance asset available for sales measured by cost at year-end

Invested Unit	Year-begin	Increase in the year	Decrease in the year	Year-end	Holding proportion in invested unit	Cash dividend for the year
Huishang Bank Co., Ltd.	5,000,000.00			5,000,000.00	0.0972%	1,707,274.11

Invested Unit	Year-begin	Increase in the year	Decrease in the year	Year-end	Holding proportion in invested unit	Cash dividend for the year
Sichuan Hongyun New it Investment Fund	12,000,000.00			12,000,000.00	16.00%	
Total	**17,000,000.00**			**17,000,000.00**		**1,707,274.11**

(3) No impairment reserve of finance asset available for sales at year-end.

12. Long-term equity investment

Invested Unit	Balance at year-begin	Change in the year								Balance at year-end	Impairment reserve balance at year-end
		Additional investment	Disinvestment	Investment profit and loss confirmed by equity method	Other comprehensive income adjustment	Other changes of equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associated companies											
1. ChanghongRuba Electric Company(Private)Ltd. Note 1	29,713,680.32			-2,810,304.61	2,411,298.65					29,314,674.36	
2. Hefei Xingmei Assets Management Co., Ltd.	12,846,069.09			-451,268.70						12,394,800.39	
3. Sichuan Zhiyijia Network Technology Co., Ltd.Note 2	4,813,098.30			4,567,275.37						9,380,373.67	
4. Hengyuan Dineng Rebao Technology Company Limited Note 3	4,045,502.68	19, 600,000.00		-874,437.23						22,771,065.45	
5. Sichuan Tianyou Guigu Technology Co., Ltd. Note 4	22,821,196.62		12,500,000.00	-2,538,479.12						7,782,717.50	
Total	**74,239,547.01**	**19,600,000.00**	**12,500,000.00**	**-2,107,214.29**	**2,411,298.65**					**81,643,631.37**	

Note 1: on 30 April 2014, our subsidiary Zhongshan Changhong and RUBA Comprehensive Trading Corporation entered into a registered capital increase agreement, pursuant to which, both parties agreed to increase registered capital of USD12,310,000, among which, Zhongshan Changhong agreed to contribute capital of USD4,924,000 based on the original shareholding proportion of 40%, and RUBA Comprehensive Trading Corporation agreed to contribute capital of USD7,386,000 based on the original shareholding proportion of 60%.

Note 2: on 16 December 2014, the Company executed a joint venture agreement with its controlling shareholder Sichuan Changhong Appliances Company Limited, targeting to jointly establish Sichuan Zhiyijia Network Technology Co., Ltd. On 5 January 2015, Sichuan Zhiyijia Network Technology Co., Ltd was officially incorporated with registered capital of RMB50 million, among which, the Company made contribution of RMB15 million with shareholding proportion of 30% and Sichuan Changhong Appliances Company Limited made contribution of RMB35 million with shareholding proportion of 70%.

Note 3: our subsidiary Sichuan Changhong Air Conditioner Co., Ltd ("Changhong Air Conditioner") and Hengyouyuan Science & Technology Development Group ("Hengyouyuan") cooperated to establish Hengyuan Dineng Rebao Technology Company Limited on 28 October 2015. The registered capital of the company is RMB50 million, among which, Changhong Air Conditioner contributed RMB24.5 million, accounting for 49% of the registered capital, and Hengyouyuan contributed RMB25.5 million, accounting for 51% of the registered capital.

Note 4: Sichuan Tianyou Guigu Science & Technology Company was incorporated on 31 March 2015 with registered capital of RMB100 million. Our subsidiary Changhong Air Conditioner made capital contribution of RMB 25 million in cash, accounting for 25% of the registered capital. Chengdu Jiaodao Property Development Company made capital contribution of RMB 20 million, accounting for 20%

of the registered capital. Chengdu Southwest Jiaotong University Industry (Group) Co., Ltd made capital contribution of RMB 20 million, accounting for 20% of the registered capital. Mianyang Investment Holding (Group) Co., Ltd made capital contribution of RMB 5 million, accounting for 5% of the registered capital. Shanghai Zhongcheng Xindaya Financial Information Service Co., Ltd made capital contribution of RMB 5 million, accounting for 5% of the registered capital. Jiangsu Runye Investment Co., Ltd made capital contribution of RMB 10 million, accounting for 10% of the registered capital. Chengdu Dongyu Shangmao Co., Ltd made capital contribution of RMB 15 million, accounting for 15% of the registered capital. In 2016, shareholders meeting of Sichuan Tianyou Guigu Technology Co., Ltd. agreed to reduce the 50 million Yuan capital, the shareholders are reducing the capital by ratio of share-holding. After capital reduction, subsidiary Changhong Air conditioner contributed 12.5 million Yuan, representing 25% of the registered capital.

13. Investment properties

(1) Investment properties measured at costs

Item	Houses and buildings	Land use rights	Total
I. Original book value			
1.Balance at year-begin	23,142,172.83	916,691.38	24,058,864.21
2.Increased in the year			
3.Decreased in the year			
4.Balance at year-end	23,142,172.83	916,691.38	24,058,864.21
II.Accumulated depreciation and accumulated amortization			
1.Balance at year-begin	9,558,221.21	416,429.49	9,974,650.70
2.Increased in the year	770,213.55	38,368.56	808,582.11
(1) provision or amortization	770,213.55	38,368.56	808,582.11
3.Decreased in the year			
4.Balance at year-end	10,328,434.76	454,798.05	10,783,232.81
III. Provision for impairment			
IV. Book value			
1.Book value at year-end	12,813,738.07	461,893.33	13,275,631.40
2.Book value at year-begin	13,583,951.62	500,261.89	14,084,213.51

(2) No investment real estate measured by fair value at year-end.

(3) No particular about mortgage of investment property at year-end.

(4) No investment real estate having not completed the property right certificate at year-end

14. Fixed assets

(1) Details of fixed assets

Item	Houses and buildings	Mechanical equipment	Transport equipment	Others equipment	Total
I. Original book value					
1.Balance at year-begin	921,581,186.91	973,472,601.74	25,328,176.24	157,072,665.55	2,077,454,630.44
2.Increased in the year	5,172,711.93	97,327,067.62	1,048,117.67	18,635,668.29	122,183,565.51
(1) Purchase	2,649,436.80	3,177,875.00	824,044.84	4,203,313.85	10,854,670.49
(2) Construction in progress transfer-in	2,523,275.13	94,149,192.62	39,829.05	8,233,563.01	104,945,859.81
(3) Inventory transfer-in				6,143,863.48	6,143,863.48
(4) Increase in exchange rate fluctuation			184,243.78	54,927.95	239,171.73
3.Decreased in the year	22,534,991.07	85,380,819.46	2,106,422.98	2,107,846.29	112,130,079.80
(1) dispose or retirement	2,120,034.24	67,563,188.83	1,409,251.58	1,111,584.77	72,204,059.42
(2) Construction in progress transfer-in		1,608,240.00			1,608,240.00

Item	Houses and buildings	Mechanical equipment	Transport equipment	Others equipment	Total
(3) other decrease	20,414,956.83	16,209,390.63	697,171.40	996,261.52	38,317,780.38
4.Balance at year-end	904,218,907.77	985,418,849.90	24,269,870.93	173,600,487.55	2,087,508,116.15
II.Accumulated depreciation					
1.Balance at year-begin	155,193,162.74	568,413,901.49	16,171,932.43	66,783,601.48	806,562,598.14
2.Increased in the year	30,668,440.85	90,305,238.31	1,776,529.45	13,581,814.09	136,332,022.70
(1)provision	30,668,440.85	90,305,238.31	1,776,529.45	13,581,814.09	136,332,022.70
3.Decreased in the year	4,317,334.39	53,654,744.81	1,959,421.94	1,356,676.59	61,288,177.73
(1) dispose or retirement	419,682.96	40,047,900.94	1,297,109.11	705,324.61	42,470,017.62
(2) Construction in progress transfer-in		1,660,254.05			1,660,254.05
(3) other decrease	3,897,651.43	11,946,589.82	662,312.83	651,351.98	17,157,906.06
4.Balance at year-end	181,544,269.20	605,064,394.99	15,989,039.94	79,008,738.98	881,606,443.11
III.Provision for impairment					
1.Balance at year-begin	1,240,639.77	1,950,369.18	7,403.67	199,687.70	3,398,100.32
2.Increased in the year					
3.Decreased in the year	1,240,639.77	348,957.23			1,589,597.00
(1) dispose or retirement	1,240,639.77	348,957.23			1,589,597.00
4.Balance at year-end		1,601,411.95	7,403.67	199,687.70	1,808,503.32
IV. Book value					
1.Book value at year-end	722,674,638.57	378,753,042.96	8,273,427.32	94,392,060.87	1,204,093,169.72
2.Book value at year-begin	765,147,384.40	403,108,331.07	9,148,840.14	90,089,376.37	1,267,493,931.98

The new fixed assets in this year mainly due to the RMB 104,945,859.81 transfer from construction in process; decrease of the fixed assets in the Year mainly because the assets renewal transfer to construction in process and assets dispose for retirement; Other reduce refers to the sales of subsidiary Hefei Meiling Package Products Co., Ltd.

(2) No fixed assts temporary idle at year-end.

(3) No fixed assets for collateral at year-end.

(4) No fixed assets leased through operating lease at year-end.

(5) No fixed assets leased through operating lease at year-end.

Items	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	40,920.00	34,554.69		6,365.31
Building construction	47,869,316.55	7,436,435.07		40,432,881.48
Total	**47,910,236.55**	**7,470,989.76**		**40,439,246.79**

(6) Fixed assts without property certificate

Item	Book value	Reason of not complete the property certificate
II canteen of living area	25,910,795.15	In procedure
6# building for cadremen	8,930,447.86	In procedure
7# building for cadremen	8,215,215.45	In procedure
4# makeshift shelter (dormitory building transfer to capital)	6,651,069.97	In procedure
3# makeshift shelter	5,689,907.18	In procedure
8# makeshift shelter	5,178,824.74	In procedure
5# makeshift shelter	5,140,247.60	In procedure
Canteen	2,716,313.94	In procedure
Total	**68,432,821.89**	

(7) No fixed assets ready for sale at year-end

15. Construction in progress

(1) Details of construction in progress

Item	Amount at year-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Relocation and capacity expansion project of Zhongke Meiling	60,889,270.95		60,889,270.95	4,420,650.01		4,420,650.01
Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling	11,190,008.45		11,190,008.45			
Leasing project in college	5,631,371.46		5,631,371.46			
Reform of line R290	4,031,885.46		4,031,885.46	9,920,126.79		9,920,126.79
Construction of intelligent manufacturing	12,785,053.55		12,785,053.55	2,944,802.39		2,944,802.39
Equipments pending for installation	3,490,730.72		3,490,730.72	4,033,590.36		4,033,590.36
Central air conditioning relocation and Capacity Upgrading Project	1,124,429.99		1,124,429.99	1,092,360.60		1,092,360.60
KA line	792,136.75		792,136.75	1,279,229.95		1,279,229.95
Relocation of the squeeze board line in Jiangxi Meiling	593,777.99		593,777.99			
2nd phase construction of the fitting life zone in new industrial park of Meiling	165,000.00		165,000.00	1,325,050.00		1,325,050.00
Comprehensive promotion of non shrink tube expander	87,220.00		87,220.00	7,725,638.80		7,725,638.80
Phase 1 VISA laboratory				4,692,307.69		4,692,307.69
C line small refrigerator production and transformation projects				2,319,042.81		2,319,042.81
The new purchase of evaporator with 6.35 C production line				2,764,217.07		2,764,217.07
The freezer front-end equipment capacity expansion project				2,332,760.65		2,332,760.65

Item	Amount at year-end			Amount at year-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Laboratory reconstruction of water cooled chiller and water source heat pump unit				1,597,191.46		1,597,191.46
Final assembly expanding project of the freezer				1,996,064.77		1,996,064.77
Project of mid-large volume environment icebox production annual output for 0.6 million				540,601.71		540,601.71
Other miscellaneous items	6,256,524.63		6,256,524.63	7,521,245.93		7,521,245.93
Total	**107,037,409.95**		**107,037,409.95**	**56,504,880.99**		**56,504,880.99**

(2) Changes in significant construction in progress

Projects	Book balance at year-begin	Increase during the year	Transfer to fixed assets in the year	Other decrease	Book balance at year-end	Source of funds
Relocation and capacity expansion project of Zhongke Meiling	4,420,650.01	56,468,620.94			60,889,270.95	Self-raised
Intelligent manufacturing project	2,944,802.39	28,007,852.54	18,022,473.18	145,128.20	12,785,053.55	Raise funds
Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling		11,190,008.45			11,190,008.45	Self-raised

(Continued)

Projects	Budget (in 10 thousand Yuan)	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year
Relocation and capacity expansion project of Zhongke Meiling	14,589.74	53.63%	80.00%			
Intelligent manufacturing project	26,128.00	11.85%	16.00%			
Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling	4,792.00	23.32%	30.00%			

(3) No depreciation reserves for construction in process at year-end.

16. Disposal of fixed assets

Item	Closing amount	Opening amount	Reasons for disposal transferred
Relevant assets disposal for reserved lands	75,788,138.47	75,773,138.47	Relocation for land reserve

Pursuant to the urban planning requirements of the People’s Government of Hefei city, Hefei Land Reserve Center plans to purchase and store the land use right of an integrated economic development zone of the Company located at Longgang of Hefei with an area of 103,978.9 sq.m. (Approximately 155.9684 mu, Land Use Right Certificate No.: Dong Guo Yong (2004) Zi No. 0200, the stated use of the land is for industrial purpose). The estimated consideration for purchasing and storage is RMB74.48 million. The land is mainly used for the Company's warehouse, product finishing workshop and the factory of Zhongke Meiling. Pursuant to the purchasing and storage requirements of land use right, the land will be purchased and stored with vacant possession. In April 2013, the Company completed the relocation of occupants of the premises, and the net fixed assets in relation to the land will transfer as disposal, accounting treatment will be conduct in line with relevant rules upon receiving of the relocation compensation.

Pursuant to the urban planning requirements of Hefei Municipal Government and the Government of Feidong county, the land reserve center of Feidong county will purchase and store the land use right of an economic development zone located at Feidong county, Hefei city, which is owned by the Company's subordinate companies, Equator Electric and Equator Home Appliance, respectively, with an area of 19,245.09 sq.m. (Approximately 28.87 mu, Land Use Right Certificate No.: Dong Guo Yong (2008) No. 0366, the stated use of the land is for industrial purpose) and an area of 46,161.9 sq.m. (Approximately 69.24 mu, Land Use Right Certificate No.: Dong Guo Yong (2008) No. 0367, the stated use of the land is for industrial purpose). The total consideration for purchasing and storage is approximately RMB36 million, of which the consideration for the land use right owned by Equator Electric and Equator Home Appliance is approximately RMB10.59 million and RMB25.41 million, respectively. The Company has completed the relocation of occupants of the premises, and the net fixed assets in relation to the land will transfer as disposal, accounting treatment will be conduct in line with relevant rules upon receiving of the relocation compensation.

No impairment of relevant assets disposal for reserved lands at year-end.

17. Intangible assets

(1) According to intangible assets item

Item	Land use right	Trademark special right	Non-patent technology	Other	Total
I. Original book value					
1.Balance at year-begin	621,593,887.18	283,292,439.34	125,275,031.23	12,406.87	1,030,173,764.62
2.Increased in the year			70,604,063.42	149,292.45	70,753,355.87
(1) purchase				149,292.45	149,292.45
(2)Internal research			70,604,063.42		70,604,063.42
3.Decreased in the year	7,897,049.56		471,794.87		8,368,844.43
(1) Disposal			471,794.87		471,794.87
(2) other decrease	7,897,049.56				7,897,049.56

Item	Land use right	Trademark special right	Non-patent technology	Other	Total
4.Balance at year-end	613,696,837.62	283,292,439.34	195,407,299.78	161,699.32	1,092,558,276.06
II.Accumulated depreciation					
1.Balance at year-begin	104,809,120.83	267,076,417.49	64,838,113.89	413.56	436,724,065.77
2.Increased in the year	13,001,696.85	3,882,886.80	26,074,656.72	32,339.86	42,991,580.23
(1) provision	13,001,696.85	3,882,886.80	26,074,656.72	32,339.86	42,991,580.23
3.Decreased in the year	1,126,641.57				1,126,641.57
(1) other decrease	1,126,641.57				1,126,641.57
4.Balance at year-end	116,684,176.11	270,959,304.29	90,912,770.61	32,753.42	478,589,004.43
III. Provision for impairment					
IV. Book value					
1.Book value at year-end	497,012,661.51	12,333,135.05	104,494,529.17	128,945.90	613,969,271.63
2.Book value at year-begin	516,784,766.35	16,216,021.85	60,436,917.34	11,993.31	593,449,698.85

(2) As of the end of 2016, mortgage of intangible assets is as follows:

Name	Property certificate serials	Area(M^2)	Net book value	Note
Land use right	HGYJCZi No.: 0121	27,120.22	20,133,702.23	

18. Development expense

Item	Balance at year-begin	Increase during the year		Decrease during the year			Balance at year-end
		Internal development expenditure	Other	Included in current profits and losses	Confirmed as intangible assets	Other	
Technology development for Air-conditioner	50,919,386.00	44,090,189.50		3,660,130.40	60,471,010.63		30,878,434.47
Technology development for refrigerator	2,397,040.54	19,989,721.44		236,104.86	9,353,564.86		12,797,092.26
Other technology development	28,401.18	2,168,640.18		69,329.56	779,487.93		1,348,223.87
Total	**53,344,827.72**	**66,248,551.12**		**3,965,564.82**	**70,604,063.42**		**45,023,750.60**

19. Goodwill

(1) Original value of goodwill

Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Balance at year-end
		Formation from enterprise merger	Other	Formation from enterprise merger	Other	

Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Balance at year-end
		Formation from enterprise merger	Other	Formation from enterprise merger	Other	
Hefei Meiling Group Holding Co., Ltd.	10,922,803.73				7,369,435.96	3,553,367.77
Guangxi Huidian Household Electrics Co., Ltd	5,313,913.50					5,313,913.50
Total	**16,236,717.23**				**7,369,435.96**	**8,867,281.27**

(2) Impairment provision of goodwill

Name of invested unit	Balance at year-begin	Increase during the year		Decrease during the year		Balance at year-end
		Provision	Other	Provision	Other	
Hefei Meiling Group Holding Co., Ltd.	10,922,803.73				7,369,435.96	3,553,367.77
Guangxi Huidian Household Electrics Co., Ltd	5,313,913.50					5,313,913.50
Total	**16,236,717.23**				**7,369,435.96**	**8,867,281.27**

Note: at the year end, the Company conducted impairment test on goodwill, and provided for impairment reserve in connection with the difference between the predicted future cash flow of the investee and the group of assets including the goodwill. The recoverable amount is based on the predicted future cash flow of the investee.

Subsidiary Hefei Meiling Package Product Co., Ltd. was sold in the period, the goodwill and accrual impairment provision for former assets are reduced correspondingly

20. Long-term deferred expenses

Item	Balance at year-begin	Increase during the year	Amortization during the year	Other increase during the year	Balance at year-end
Relocation expenses of the intelligent manufacturing plant		1,132,075.48			1,132,075.48

21. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets without the offset

Item	Balance at year-end		Balance at year-begin	
	Deductible *temporary* difference	Deferred income tax assets	Deductible *temporary* difference	Deferred income tax assets
Deferred income tax assets recognized from property depreciation preparation	107,230,307.69	16,454,229.77	110,979,461.54	16,646,919.23
Deferred income tax assets recognized from accrual liability	331,575,430.79	49,736,314.62	338,125,014.55	50,718,752.18
Deferred income tax assets recognized from Dismission welfare	35,517,365.78	5,327,604.87	45,269,999.29	6,790,499.89

Item	Balance at year-end		Balance at year-begin	
	Deductible *temporary* difference	Deferred income tax assets	Deductible *temporary* difference	Deferred income tax assets
Deferred income tax assets recognized from deferred income	82,260,654.75	12,339,098.21	28,526,710.37	4,279,006.56
Deferred income tax assets recognized from ir-reparable losses	1,293,875.10	323,468.74		
Deferred income tax assets recognized from changes in the fair value	559,249.58	83,887.44		
Total	**558,436,883.69**	**84,264,603.65**	**522,901,185.75**	**78,435,177.86**

(2) Deferred income tax liabilities without the offset

Item	Balance at year-end		Balance at year-begin	
	Deductible *temporary* difference	Deferred income tax assets	Deductible *temporary* difference	Deferred income tax assets
Deferred income tax liabilities recognized from changes in the fair value	12,060,213.30	1,809,032.00		

(3) Deferred income tax assets or liabilities listed after set-off

Item	Inter-neutralization at year-end	Ending balance after set-off	Inter-neutralization at year-begin	Opening balance after set-off
Deferred income tax assets		84,264,603.65		78,435,177.86
Deferred income tax liabilities		1,809,032.00		

(4) Details of unrecognized deferred income tax assets

Item	Balance at year-end	Balance at year-begin
Deductible temporary difference	26,140,372.22	40,973,787.35
Deductible loss	373,985,517.42	385,199,882.64
Total	**400,125,889.64**	**426,173,669.99**

22. Other non-current assets

Item	Balance at year-end	Balance at year-begin
Term deposit for pledge	34,615,630.00	44,221,416.00

Note: This project is the three-year term fixed deposit that the subsidiary Zhongshan Changhong has deposited at Guangdong Development Bank Zhongshan Branch for getting the bank’s long-term loan. The deposit amount is US $ 6,810,000.00 dollars, equivalent to 47,240,970.00 Yuan, of which US$ 1,820,000.00, equivalent to 12,625,340.00 Yuan, will expire in 2017 and reclassify to this project.

23. Short-term loans

(1) Types of short-term loans

Type of loans	Balance at year-end	Balance at year-begin

Type of loans	Balance at year-end	Balance at year-begin
Loan in pledge	26,500,000.00	24,268,373.19
Loan in credit	261,843,724.73	34,411,720.00
Total	**288,343,724.73**	**58,680,093.19**

New loans in the Year:

1) The Company and Agricultural Bank of China Co., Ltd. Hefei Jinzhai Road Branch have signed a "Trade Financing Business Service Agreement", the agreement appoints the service period is from January 1, 2016 to December 31, 2016, up to December 31, 2016; the amount of financing under this service agreement is US $ 37,745,960.03 dollars, equivalent to RMB261, 843,724.73.

2) According to the appointment on "Export Trade Financing Contract" signed by the subsidiary Zhongshan Changhong Company and Agricultural Bank of China Co., Ltd. Zhongshan Nantou Branch, on September 13, 2016, Zhongshan Changhong Company has applied for financing RMB 26,500,000.00 Yuan to Agricultural Bank of China Co., Ltd. Zhongshan Nantou Branch by export trade financing, the financing rate is 3.15%, and the time limit is from September 13, 2016 to September 8, 2017.

(2) No overdue short term borrowings unredeemed at year-end.

24. Financial liabilities at fair value through gains and losses

Item	Balance at year-end	Balance at year-begin
Derivative financial liabilities	559,249.58	

25. Notes payable

Type	Balance at year-end	Balance at year-begin
Bank acceptance bill	2,315,706,781.72	2,154,377,903.42
Commercial acceptance bill	319,344,958.58	17,687,020.37
Total	**2,635,051,740.30**	**2,172,064,923.79**

Notes expired at year-end without paid

26. Account payable

(1) Age of account payable

Item	Balance at year-end	Balance at year-begin
Total	**2,331,899,310.82**	**1,604,075,191.50**
Including: over 1 year	47,332,805.86	35,963,023.64

(2) No account payable with over one year book age at year-end.

27. Advance payment

(1) Age of advance payment

Item	Balance at year-end	Balance at year-begin
Total	**390,935,440.46**	**295,604,800.16**
Including: over 1 year	13,605,202.15	17,816,277.00

(2) No major account received in advance with over one year age at year-end

28. Wages payable

(1) Types of wages payable

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Short-term compensation	104,153,335.66	1,254,948,719.62	1,180,279,200.47	178,822,854.81
After-service welfare- defined contribution plans	4,085,558.31	89,997,424.04	89,134,760.09	4,948,222.26
Dismiss welfare	7,058,535.43	6,274,897.41	7,512,470.91	5,820,961.93
Total	**115,297,429.40**	**1,351,221,041.07**	**1,276,926,431.47**	**189,592,039.00**

(2) Short-term compensation

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Wages, bonuses, allowances and subsidies	94,173,695.60	1,103,672,234.13	1,050,874,026.60	146,971,903.13
Welfare for workers and staff	101,706.00	42,958,549.99	42,959,915.99	100,340.00
Social insurance	2,357,897.57	41,373,821.06	41,232,735.92	2,498,982.71
Including: Medical insurance	2,183,451.95	34,645,902.20	34,483,928.37	2,345,425.78
Work injury insurance	79,354.04	3,444,765.98	3,477,027.37	47,092.65
Maternity insurance	95,091.58	3,283,152.88	3,271,780.18	106,464.28
Housing accumulation fund	6,079,965.72	38,776,870.36	41,530,031.54	3,326,804.54
Labor union expenditure and personnel education expense	1,440,070.77	3,985,093.16	3,682,490.42	1,742,673.51
Short-term profit sharing plan		24,182,150.92		24,182,150.92
Total	**104,153,335.66**	**1,254,948,719.62**	**1,180,279,200.47**	**178,822,854.81**

(3) Defined contribution plans

Item	Balance at year-begin	Increase in this year	Decrease in this year	Balance at year-end
Basic endowment insurance	3,186,528.80	84,818,196.93	84,137,452.94	3,867,272.79
Unemployment insurance	899,029.51	5,179,227.11	4,997,307.15	1,080,949.47
Total	**4,085,558.31**	**89,997,424.04**	**89,134,760.09**	**4,948,222.26**

29. Tax payable

Item	Balance at year-end	Balance at year-begin
Value-added tax	19,079,499.27	36,732,243.37
Business tax		345,276.14
Enterprise income tax	3,423,898.42	506,399.61
Individual income tax	3,205,739.98	1,807,299.13

Item	Balance at year-end	Balance at year-begin
Urban maintenance and construction tax	3,302,546.79	4,102,776.80
House property tax	5,593,587.71	5,722,887.03
Land-use right tax	4,802,263.59	4,688,835.65
Educational surtax	2,428,555.60	2,917,920.88
Stamp tax	2,944,485.06	2,012,329.38
Construction fund of Water Conservancy Projects	745,069.75	496,683.41
Treatment fund for abandon electric & electronics products	12,328,067.00	9,140,895.00
Other	1,995,318.96	2,056,937.14
Total	**59,849,032.13**	**70,530,483.54**

30. Interest payable

(1) Classification of interest payable

Item	Balance at year-end	Balance at year-begin
Interest on long-term loans for repayment of principal of installment maturity	1,617,352.01	214,328.89

(2) No significant overdue and unpaid interest at year-end.

31. Dividends payable

Item	Balance at year-end	Balance at year-begin
City Insurance company	376,729.65	302,954.85
BOC-Fullgoal Tianyi Securities Investment Fund	153,697.50	153,697.50
Hefei Branch of BOC	188,364.80	151,477.40
Hefei collective industry association	188,364.52	151,477.18
Entrust Investment Wuhu of Provincial ABC	150,691.86	121,181.94
Other piecemeal units	1,487,952.90	1,319,711.04
Total	**2,545,801.23**	**2,200,499.91**

Note: Balance at year-end refers to the common dividends that not receiving by shareholders.

32. Other payable

(1) Classification of other payable according to nature of account

Nature of account	Balance at year-end	Balance at year-begin
1.Accrued expenses(expenses occurred without reimbursed)	479,907,162.28	510,133,656.28
2. receivables received temporary and deducted temporary	7,725,476.68	10,538,181.53
3.deposit, margin	88,308,204.63	76,195,308.46
4.not the come-and-go with related parties in statement scope	12,959,890.54	7,470,061.10
5.other	33,679,589.30	39,229,879.96
Total	**622,580,323.43**	**643,567,087.33**

(2) Other significant payables aging over one year as at the year-end mainly refers to the procurement deposit.

33. Non-current liability due within one year

(1) Classification of non-current liability due within one year

Item	Balance at year-end	Balance at year-begin
Long term loans due within one year	262,486,600.00	
Deferred income transfer to gains and losses within one year	9,715,990.10	11,153,067.68
Total	**272,202,590.10**	**11,153,067.68**

(2) Deferred income transfer into profit and loss within 1 year

Item of government subsidies	Amount at year-begin	Amount reckoned into non-operation revenue in the Period	Other changes	Amount at year-end	Assets-related/ Income-related
Demolition compensation of Jiangxi Meiling	1,797,880.32	1,797,880.32	1,797,880.32	1,797,880.32	Assets-related
Demolition compensation of Hefei Meiling	2,467,003.32	2,445,033.38	2,403,543.22	2,425,513.16	Assets-related
technical reform for Athena Project	4,286,250.00	4,286,250.00	4,286,250.00	4,286,250.00	Assets-related
Freezer project of Hefei Meiling	734,062.44	734,062.50	734,062.58	734,062.52	Assets-related
New generation of intelligent energy-saving AC and industrialization for key opponents	1,700,000.00		-1,700,000.00		Assets-related
Adaptability improvement R290/D52/13-R290 project for production of FTXS	167,871.60	167,871.60	167,871.60	167,871.60	Assets-related
Promotion of new industrialization (annual output of 0.6 million large and volume environmental protection energy-saving freezer project,)			304,412.50	304,412.50	Assets-related
Total	**11,153,067.68**	**9,431,097.8**	**7,994,020.22**	**9,715,990.10**	

Note 1: The project refers to the deferred income transfer to the non-current liability due within one year, which will expected to amortized next year

Note 2: the industrialization project of the new energy-saving intelligent AC and key parts are not acceptance in 2016

34. Long-term loans

(1) Classification of long-term loans

Type	Amount at year-end	Amount at year-begin
Loan in pledge	34,157,788.00	43,662,966.40
Loan in mortgage	3,200,000.00	3,840,000.00
Loan in credit	1,551,000.00	195,501,900.00

Type	Amount at year-end	Amount at year-begin
Total	**38,908,788.00**	**243,004,866.40**

(2) Details of long-term loans at year-end

Loan unit	Borrowing day	Returning day	Foreign currency	Interest rate	Amount at year-end (RMB)	Amount at year-begin (RMB)
Zhongshan Branch of China Guangfa Bank[Note1]	2014.12.24	2017.12.24	USD	3.20%		11,688,480.00
Zhongshan Branch of China Guangfa Bank[Note2]	2015.01.06	2018.01.06	USD	3.20%	34,157,788.00	31,974,486.40
Ministry of Finance of Hefei[Note3]	2002-11-21	2017-11-20	RMB	1.80%	651,000.00	1,301,900.00
Ministry of Finance of Hefei[Note4]	2004-12-10	2019-12-10	RMB	1.80%	900,000.00	1,200,000.00
Ministry of Finance of Hefei[Note5]	2006-11-9	2021-11-8	RMB	2.25%	3,200,000.00	3,840,000.00
Anhui branch Import and Export Bank[Note6]	2015-12-18	2017-4-18	RMB	2.65%		193,000,000.00
Total					**38,908,788.00**	**243,004,866.40**

Note1: On 24 December 2014, subsidiary Zhongshan Changhong entered into Foreign Currency Mid-Long term Loan Contract with Zhongshan Branch of China Guangfa Bank, agreed that issuing foreign currency USD1, 800,000.00 to the Company. The loans are contributed for the joint venture project in Pakistan, which are Zhongshan Changhong Electrics and RUBA GENERAL TRADING FZE. This borrowing was secured by the fixed deposit of USD 1,820,000.00 saved by Zhongshan Changhong in China Guangfa Bank Zhongshan Branch. The loans amounting to 12,486,600.00 Yuan after convertion and the amount has re-classified to non-current liability due within one year

Note 2: on 6 January 2015, subsidiary Zhongshan Changhong entered into Middle and Long Term Foreign Currency Borrowing Contract with China Guangfa Bank Zhongshan Branch, which agreed that China Guangfa Bank Zhongshan Branch would provide loans of USD 4,924,000.00 to the Company to finance the joint venture project conducted by Zhongshan Changhong Appliances Co., Ltd and RUBA GENERAL TRADING FZE Company in Pakistan. This borrowing was secured by Zhongshan Changhong with the fixed deposits of USD 86, 000.00 and USD 4, 904,000.00 saved by it in China Guangfa Bank Zhongshan Branch, respectively.

Note 3: on 1 November 2002, the Company entered into the Agreement Relating to Implementing Construction Projects through Lending Treasury Bond Funds with the finance office of Hefei, pursuant to which, the finance office of Hefei lent the treasure bonds or RMB7.16 million related to our “Technology Reform Project in relation to Nanometer Materials for Retaining Freshness” to our Company, with a terms of 15 years. The lent funds have begun to carry interest commencing from the date of appropriation of funds by the finance office of Hefei (namely 21 November 2002), and the Company shall pay the interests to the finance office of Hefei annually on an average basis during the lending period. The first four years of the loan is grace period. The interest rate per annum applicable to the lent funds is floating interest rate since 1999 (for interest rate per annum in respect of each batch of Treasury bond lending capital, it is determined by reference to one-year time deposit rate per annum on value date of the prevailing year as published by the PBOC, plus 0.3 percentage points).

Note 4: It was the special Treasury bond capital appropriated by Ministry of Finance of Hefei for enterprises' information reform, received on Dec. 10th, 2004.

Note 5: In August of 2006, the Company signed Asset Mortgage Agreement with Ministry of Finance of Hefei. It takes five industry crusher chambers which cover an area of 2,322.98 square meters as mortgage for the Company to get the lending of treasury bond fund which has 15-year term and worthy of RMB 7,040,000 from the Ministry of Finance of Hefei. The capital on-lending began to bear interest from the appropriate date (November 9, 2006), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, during which the annual interest rate was subject to floating interest rate (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). On 1 March 2013, according to the Letter Relating to Ceasing Process of Other Securities in respect of the Properties in Feidong Longgang Industrial Park of Hefei Meiling Co., Ltd. (HCJ(2006)No.85) issued by the finance office of Hefei, Meiling commenced the national purchase of its land parcels in Longgang in compliance with the land planning of Hefei municipal government, which required its properties in Longgang land parcel to be unrestricted. The real estate for mortgage lifted in 2006 of the Company with registration No. HGYJCZ No.0121 which was used as the security for treasury bonds lending capital (details were set out in Note VI.15).

Note 6: on 18 December 2015, the Company and the Export-Import Bank Anhui Branch executed a Borrowing Contract (High-tech Products Export Seller Credit) which agreed that the Export-Import Bank Anhui Branch would grant to the Company loans with total facilities of RMB250 million. Utilization of this loan is subject to export of high-tech products only. The term of the loan is 16 months, and the interest rate is based on export seller credit rate. The loan balance under the contract amounting to 250 million Yuan at end of the year, and the amount has re-classified to non-current liability due within one year

35. Long-term wage payable

Item	Balance at year-end	Balance at year-begin
Dismissal welfare	29,696,403.85	38,211,463.86

According to the internal early retirement policy, the long-term payable dismissal welfare bears by the Company up to end of the year amounting to RMB 29,696,403.85.

36. Account payable special funds

Item	Balance at year-begin	Increase in the year	Decrease in the year	Balance at year-end	Reason
Special fund of technical transformation of Zhongshan		1,400,000.00		1,400,000.00	Zhongshan Science & Technology Plan

37. Projected liability

Item	Balance at year-end	Balance at year-begin	Reason
Product quality guarantee	11,795,030.15	11,146,216.49	Guarantee of product
Guarantee fund for quality service	319,780,400.64	326,978,798.06	Guarantee of product
Total	**331,575,430.79**	**338,125,014.55**	

Product quality deposit is the maintenance expense provided by the Company under the national policy, while quality service special guarantee capital is the warranty costs provided for product quality in addition to such policy.

38. Deferred income

(1) Classification of deferred income

Item	Amount at year-end	Amount at year-begin
Government subsidies---subsidies of development project	67,032,277.62	52,631,208.54
Government subsidies---subsidies of Relocation	75,887,284.87	80,259,410.00
Total	**142,919,562.49**	**132,890,618.54**

(2) Government subsidy

Item	Amount at year-begin	New subsidy in the Year	Amount reckoned into non-operating income	Other changes	Amount at year-end	Concerned with assets/earnings
Demolition compensation of Hefei Meiling	47,378,064.70			2,403,543.22	44,974,521.48	Assets concerned
Demolition compensation	23,526,710.37		170,701.60		23,356,008.77	Assets concerned
Special fund of the Athena technical transformation	17,736,562.50			4,286,250.00	13,450,312.50	Assets concerned
Technical transformation of propane and R410a replace the FCFC-22		11,661,457.52			11,661,457.52	Assets concerned
VISA research and application project	10,100,000.00				10,100,000.00	Assets concerned
Demolition compensation of Jiangxi Meiling	9,354,634.94			1,797,880.32	7,556,754.62	Assets concerned
Adaptability improvement R290/D52/13-R290 project for production of FTXS	7,258,396.00			167,871.60	7,090,524.40	Assets concerned
Subsidy fund for the new factory of Zhongke Meiling	5,000,000.00				5,000,000.00	Assets concerned
Intelligent white-goods software platform and research and industrialization of typical applications	4,000,000.00				4,000,000.00	Assets concerned
Capital appropriated from the national treasury	2,950,000.00				2,950,000.00	Assets concerned
Development and productization of the CHIQ AC	2,350,000.00				2,350,000.00	Assets concerned
Promotion of new industrialization (annual output of 0.6 million large and volume environmental protection energy-saving freezer project,)		2,435,300.00	456,618.75	304,412.50	1,674,268.75	Assets concerned
Research and application of frequency conversion control MCU chip		2,300,000.00			2,300,000.00	Assets concerned

Item	Amount at year-begin	New subsidy in the Year	Amount reckoned into non-operating income	Other changes	Amount at year-end	Concerned with assets/earnings
Special fund of strategy emerging industry and high-end growth industry		2,000,000.00			2,000,000.00	Assets concerned
Freezer project of Hefei Meiling	2,936,250.03			734,062.58	2,202,187.45	Assets concerned
Industrialization project of the intelligent energy-saving AC				-1,700,000.00	1,700,000.00	Assets concerned
Subsidy of project development		531,900.00	278,373.00		253,527.00	Assets concerned
Design and application of energy saving air conditioning duct	300,000.00				300,000.00	Assets concerned
Total	**132,890,618.54**	**18,928,657.52**	**905,693.35**	**7,994,020.22**	**142,919,562.49**	

Note: other movements of this item are attributable to reclassification of the amount to be amortized over one year to non-current liabilities due within one year.

39. Share capital

Item	Balance at year-begin	Change during the year （+、-）					Balance at year-end
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	763,739,205.00	280,858,676.00				280,858,676.00	1,044,597,881.00

40. Capital reserve

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Share premium	1,481,014,065.23	1,259,874,046.76	101,100,314.04	2,639,787,797.95
Other capital reserve	48,169,810.90	3,451.80		48,173,262.70
Total	**1,529,183,876.13**	**1,259,877,498.56**	**101,100,314.04**	**2,687,961,060.65**

Note: The increase in share premiums for the current year is due to the increase in the private placement of new shares in the current period so as to offset capital reserve of RMB5,141,904.16 Yuan by reducing the acquisition of minority shareholding from some marketing subsidiaries, offset capital reserve of RMB 95,650,000.00 Yuan by combining Guangdong Changhong Ridian Technology Co., Ltd. under the same control, and offset capital reserve of RMB 308,409.88 Yuan by the subsidiary Zhongke Meiling Low Temperature Technology Co., Ltd. to dilute the parent company’s rights and interests through private placement of shares to specific natural person; other increase in capital reserve is due to the reckon in of rationed shares difference.

41. Other comprehensive income

Item	Balance at	Account in the year	Balance at

	year-begin	Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	year-end
Other comprehensive income re-divided into gains/losses							
Including: conversion difference arising from foreign currency financial statement	-2,280,500.61	7,798,783.78			5,755,047.56	2,043,736.22	3,474,546.95

42. Surplus reserves

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Statutory surplus reserve	251,459,292.02	23,962,426.15		275,421,718.17
Discretionary surplus reserve	115,607,702.16			115,607,702.16
Total	**367,066,994.18**	**23,962,426.15**		**391,029,420.33**

43. Retained profit

Item	This year	Last year
Amount at the end of last year	**817,667,480.44**	**843,596,827.22**
Add: adjustment from undistributed profit at year-begin		
Including: retroactive adjustment by Accounting Standards for Business Enterprise		
change of accounting policy		
Correction of former material error		
Change of combination scope under common control		
Amount at the beginning of this year	**817,667,480.44**	**843,596,827.22**
Add: net profit attributable to shareholders of parent company for this year	220,216,680.96	27,104,893.56
Less: withdraw of statutory surplus reserve	23,962,426.15	7,209,888.04
withdraw of discretional surplus reserve		
Withdraw of general risk provision		
Dividend payable for ordinary shares	45,824,352.27	45,824,352.30
Dividend of ordinary shares transferred to share capital		
Amount at the end of this year	**968,097,382.98**	**817,667,480.44**

44 Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for this year	Amount for last year
Main business income	12,025,103,352.55	10,318,999,424.25
Other business income	501,607,514.94	435,200,763.87
Total	**12,526,710,867.49**	**10,754,200,188.12**

Item	Amount for this year	Amount for last year
Main business cost	9,590,231,985.74	8,236,606,146.33
Other business cost	438,161,436.58	390,351,683.30
Total	**10,028,393,422.32**	**8,626,957,829.63**

(2) Main business classified according to product

Product	Amount for this year		Amount for last year	
	Operation income	Operation cost	Operation income	Operation cost
Refrigerator, freezer	6,678,568,374.39	5,236,031,795.08	6,017,333,150.01	4,635,965,558.65
Air-condition	4,158,164,312.32	3,354,925,254.82	3,415,727,210.45	2,844,833,539.24
Washing machine	508,133,090.63	404,747,868.32	356,011,057.00	293,117,500.61
Small appliances and kitchen and toilet	423,162,351.81	379,811,894.02	288,940,970.60	261,832,731.45
Other	257,075,223.40	214,715,173.50	240,987,036.19	200,856,816.38
Total	**12,025,103,352.55**	**9,590,231,985.74**	**10,318,999,424.25**	**8,236,606,146.33**

(3) Main business classified according to sales region

Region	Amount for this year		Amount for last year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic	9,108,442,083.44	6,976,734,143.90	8,130,650,603.41	6,273,110,957.69
Overseas	2,916,661,269.11	2,613,497,841.84	2,188,348,820.84	1,963,495,188.64
Total	**12,025,103,352.55**	**9,590,231,985.74**	**10,318,999,424.25**	**8,236,606,146.33**

Top five clients have income in sales of RMB 4,437,473,136. 69 yuan in total, a 35.42% in total operation income.

45. Business tax and extra charges

Item	Amount for this year	Amount for last year
Business tax	895,146.45	1,008,789.43
City construction tax	25,764,035.98	23,575,164.51
Extra charge for education and local education surcharge	18,742,400.86	17,160,932.84
Real estate tax	11,925,656.28	404,921.48
Treatment fund for abandon electrics & electronics	53,619,622.00	45,449,658.00
Land tax	11,078,203.69	
Stamp duty	9,221,240.77	
Water fund	5,293,129.18	
Other	1,318,387.72	250,088.73
Total	**137,857,822.93**	**87,849,554.99**

According to the finance and accounting of the Ministry of Finance No. [2016] 22 “About Printing the Notice of Accounting Treatment Provisions for Value Added Tax”, after the overall trial implementation of business tax changing to value-added tax, the title of "business tax and surcharges" changes to “taxes and surcharges”, this account is used to calculate the consumption tax, city maintenance and construction tax, resource tax, education surcharge and property tax, land use tax, travel tax, stamp tax and other related taxes occurred in business operations. The company adjusts property tax, land tax, stamp tax, water conservancy funds and other taxes and fees to the taxes and additional subject accounting accordingly.

46. Sales expense

Item	Amount for this year	Amount for last year
Salary , extra charges and laboring charge	516,616,181.17	447,556,061.71
Transport expenses	453,357,684.29	428,165,323.89
Market support	232,609,376.03	138,065,923.05
Air conditioner installation fee	212,014,995.68	132,863,018.76
National three guarantees expense	153,157,117.74	142,589,930.91
Storage lease expenses	110,446,203.15	116,703,905.77
Other expenses	48,585,265.28	34,306,907.77
Travelling expenses	38,814,724.25	38,948,402.40
Advertisement expenses	38,230,903.17	46,857,777.01
Operation activities expenses	17,125,348.72	16,501,466.28
Meeting organization	11,440,400.40	10,618,708.25
House-lease expenses	9,484,909.62	9,083,216.04
Depreciation expenses	6,041,295.37	5,116,523.38
Communication expenses	7,472,043.94	7,030,879.96
Total	**1,855,396,448.81**	**1,574,408,045.18**

47. Administration expense

Item	Amount for this year	Amount for last year
Salary and social insurance etc.	250,588,937.09	186,321,428.76
Trial fee of R&D	50,029,204.84	45,792,844.72
Tax		35,909,877.24
Amortized intangible assets	42,656,480.50	34,093,373.12
Depreciation	20,636,117.00	19,069,317.84
Utilities	10,655,035.88	10,614,175.78
Domestic travelling fee	9,102,131.63	10,340,291.19
Inspection and authentication fee	7,598,269.93	7,849,745.81
Business activities	7,391,394.85	6,129,878.41
Office charge	6,076,143.02	5,786,777.68
Property insurance	4,198,820.70	2,785,476.37
Funds of Board	2,743,185.06	2,029,495.42
Others	60,471,260.23	64,334,351.19
Total	**472,146,980.73**	**431,057,033.53**

48. Financial expense

Item	Amount for this year	Amount for last year
Interest expenditure	25,317,436.95	22,074,815.67
Less: Interest income	115,658,075.99	120,080,403.20

Add: exchange loss	-51,103,635.28	-11,082,892.47
procedure charge expenditure	10,595,347.69	5,064,460.35
discount expenditure	-9,030,263.29	1,860,545.49
other expenditure		129,461.71
Total	**-139,879,189.92**	**-102,034,012.45**

49. Loss from Assets depreciation

Item	Amount for this year	Amount for last year
Bad debt losses	-8,988,293.59	796,959.27
Provision for falling price of inventory	10,341,740.28	14,885,861.57
Provision for devaluation of goodwill		5,313,913.50
Total	**1,353,446.69**	**20,996,734.34**

50. Changes in fair value gains/loses

Item	Amount for this year	Amount for last year
Financial assets measured at fair value and whose movements are included in the profit and loss of the current period	12,060,213.30	
Including :Income of fair value changes from derivative financial instruments	12,060,213.30	
Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period	-559,249.58	81,170.00
Including :Income of fair value changes from derivative financial instruments	-559,249.58	81,170.00
Total	**11,500,963.72**	**81,170.00**

51. Investment income

(1) Sources of investment income

Item	Amount for this year	Amount for last year
Long-term equity investment income by equity method	-1,724,205.46	-15,983,663.17
Investment income obtained from disposal of long-term equity investment	10,520,753.99	
Investment income obtained from held of finance asset available for sales	6,693,575.48	5,756,139.46
Investment income obtained from disposal of financial assets measured at fair value and whose movements are included in the profit and loss of the current period	-1,187,641.34	-2,296,400.00
Investment income obtained from disposal of finance asset available for sales		480,332.00
Total	**14,302,482.67**	**-12,043,591.71**

(2) Long-term equity investment income by equity method

Item	Amount for this year	Amount for last year	Reason of change of this year than last year
Hefei Xingmei Assets Management Co., Ltd.	-451,268.70	-225,715.84	Changes of net profit of the invested unit

Item	Amount for this year	Amount for last year	Reason of change of this year than last year
ChanghongRuba Electric Company(Private)Limited	-2,427,295.78	-2,537,744.93	Changes of net profit of the invested unit and counter current transaction offset
Sichuan Zhiyijia Network Technology Co., Ltd.	4,567,275.37	-10,186,901.70	
Hongyuan Dineng Rebao Technology Co. Ltd.	-874,437.22	-854,497.32	
Sichuan Tianyou Guigu Technology Co., Ltd.	-2,538,479.13	-2,178,803.38	
Total	**-1,724,205.46**	**-15,983,663.17**	

(3) Investment income obtained from disposal of long-term equity investment

Item	Amount for this year	Amount for last year
Equity income obtained from disposal of Hefei MeiLing Packaging Products Co., Ltd.	10,520,753.99	

(4) Investment income obtained from financial assets available for sales

Item	Amount for this year	Amount for last year
Dividends of Huishang Bank Co., Ltd. (shareholding 0.0972%)	1,707,274.11	1,707,274.11
Purchase of bank financial products	4,986,301.37	4,048,865.35
Total	**6,693,575.48**	**5,756,139.46**

(5) The investment income from disposal of financial assets at fair value through profit or loss refers to the profit or loss occurred from non-deliverable forward (*NDF)* transaction.

(6) Investment income obtained from disposal of finance asset available for sales:

Item	Amount for this year	Amount for last year
Disposal of equity of FuyangWeiao Appliance Marketing Co., Ltd.		480,332.00
Total		**480,332.00**

52. Non-operation revenue

(1)Non-operation revenue

Item	Current Year	Last Year	Amount reckoned into non-recurring gains/losses in the Year
Gains from disposal of non-current assets	4,155,568.27	1,772,955.83	4,155,568.27
Including:Gains from disposal of fixed assets	4,155,568.27	1,772,955.83	4,155,568.27
Government subsidy	48,274,982.18	37,650,927.30	41,152,549.66
Income of penalty	688,220.18	714,106.32	688,220.18
Other	4,798,906.63	5,387,824.40	4,798,906.63
Total	**57,917,677.26**	**45,525,813.85**	**50,795,244.74**

(2) Government subsidy

Item	2016	2015	Resources and basis	Assets/Income related
VAT drawback for the software products	7,122,432.52	7,558,226.97	CS [2011]NO. 100	Income-related
Project of Athena Luxury Refrigerators	4,286,250.00	4,286,250.00	Deferred income transfer-in	Asset-related
Other sporadic items	4,096,393.64	4,843,891.28		Income-related
Step-out subsidy for 2016	4,000,000.00	630,000.00	YSWH [2016]	Income-related
Staff dormitory building project	2,445,033.38	2,467,300.72	Deferred income transfer-in	Asset-related
Special fund of the internal & external economic & trade development in 2016 and port construction	2,100,000.00		YSWH [2016]No.30	Income-related
Relocation project of the Jiangxi Meiling Refrigeration	1,797,880.32	1,797,880.32	Relocation compensation	Asset-related
Special fund of foreign trade promotion from City Commercial Bureau	1,733,000.00	1,362,000.00	Hefei Treasury Payment Center	Income-related
Policy subsidy of the promotion of new industrialization development	1,538,700.00		HZ〔2015〕No. 36	Income-related
Municipal Finance Bureau enterprise post subsidy	1,521,680.00	1,717,800.00	HZ〔2014〕No. 81. HZ〔2013〕No. 52 etc.	Income-related
Subsidy for technical transformation of fixed assets	1,217,800.00		HZ〔2015〕No. 36	Income-related
Policy subsidy of service industry development	1,120,000.00		Treasury Payment Center of Hefei Economic & Technology Development Zone	Income-related
Tianjin Xingtai Industrial Economic Development Management Center	1,014,456.72		Tianjin Xintai Industrial Economic Development Management Center	Income-related

Policy subsidy of promote the development of new industrialization from Economic & Technology Development Zone	1,000,000.00		Treasury Payment Center of Hefei Economic & Technology Development Zone	Income-related
Industrial policy smart home appliance technology awards	1,000,000.00		HZ（2016）No. 35 etc.	Income-related
Power demand side management in 2016	992,000.00		CQ（2015）No. 1846 etc.	Income-related
NJP production trade enterprise award	933,835.00		Nanjing Port (Group) Co., Ltd.	Income-related
Zhongshan 3rd batch of scientific and technological innovation projects and funds	808,200.00		Zhongshan Technology [2016] No. 252	Income-related
Technical Transformation fund (H-N refunds)	801,721.90	2,127,801.98	Management Committee of Jingdezhen High & New-Tech Development Zone	Income-related
Refrigerator project	734,062.50	734,062.50	Transfer-in deferred income	Asset-related
Supporting fund of Anhui Branch of SINOSURE	714,733.00		Hefei Government HZ (2014) No.62 etc.	Income-related
Standard award of Quality & Technical Supervision from the City	700,000.00		HZ (2016) No.35 etc.	Income-related
Step Out government subsidy /CZ038001	695,439.00	1,379,033.00	Finance Bureau of Zhongshan City	Income-related
Government subsidy for Step Out	500,000.00		Zhong SW [2016] No.: 20	Income-related
Award for the growing enterprise of promotion of new-type industrialization development from Hefei Economic & Technology Development Zone	500,000.00		Treasury Payment Center of Hefei Economic & Technology Development Zone	Income-related

Industry policy-Afterwards subsidy and industrial design award	500,000.00		HZ (2016) No. 35 etc.	Income-related
Policy fund for the 2nd promotion of service industry development and financing industry for year of 2016	500,000.00		Hefei Finance Office	Income-related
Subsidy for overseas sales from economic and trade development bureau of Hefei Economic & Technology Development Zone	490,800.00		Treasury Payment Center of Hefei Economic & Technology Development Zone	Income-related
Subsidy for equipment and instrument from R&D organization of Science Technology Bureau of Hefei Economic & Technology Development Zone	476,189.00	639,000.00	Treasury Payment Center of Hefei Economic & Technology Development Zone etc.	Income-related
Government subsidy of promoting new industries	456,618.75		Deferred income transfer-in	Asset-related
Special funds for technical transformation in Zhongshan	455,600.00	541,300.00	ZF [2014] No. 108	Income-related
Industrial Development	450,600.00		HZ （2016） No. 35 \HZBM（2016）No. 65	Income-related
Development subsidy for exportation enterprise	412,010.25		ZSWZH [2016] No. 36	Income-related
Anhui Selected Enterprise Reward for the promotion of new-type industrialization from Hefei Economic & Technology Development Zone	300,000.00		Treasury Payment Center of Hefei Economic & Technology Development Zone	Income-related
Technical reform of the production line for eco-friendly high-quality metal pipe	278,373.00		HZ （2016） No. 35 \HZBM（2016）No. 65	Asset-related
Subsidy from Hefei Economic & Technology Development Zone	242,600.00	640,650.00	HJQG（2015）No. 111 etc.	Income-related

Relocation of production base of Mianyang Meiling	170,701.60	251,688.93	Deferred income transfer-in	Asset-related
R410A adaptive reuse of C/III/S/13/037/ coolants production	167,871.60	167,871.60	Deferred income transfer-in	Asset-related
Subsidy for brand propagate extension aboard		2,000,000.00	YWJMCZ [2013] No.8	Income-related
Special funds for enterprise development in 2015		1,100,000.00	WJXJGH(2015) No. 502	Income-related
Export certification fees in 2014		895,500.00	HSWM[2015] No. 98	Income-related
Nanjing Port Container Development Award in 2014		810,670.00	NGC[2012] No. 12	Income-related
Second batch of enterprises to enhance the training of skills training subsidies in2015		600,000.00	HRSM[2015] No. 73	Income-related
Reward for the new products from province		500,000.00	Clause 10- to promote the development of new industrialization policy award in 2014	Income-related
CHIQkitech and toilet whole-set development and industrialization		600,000.00	New intelligent terminal layout and business model based on internet	Income-related
Total	**48,274,982.18**	**37,650,927.30**		

53. Non-operating expenditure

Item	Current Year	Last Year	Amount reckoned into non-recurring gains/losses in the Year
Loss from disposal of non-current assets	5,411,002.25	6,221,387.00	5,411,002.25
Including: loss from disposal of fixed assets	5,411,002.25	6,221,387.00	5,411,002.25
Penalty and late fee	292,483.57	2,099,844.49	292,483.57
Energy saving waste settlement loss		103,156,160.00	
Other	246,023.69	3,988,202.85	246,023.69
Total	**5,949,509.51**	**115,465,594.34**	**5,949,509.51**

54. Income tax expenses

Item	Amount for this year	Amount for last year
Current income tax	33,057,179.03	5,835,302.27
Deferred Income Tax	-4,013,163.31	5,391,695.95
Total	**29,044,015.72**	**11,226,998.22**

55. Other comprehensive income

Found more in “VI. 41. Other comprehensive income” in the Note

56. Items to cash flow statement

(1) Cash received (paid) from (for) other activities relating to operation/investment/financing

1) Cash received from other activities relating to operation

Item	Amount for this year	Amount for last year
Government subsidy and rewards	32,627,249.81	19,795,783.78
Margin, deposit	8,003,986.51	6,985,538.71
Royalty for trademark right	1,427,748.49	1,800,000.00
Rent income	8,011,411.57	3,657,466.43
Collection of social security fund	395,438.83	369,556.28
Other	8,006,198.03	8,947,003.09
Compensations	1,186,760.48	93,240.00
Total	**59,658,793.72**	**41,648,588.29**

2) Cash paid for other activities relating to operation

Item	Amount for this year	Amount for last year
Market expenses	219,216,676.44	174,739,404.03
AD charge	29,701,141.25	57,339,812.53
Business travel, meeting and exhibition expenses	58,751,632.09	49,453,564.12
Rental expense	31,857,198.71	33,566,628.17
Labor service charge	2,903,955.79	10,608,044.21
Transport and vehicle charges	21,940,946.74	13,746,033.62
Business activities expenses	23,567,274.72	23,060,460.98
Promotion expenses	2,465,301.13	3,640,833.44
Technology cooperation fee and consultancy charge	675,200.63	1,699,621.68
Charge of inspection, testing, certification and evaluation	15,351,654.42	16,095,613.45
labor insurance premium	3,373,849.39	861,682.18
handling Charges	44,361,568.27	15,713,817.60
Communication fee	9,219,840.88	3,761,928.36
Deposit loans	11,429,695.34	14,485,493.43
Office expenses	7,971,054.43	3,779,052.25
Transfer to limited capital	58,742,173.73	
Back saving energy subsidies		65,380,000.00
Others	106,099,219.19	103,657,553.97

Item	Amount for this year	Amount for last year
Total	**647,628,383.15**	**591,589,544.02**

3) Cash received from other activities relating to investment

Item	Amount for this year	Amount for last year
Interest income arising from bank savings	114,301,729.54	118,842,201.15
Government investment granted	18,447,427.52	10,600,000.00
Margin	392,623.00	2,281,636.39
Total	**133,141,780.06**	**131,723,837.54**

4) Cash paid for other activities relating to investment

Item	Amount for this year	Amount for last year
Equity purchase margin		10,000,000.00
Loses of forward exchange settlement	4,027,616.05	
Total	**4,027,616.05**	**10,000,000.00**

5) Cash received from other activities relating to financing

Item	Amount for this year	Amount for last year
Odd shares returned by stock exchange	3,451.80	387.13

6) Cash paid for other activities relating to financing

Item	Amount for this year	Amount for last year
Pledged time deposit		44,221,416.00
Amount refund to minority shareholders due to the cancellation of subsidiary	58,679.33	130,164.45
Handling charge of dividend	98,192.48	93,855.90
Handling charge of private placement	168,000.00	
Total	**324,871.81**	**44,445,436.35**

(2) Supplementary information about consolidated cash flow statement

Item	2016	2015
1. Net profit is adjusted to cash flow of operation activities:		
Net profit	220,169,534.35	21,835,802.48
Add: provision for depreciation of assets	1,353,446.69	20,996,734.34
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	136,332,022.70	143,974,672.76
Amortization of intangible assets	42,991,580.23	33,243,645.07
Amortization of long-term retained expense		
Loss from disposal of fixed assets, intangible assets and other long term assets(gain is listed with "-")	1,255,433.98	4,448,699.92
Loss from discarding fixed assets as useless (gain is listed with "-")		
Loss from change of fair value(gain is listed with "-")	-11,500,963.72	-81,170.00
Financial expense (gain is listed with "-")	-141,444,274.32	-108,181,713.11
Investment loss (gain is listed with "-")	-14,302,482.67	12,043,591.71

Item	2016	2015
Decrease of deferred income tax assets (increase is listed with "-")	-5,822,195.31	5,391,695.95
Increase of deferred income tax liabilities (decrease is listed with "-")	1,809,032.00	
Decrease of inventories (increase is listed with "-")	-414,604,157.36	226,802,180.34
Decrease of operational accounts receivable (increase is listed with "-")	-41,454,447.96	-193,688,355.76
Increase of operational accounts payable (decrease is listed with "-")	1,283,989,960.74	72,290,455.60
Other	-73,381,593.72	-9,705,054.07
Net cash flow arising from operation activities	985,390,895.63	229,371,185.23
2. Major investment and financing activities that do not involve cash receipts:		
Conversion of debt into capital		
Switching Company bonds due within one year		
financing lease of fixed assets		
3. Net change in cash and cash equivalents:		
Balance at year-end of cash	3,986,098,419.76	2,121,161,238.01
Less: Balance at year-begin of cash	2,121,161,238.01	2,709,097,193.11
Add: Balance at year-end of cash equivalents		
Less: Balance at year-begin of cash equivalents		
Net increase in cash and cash equivalents	1,864,937,181.75	-587,935,955.10

(3) No net cash paid for subsidiary obtained in the Year

(4) Cash received by disposal of subsidiary in the Year

Item	Amount for this year
Cash or cash equivalent received in the year from disposal of subsidiaries	23,835,710.00
Including: Hefei MeiLing Packing Products Co., Ltd.	23,835,710.00
Less: Cash and cash equivalent held by subsidy on date when controlling rights lose	520,951.21
Including: Hefei MeiLing Packing Products Co., Ltd.	520,951.21
Add: Cash and cash equivalent received in the year for dispose subsidiary in previous	
Net cash received from disposal of subsidiaries	23,314,758.79

(5) Cash and cash equivalent

Item	Amount for this year	Amount for last year
Cash	3,986,098,419.76	2,121,161,238.01
Including: cash in stock	94,415.53	46,496.63
Bank deposits available for payment at any time.	3,810,367,022.13	2,043,331,029.26
Bank deposits available for payment at any time	175,636,982.10	77,783,712.12
Cash equivalents		
including: bond investment due within 3 months		

Balance of cash and cash equivalents at year end	3,986,098,419.76	2,121,161,238.01
Including: using the restricted cash and cash equivalents of the parent company or subsidiary of the group		

57. Assets with ownership or the right to use restricted

Item	Ending Book value	Reasons
Monetary fund	72,770,814.87	Margin
Notes receivable	174,237,778.45	Pledged
Intangible assets[note1]	20,133,702.23	Pledged
Other non-current assets[note2]	34,615,630.00	Pledged
Non-current assets due within 1 year[note2]	12,625,340.00	Pledged
Total	**314,383,265.55**	

Note 1: security for intangible assets was security of land use right. For details, please refer to “34. Long term borrowings” under this note VI.

Note 2: Other non-current assets and non-current assts due within one year are pledged as time deposit, found more in 22. Other non-current assets in Note VI

58. Foreign currency

(1) Foreign currency

Item	Ending foreign currency balance	Exchange rate	Ending RMB converted balance
Monetary fund			
Including: USD	77,034,163.75	6.93700	534,385,993.93
Euro	12,820,549.42	7.30680	93,677,190.50
AUD	976,158.74	5.01570	4,896,119.39
Pakistan Rupi	8,198,667.73	0.06621	542,833.79
IDR	460,321,136.00	0.00051	234,763.78
Account receivable			
Including:USD	69,069,088.81	6.93700	479,132,269.07
Euro	8,745,825.04	7.30680	63,903,994.40
AUD	3,925,343.14	5.01570	19,688,343.59
Pakistan Rupi	728,341,621.50	0.06621	48,223,498.76
Other receivables			
Including:USD	135,079.07	6.93700	937,043.51
Pakistan Rupi	32,734,809.97	0.06621	2,167,371.77
IDR	245,783,291.72	0.00051	125,349.48
Advance payment			
Including: USD	263,168.48	6.93700	1,825,599.75
Euro	208,024.91	7.30680	1,519,996.41
Pakistan Rupi	227,505,716.36	0.06621	15,063,153.48

Item	Ending foreign currency balance	Exchange rate	Ending RMB converted balance
IDR	491,041,667.00	0.00051	250,431.25
Accounts payable			
Including:USD	1,678,942.56	6.93700	11,646,824.54
Pakistan Rupi	6,375,951.97	0.06621	422,151.78
Other accounts payable			
Including:USD	580,465.24	6.93700	4,026,687.37
Pakistan Rupi	126,010,228.89	0.06621	8,343,137.25
IDR	199,246,613.00	0.00051	101,615.77
Advance receivable			
Including: USD	34,766,233.55	6.93700	241,173,362.14
Euro	4,330,449.92	7.30680	31,641,731.48
AUD	500,731.03	5.01570	2,511,516.63
Short-term loans			
Including:USD	37,745,960.03	6.93700	261,843,724.73
Long-term loans			
Including:USD	4,924,000.00	6.93700	34,157,788.00
Non-current assets due within 1y ear			
Including:USD	1,800,000.00	6.93700	12,486,600.00

(2) Foreign operational entity

The foreign operational entity of the Company was Changhong Ruba Trading Company (Private) Limited, mainly operates in Lahore, Pakistan; Recording currency is Pakistan Rupi.

CHANGHONG MEILING ELECTRIC INDONESIA,PT, mainly operates in Jakarta; Recording currency is IDR.

VII. Changes of consolidation rage

1. Enterprise combined under the different control: Nil

2. Enterprise combined under the same control

(1) Enterprise combined under the same control in the year

Combined party	Interest percentage obtained in business merger	Basis of consider as the business merger under the same control	Combined date	Determine basis of combined date	Revenue of the combined party from combined year-begin to the date combined	Net profit of the combined party from combined year-begin to the date combined	Combined party's revenue during a comparison	Combined party's net profit during a comparison
Guangdong Changhong Ridian Technology Co., Ltd.	98.8554%	Has the same controller of the Company	2016-1-1	Equity money paid in full			349,645,724.03	615,594.18

(2) Combined cost

Item	Guangdong Changhong Ridian Technology Co., Ltd.
Cash	95,650,000.00
Total	**95,650,000.00**

(3) Book value of the assets and liabilities from the combined party on combination date

Item	Guangdong Changhong Ridian Technology Co., Ltd.	
	Combined date	At end of last year
Assets:		
Monetary Fund	67,851,083.54	67,851,083.54
Note receivable	33,803,990.75	33,803,990.75
Stock	9,553,171.57	9,553,171.57
Fixed assets	46,666,626.48	46,666,626.48
Intangible assets	15,414,228.78	15,414,228.78
Liabilities:		
Accounts payable	81,435,705.12	81,435,705.12
Net assets	91,853,396.00	91,853,396.00
Less: minority shareholders' equity	1,051,334.05	1,051,334.05
Net assets acquired	90,802,061.95	90,802,061.95

3. Reversed takeover: Nil

4. Disposal of subsidiary

Subsidiary	Price of the equity disposed	Ratio of the equity disposed (%)	Way of the equity disposed	Time point of control right lose	Determination basis for the time point of control right lose	Difference between the disposal price and proportion of the subsidiary's net assets enjoy in aspect of the consolidated financial statement, which is respond to the disposal investment	Other comprehensive income transferred into investment income, which related with the equity investment of original subsidiary
Hefei MeiLing Packing Products Co., Ltd.	23,880,000.00	100%	Equity transfer	2016-12-31	Transfer of control rights	10,520,753.99	

5. Subsidiary liquidated

Subsidiary	Price of the equity disposed	Ratio of the equity disposed	Way of the equity disposed	Time point of control right lose	Determination basis for the time point of control right lose	Difference between the disposal price and proportion of the subsidiary's net assets enjoy in aspect of the consolidated financial statement, which is respond to the disposal investment	Other comprehensive income transferred into investment income, which related with the equity investment of original subsidiary
Bengbu Meiling Appliance Marketing Co., Ltd.		93.50%	Liquidation cancelled	2016.9	Liquidation completed		
Luohe Meiling Appliance Marketing Co., Ltd.		100.00%	Liquidation cancelled	2016.12	Liquidation completed		
Total							

6. Subsidiary established

Subsidiary	Type	Registered place	Business nature	RC (10 thousand Yuan)	Capital actually paid at year-end (10 thousand Yuan)	Other balance that consider as the net investment for subsidiary in nature	Share-holding Ratio (%)	Ratio of voting right (%)	Consolidated (Y/N)	Minority's interest
Changmei Technology Co., Ltd.	Limited company	Mianyang	Manufacture and sale	RMB:5,000	RMB:1,800		92.44	92.44	Yes	911,238.03
CHONGHONG MEILING ELECTRIC INDONESIA,PT	Limited company	Jakarta	Sale	USD：300	USD:300		100.00	100.00	Yes	

VIII. Equity in other entity

1. Equity in subsidiary

(1) Composition of the enterprise group

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Zhongke Meiling Cryogenic Technology Co., Ltd.1)	Hefei	Hefei	Manufactures, sales	66.76		Investment
Mianyang Meiling Software Technology Co., Ltd. 2)	Mianyang	Mianyang	Software development		100.00	Investment
Mianyang Meiling Refrigeration Co., Ltd.3)	Mianyang	Mianyang	Manufactures, sales	95.00	5.00	Investment
Jiangxi Meiling Appliance Co., Ld.4)	Jingdezhen	Jingdezhen	Manufactures, sales	98.75	1.25	Investment
Hefei Meiling Appliance Marketing Co., Ltd.5)	Hefei	Hefei	Sales	99.82	0.18	Investment
Guangxi Huidian Home Appliance Co., Ltd.6)	Nanning	Nanning	Sales		100.00	Enterprise combined under the different control
Xi'an Meiling Appliance Marketing Co., Ltd.7)	Xi'an	Xi'an	Sales		98.50	Investment
Wuhu Meiling Appliance Marketing Co., Ltd.8)	Wuhu	Wuhu	Sales		98.00	Investment
Changchun Meiling Appliance Marketing Co., Ltd.9)	Changchun	Changchun	Sales		97.00	Investment
Lanzhou Meiling Appliance Marketing Co., Ltd.10)	Lanzhou	Lanzhou	Sales		100.00	Investment
Jinan Meiling Appliance Marketing Co., Ltd.11)	Jinan	Jinan	Sales		91.40	Investment
Nanchang Meiling Appliance Marketing Co., Ltd.12)	Nanchang	Nanchang	Sales		85.00	Investment
Jingzhou Meiling Appliance Marketing Co., Ltd.13)	Jingzhou	Jingzhou	Sales		96.00	Investment
Shengyang Meiling Appliance Marketing Co., Ltd.14)	Shengyang	Shengyang	Sales		100.00	Investment
Wuhan Meiling Appliance Marketing Co., Ltd.15)	Wuhan	Wuhan	Sales		91.00	Investment
Zhengzhou Meiling Appliance Marketing Co., Ltd.16)	Zhengzhou	Zhengzhou	Sales		95.00	Investment
Shijiazhuang Meiling Appliance Marketing Co., Ltd.17)	Shijiazhuang	Shijiazhuang	Sales		95.33	Investment
Mianyang Meiling Appliance Marketing Co., Ltd.18)	Mianyang	Mianyang	Sales		93.80	Investment
Chengdu Meiling Appliance Marketing Co., Ltd.19)	Chengdu	Chengdu	Sales		94.80	Investment
Guiyang Meiling Appliance Marketing Co., Ltd.20)	Guiyang	Guiyang	Sales		100.00	Investment
Fuzhou Meiling Appliance Marketing Co., Ltd.21)	Fuzhou	Fuzhou	Sales		99.00	Investment
Nanjing Meiling Appliance Marketing Co., Ltd.22)	Nanjing	Nanjing	Sales		99.00	Investment
Hefei Meiling White Appliance Marketing Co., Ltd.23)	Hefei	Hefei	Sales		95.00	Investment
Taiyuan Meiling Appliance Marketing Co., Ltd.24)	Taiyuan	Taiyuan	Sales		100.00	Investment
Changsha Meiling Appliance Marketing Co., Ltd.25)	Changsha	Changsha	Sales		97.00	Investment
Hohhot Meiling Appliance Marketing Co., Ltd.26)	Hohhot	Hohhot	Sales		95.00	Investment
Hangzhou Meiling Appliance Marketing Co., Ltd.27)	Hangzhou	Hangzhou	Sales		95.00	Investment
Chongqing Meiling Appliance Marketing Co., Ltd.28)	Chongqing	Chongqing	Sales		98.00	Investment
Kunming Meiling Appliance Marketing Co., Ltd.29)	Kunming	Kunming	Sales		95.50	Investment
Shanghai Meiling Appliance Marketing Co., Ltd.30)	Shanghai	Shanghai	Sales		99.00	Investment
Nantong Meiling Appliance Marketing Co., Ltd.31)	Nantong	Nantong	Sales		92.00	Investment
Guangzhou Meiling Appliance Marketing Co., Ltd.32)	Guangzhou	Guangzhou	Sales		98.00	Investment
Tianjin Meiling Appliance Marketing Co., Ltd.33)	Tianjin	Tianjin	Sales		100.00	Investment

Subsidiary	Business area	Registration place	Business nature	Share-holding ratio (%)		Acquire way
				Directly	Indirectly	
Urumchi Meiling Appliance Marketing Co., Ltd.34)	Urumchi	Urumchi	Sales		90.00	Investment
Harbin Meiling Appliance Marketing Co., Ltd.35)	Harbin	Harbin	Sales		95.00	Investment
Beijing Meiling Appliance Marketing Co., Ltd.36)	Beijing	Beijing	Sales		99.00	Investment
Hefei MeiLing Nonferrous Metal Products Co., Ltd.37)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined under the different control
Guangdong Changhong Ridian Technology Co., Ltd.38)	Zhongshan	Zhongshan	Manufactures, sales	99.855		Enterprise combined under the same control
Changmei Technology Co., Ltd. 39)	Mianyang	Mianyang	Sales	92.44		Investment
CHONGHONG MEILING ELECTRIC INDONESIA,PT40）	Jakarta	Jakarta	Sales	100.00		Investment
Changhong Ruba Trading Company41)	Pakistan	Pakistan	Sales		60.00	Investment
Sichuan Changhong Air Conditioner Co., Ltd.42)	Mianyang	Mianyang	Manufactures, sales	100.00		Enterprise combined under the same control
Zhongshan Changhong Appliance Co., Ltd43)	Zhongshan	Zhongshan	Manufactures, sales	90.00	10.00	Enterprise combined under the same control
Hefei Meiling Group Holding Co., Ltd.44)	Hefei	Hefei	Manufactures, sales	100.00		Enterprise combined under the different control
Meiling Equator Electric (Hefei) Co., Ltd. 45)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined under the different control
Hefei Equator Electric Co., Ltd. 46)	Hefei	Hefei	Manufactures, sales		100.00	Enterprise combined under the different control
Hongyuan Earth Energy Heat Pump Technology Co. Ltd.47)	Mianyang	Mianyang	Manufactures, sales		51.00	Investment

Note:

1)Zhongke Meiling Low Temperature Technology Company Limited (“Zhongke Meiling”), the predecessor of which was Zhongke Meiling Low Temperature Technology Limited Liability Company, was established on 29 October 2002 by joint contribution from the Company and Technical Institute of Physics and Chemistry, CAS (“TIPC”), with registered capital of RMB60 million upon the establishment, among which, the Company made capital contribution of RMB42 million (including the assets in specie at the consideration of RMB35,573,719.70 as evaluated by Beijing Zhongzheng Appraisal Co., Ltd. with issuance of the Appraisal Report (ZZPBZ(2002)No.029) and cash contribution of RMB6,426,280.30) accounting for 70% of the aforesaid registered capital, and TIPC made capital contribution of RMB18 million with intangible assets of such value (namely the single compressor mixture industrial low temperature refrigeration technology) as evaluated by Jingzhongzi Assets Appraisal Co., Ltd. with issuance of the Appraisal Report (ZZPBZ(2002)No.225) accounting for 30% of the aforesaid registered capital. The paid-in of the above registered capital has been verified by Huazheng Accounting Firm by issuance of the Assets Verification Report(HZYZ(2002)No.B157) dated 16 October 2002.

In October 2014, according to the relevant provision under the Management Rules on Application of State Owned Assets by Central Business Organs, TIPC transferred the 30% equity interests held by it in Zhongke Meiling Low Temperature Technology Company Limited to its wholly-owned subsidiary Zhongke Xianxing (Beijing) Assets Management Co., Ltd (“Zhongke Xianxing”) which would perform management over the operating assets of TIPC. Upon consideration and approval at the 37th meeting of the 7th Board of Directors of Hefei Meiling Co., Ltd, it is agreed to waive the pre-emptive right.

On 10 August 2015, all the founders signed the Founder Agreement of Zhongke Meiling Low Temperature Technology Company Limited, pursuant to which, they decided to change the firm type of Zhongke Meiling Low Temperature Technology Company Limited to a joint stock company. Based on the net assets of RMB96,431,978.25 as audited by Xinyong Zhonghe CPA as of 30 June 2015, an aggregate of 65,000,000 shares have been converted at the proportion of 1:0.67, which are to be held by the original shareholders according to their respective entitlement. In case that the net assets exceed registered capital, the balance shall be recorded in capital reserve. On 28 August 2015, Xinyong Zhonghe CPA reviewed the registered capital and paid-in thereof in respect of the stock reform, and issued Assets Verification Report (XYZH/2015CDA40161). The Company registered industrial and commercial information on 11 September 2015.

On November 25, 2016, the first Extraordinary Shareholders' General Meeting of Zhongke Meiling Low Temperature Technology Co., Ltd. in 2016 considered and approved the Proposal on the Issuance Plan of the Company, Zhongke Meiling Company issued 3,150,000 shares to specific investors by the non-public offering of shares at 1.63 Yuan per share. The current capital increase was verified by the No.［XYZH/2016CDA40294］capital verification report issued by ShineWing CPA (special general partnership). After the completion of the issuance, the share capital of Zhongke Meiling Company increased to 68,150,000 shares and the Company's shareholding ratio was 66.76%.

2) Mianyang Meiling Software Technology Co., Ltd. (hereinafter referred to as Meiling Software Company) was established on Jan. 24, 2014. It is a limited company jointly invested by the Company and Mianyang Meiling Refrigeration Co., Ltd., being approved by the Industrial and Commerce Bureau of Peicheng District, Mianyang City. The company owes registered capital of RMB 5 million, including RMB 4.95 million contributed by Meiling Company in cash, accounted for 99% of the registered capital; Mianyang Meiling Refrigeration Co., Ltd. contributed RMB 50000 in cash with 1% of the register capital occupied. The above mentioned register capital have been verified by verification report of Chuanjinlai Yanzi No.[2014] B039 issued by Sichuan Jinlai Accounting Firm Co., Ltd. In July 2016, the shares of Mianyang Meiling Software Technology Co., Ltd., held by the Company has transferred to Sichuan Changhong AC Co., Ltd., after transferred, Changhong AC has 99% equity of Mianyang Software, the Company has no shares of Mianyang Software directly

3) Mianyang Meiling Refrigeration Co., Ltd. (hereinafter referred to as Mianyang Meiling Company), a limited liability company jointly set up by the Company and China-tech Meiling Company, was founded on Mar. 6, 2009. Its registered capital and paid-in capital was RMB 50 million upon establishment, of which, the Company invested RMB 45 million, accounting for 90% of the registered capital; Zhongke Meiling Company invested RMB 5 million, accounting for 10% of the registered capital. The capital receipt was verified by the verification report [CXKY (2009) No. 008] of Sichuan Xingrui Certified Public Accountants. On 19 January 2011, the Company increase RMB 50 million in capital of Mianyang Meiling, of which RMB 95 million invested by the Company, a 95% of total register capital while RMB 5 million invested by Zhongke Meiling, a 5% of total capital occupied. The paid-in capital has been verified by Capital Verification Report ［XYZH/2010CDA6040］from Chengdu Branch of Shinewing CPA CO., Ltd. In 2011, Zhongke Meiling entered into “Equity Transfer Agreement” with Jiangxi Meiling Refrigeration Co., Ltd. 5 percent equity of Mianyang Meiling held by Zhongke Meiling was transferred to Jiangxi Meiling Refrigerator. In September 2013, Jiangxi Meiling Refrigeration was combined by Jiangxi Meiling Appliance Co., Ld, than 5 percent equity was transfer to Jiangxi Meiling Appliance.

4) Jiangxi Meiling Appliance Co., Ld.(Jiangxi Meiling Appliance Co.,) was a limited liability company jointly established by the Company and Mianyang Meiling on 23 May 2011. Register capital of the company totally as RMB 50 million, RMB 49.375 million invested by the Company, 98.75% in total register capital while RMB 0.625 million invested by Mianyang Meiling , a 1.25% in total register capital occupied. The initial investment RMB 10.50 million was received dated 13 May 2011 with RMB 10 million from the Company and RMB 0.5 million from Mianyang Meiling. Rest of the capital shall be invested fully within 2 years after the joint ventures established according to capital requirement. The initial investment capital were verified by the Capital Verification Report [JXKYZi(2011) No. 090] issued from Jingdezhen Xingci CPA Co., Ltd. Second capital RMB 39.5 million was fully funded on 28 July 2011, the Company contributed RMB 39.375 million while Mianyang Meiling Company invested RMB 125,000, the contributions have been verified by the capital verification report [Jing Xing Kuai Yan Zi (2011) No.: 134] issued from JDZ Xingci CPA Co., Ltd.

5) Hefei Meiling Appliance Marketing Co., Ltd. (Meiling Marketing Company for short) is the limited company jointly invested by the Company and Mianyang Meiling Company on 21 Oct. 2009. Registered capital and paid-up capital was RMB 10 million, including RMB 9.9 million invested by the Company, a 99% of the registered capital; Mianyang Meiling Company contributed RMB 0.1 million, a 1% of the registered capital. The above mentioned paid-up register capital have been verified

by verification report of [Wan An Lian Xin Da Yan Zi (2009) No. 074] issued by Anhui An Lian Xin Da Accounting Firm Co., Ltd. On 25 Nov. 2010, the Company increased capital RMB 45 million, registered capital amounting to RMB 55 million, including RMB 54.9 million contributed by the Company, a 99.82% of the registered capital, while Mianyang Meiling invested RMB 0.1 million, a 0.18% of the registered capital. The increased capital have been verified by verification report of [Wan Hua Shen Zheng Da Kuai Yan Zi (2010) No. 1514] issued by Anhui Hua Shen Zhengda CPA Co., Ltd.

6) Guangxi Huidian Home Appliance Co., Ltd. (Guangxi Huidian for short) established in March 2010 with registered capital of RMB 5 million. The Company invested RMB 1 million, accounted for 20% of the registered capital; Meiling Marketing acquired 44% equity interests from the minority shareholders in 2014. In 2015, Meiling Marketing and Jiangxi Meiling Appliances entered into equity transfer agreements with minority shareholders respectively, to acquire as the transferees the 35.6% and 0.4% equity interests of Guangxi Weidian held by minority shareholders. Upon completion of equity transfer in April 2015, Meiling Marketing and Jiangxi Meiling Appliances held the entire equity interests of Guangxi Weidian as a whole.

7) Xi'an Meiling Appliance Marketing Co., Ltd. (Xi'an Meiling for short) was established dated 13 April 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.83 million, accounted for 61% of the registered capital. After Meiling Marketing acquired 24% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 13.5% equity interests from the minority shareholders in 2015, Meiling Marketing the Company totally holds 98.5% equity of the Xi'an Meiling.

8) Wuhu Meiling Appliance Marketing Co., Ltd. (Wuhu Meiling for short) was established dated 24 December 2010 with registered capital of RMB 6 million; the Company invested RMB 2.16 million, accounted for 36% of the registered capital. After Meiling Marketing acquired 65% equity interests from the minority shareholders in 2014, Meiling Marketing the Company totally holds 98% equity of the Wuhu Meiling;

9) Changchun Meiling Appliance Marketing Co., Ltd. (Changchun Meiling for short) was established dated 22 December 2010 with registered capital of RMB 3million; Meiling Marketing invested RMB 2.91 million, accounted for 97% of the registered capital.

10) Lanzhou Meizhilai Meiling Appliance Marketing Co., Ltd., originally named Lanzhou Meiling Appliance Marketing Co., Ltd. (Meiling for short) was established dated 25 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.215 million, accounted for 40.50% of the registered capital. After Meiling Marketing acquired 11% equity interests from the minority shareholders in 2013, Meiling Marketing acquired 48.5% equity interests from the minority shareholders in 2016, Meiling Marketing the Company totally holds 100% equity of Lanzhou Meiling.

11) Jinan Meiling Appliance Marketing Co., Ltd. (Jinan Meiling for short) was established dated 3 June 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; after Meiling Marketing acquired 55.4% equity interests from the minority shareholders in 2015, Meiling Marketing totally holds 91.4% equity of the Jinan Meiling.

12) Nanchang Meiling Appliance Marketing Co., Ltd. (Nanchang Meiling for short) was established dated 5 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. After the Company acquired 49% equity interests from the minority shareholders in 2014, Meiling Marketing totally holds 85% equity of Nanchang Meiling.

13) Jingzhou Meiling Appliance Marketing Co., Ltd. (Jingzhou Meiling for short) was established dated 10 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 2.4 million, accounted for 60% of the registered capital. In 2013, the Company purchased 20% equity from minority; After Meiling Marketing acquired 1% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 15% equity interests from the minority shareholders in 2016, Meiling Marketing totally holds 96% equity of Jingzhou Meiling.

14) Shengyang Meiling Appliance Marketing Co., Ltd. (Shengyang Meiling for short) was established dated 26 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.844 million, accounted for 94.8% of the registered capital. After Meiling Marketing acquired 5.2% equity interests from the minority shareholders in 2016, Meiling Marketing totally holds 100% equity of Shenyang Meiling.

15) Wuhan Meiling Appliance Marketing Co., Ltd. (Wuhan Meiling for short) was established dated 10 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.55 million, accounted for 91% of the registered capital.

16) Zhengzhou Meiling Appliance Marketing Co., Ltd. (Zhengzhou Meiling for short) was established dated 17 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. In 2013, Meiling Marketing purchased 10% equity from minority; Meiling Marketing signed equity transfer agreement with the minority shareholders in April 2015, to acquire as the transferee the 39% equity interests of Zhengzhou Meiling held by minority shareholders, Meiling Marketing acquired 10% equity interests from the minority shareholders in February 2016; Upon completion of such equity transfer, Meiling Marketing held in aggregate the 95% equity interests of Zhengzhou Meiling.

17) Shijiazhuang Meiling Appliance Marketing Co., Ltd. (Shijiazhuang Meiling for short) was established dated 14 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; After Meiling Marketing acquired 27.33% equity held by the minority in 2014, holding 63.33% equity of the Shijiazhuang Meiling; After Meiling Marketing acquired 32% equity held by the minority in 2015, totally holding 95.33% equity of Shijiazhuang Meiling;

18) Mianyang Meiling Appliance Marketing Co., Ltd. (Mianyang Meiling for short) was established dated 27 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 2.6 million, accounted for 52% of the registered capital. After Meiling Marketing purchased 33% equity from minority in 2013, and purchased 8.8% equity from minority in 2015, Meiling Marketing totally holds 93.8% equity of Mianyang Meiling.

19) Chengdu Meiling Appliance Marketing Co., Ltd. (Chengdu Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.17 million, accounted for 83.4% of the registered capital; After Meiling Marketing purchased 9% equity from minority in 2015, and purchased 0.8% equity from minority in 2016, Meiling Marketing totally holds 94.8% equity of Chengdu Meiling.

20) Guiyang Meiling Appliance Marketing Co., Ltd. (Guiyang Meiling for short) was established dated 24 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 0.78 million, accounted for 26% of the registered capital; after Meiling Marketing purchased 18% equity from minority in 2013, Meiling Marketing purchased 42% equity from minority in 2015, Meiling Marketing purchased 14% equity from minority in 2016, Meiling Marketing held in aggregate the 100% equity interests of Guiyang Meiling.

21) Fuzhou Meiling Appliance Marketing Co., Ltd. (Fuzhou Meiling for short) was established dated 25 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital.

22) Nanjing Meiling Appliance Marketing Co., Ltd. (Nanjing Meiling for short) was established dated 14 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital.

23) Hefei Meiling White Appliance Marketing Co., Ltd. (White Appliance for short) was established dated 21 January 2011 with registered capital of RMB 6 million; Meiling Marketing invested RMB 5.1 million, accounted for 85% of the registered capital; Meiling Marketing signed equity transfer agreement with the minority shareholders in 2015, to acquire as the transferee the 10% equity interests of White Appliance held by minority shareholders. Upon completion of such equity transfer in February 2015, Meiling Marketing held in aggregate the 95% equity interests of White Appliance.

24) Taiyuan Meiling Appliance Marketing Co., Ltd. (Taiyuan Meiling for short) was established dated 18 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 1.59 million, accounted for 39.75% of the registered capital; after Meiling Marketing purchased 45.5% equity from minority in 2013, Meiling Marketing purchased 14.75% equity from minority in 2016, Meiling Marketing totally holds 100% equity of the Taiyuan Meiling.

25) Changsha Meiling Appliance Marketing Co., Ltd. (Changsha Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 1.8 million, accounted for 36% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in 2014, transferred 50% equity of Changsha Meiling held by the minority, after Meiling Marketing purchased 11% equity from minority in 2016, Meiling Marketing totally holds 97% equity of Changsha Meiling.

26) Hohhot Meiling Appliance Marketing Co., Ltd., originally called Hohhot Xiangyou Appliance Marketing Co., Ltd.(Hohhot Meiling for short) was established dated 21 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.65 million, accounted for 55% of the registered capital; after Meiling Marketing purchased 28% equity from minority in 2013, Meiling Marketing purchased 12% equity from minority in 2016, Meiling Marketing totally holds 95% equity of the Hohhot Meiling.

27) Hangzhou Meiling Appliance Marketing Co., Ltd. was established dated 17 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.655 million, accounted for 88.5% of the registered capital; Meiling Marketing signed equity transfer agreement with the minority shareholders in 2015, to acquire as the transferee the 6.5% equity interests of Hangzhou Meiling held by minority shareholders. Upon completion of such equity transfer in February 2015, Meiling Marketing held in aggregate the 95% equity interests of Hangzhou Meiling.

28) Chongqing Meiling Appliance Marketing Co., Ltd. (Chongqing Meiling for short) was established dated 1 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.55 million, accounted for 85% of the registered capital; After Meiling Marketing purchased 13% equity from minority in 2015, Meiling Marketing totally holds 98% equity of Chongqing Meiling.

29) Kunming Meiling Appliance Marketing Co., Ltd. (Kunming Meiling for short) was established dated 28 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.395 million, accounted for 46.5% of the registered capital; after Meiling Marketing purchased 40% equity from minority in 2013, Meiling Marketing purchased 9% equity from minority in 2016, Meiling Marketing totally holds 95.5% equity of the Kunming Meiling.

30) Shanghai Meiling Appliance Marketing Co., Ltd. (Shanghai Meiling for short) was established dated 9 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital.

31) Nantong Meiling Appliance Marketing Co., Ltd. (Nantong Meiling for short) was established dated 8 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.74 million, accounted for 58% of the registered capital; In 2013, after Meiling Marketing purchased 34% equity from minority, Meiling Marketing totally holds 92% equity of the Nantong Meiling.

32) Guangzhou Meiling Appliance Marketing Co., Ltd. (Guangzhou Meiling for short) was established dated 13 May 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.3 million, accounted for 86% of the registered capital; after Meiling Marketing acquired 12% equity interests from the minority shareholders in 2014, Meiling Marketing totally held the 98% equity interests of Guangzhou Meiling.

33) Tianjin Meiling Appliance Marketing Co., Ltd. (Tianjin Meiling for short) was established dated 2 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.565 million, accounted for 85.5% of the registered capital; In 2015, Meiling Marketing and Jiangxi Meiling Appliances entered into equity transfer agreements with minority shareholders respectively, to acquire as the transferees the 14.1% and 0.4% equity interests of Guangxi Weidian held by

minority shareholders. Upon completion of equity transfer in December 2015, Meiling Marketing totally held the entire equity interests of Tinjian Meiling.

34) Urumchi Meiling Appliance Marketing Co., Ltd. (Urumchi Meiling for short) was established dated 4 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.7 million, accounted for 90% of the registered capital.

35) Harbin Meiling Appliance Marketing Co., Ltd. (Harbin Meiling for short) was established dated 6 April 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; Meiling Marketing acquired 41.5% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 17.5% equity interests from the minority shareholders in 2015, Meiling Marketing totally held the 95% equity interests of Harbin Meiling.

36) Beijing Meiling Appliance Marketing Co., Ltd. (Beijing Meiling for short) was established dated 28 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital.

37) Hefei Meiling Nonferrous Metal Products Co., Ltd. (Nonferrous Metal) was the Sino-foreign joint venture jointly set up by original Meiling Group, Hefei Meiling Copper Co., Ltd. And Singapore Kim Shin Development Co., Ltd., which have been originally approved by the [WJMWFZZ(1996) No.349] of Foreign Trade and Economic Committee of Anhui Province. Its registered capital was US$ 2.92 million upon establishment, of which, original Meiling Group invested US$ 1.46 million (monetary capital), accounting 50% of the registered capital, Hefei Meiling Copper Co., Ltd invested US$ 0.584 million (monetary capital of RMB 0.18 million and real assets of US$ 0.404 million), accounting 20% of registered capital while Singapore Kim Shin Development Co., Ltd invested US$ 0.876 million (monetary capital), accounting 30% of the registered capital. The above mentioned investment verified by the verification report of [HSWZ(1995) No. 0737], [HSWZ(1996) No. 328] and [HSWZ(1998) No. 088] from Anhui CPAs Co., Ltd. In July 2008, approved by [HWS(2008) No.53] from Foreign Trade Economic Cooperation Bureau of Hefei City, 30% equity and 20% equity held by Singapore Kim Shin Development Co., Ltd and Hefei Meiling Copper Co., Ltd respectively transferred to original Meiling Group Totally. The Company's register capital came into RMB 24,286,808.00 after transference, and was not the joint-venture any more.

38) Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred to as the Company, the company) is a limited liability company invested and established by Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as Sichuan Changhong) and Sichuan Changhong Motor Transport Co., Ltd. (hereinafter referred to as Changhong Motor Transport Company) on May 25, 2016. The registered capital and paid-in capital are RMB 40 million Yuan , of which Sichuan Changhong has invested 32 million Yuan by monetary capital, accounting for 80% of the registered capital; Changhong Motor Transport Company has invested 8 million Yuan , accounting for 20% of the registered capital. The official receipts of registered capital have been verified by original Sichuan Junhe Accounting Firm [No. JHYZ (2006) 3027]. The company increased registered capital of 43 million Yuan on January 4, 2007, changing from 40 million Yuan to 83 million Yuan , for the newly increased 43 million Yuan , Sichuan Changhong invested 1.8 million Yuan , Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan , and Kou Huameng and other 9 natural person shareholders invested 1.2 million Yuan , at the same time, the shareholders' meeting considered and agreed to transfer the investment of 8 million Yuan of Changhong Motor Transport Company to Sichuan Changhong Innovation Investment Co., Ltd., the structure of the registered capital after changes was that Sichuan Changhong invested 33.8 million Yuan , accounting for 40.72%; Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan , accounting for 48.19%; Sichuan Changhong Innovation Investment Co., Ltd. Invested 8 million Yuan , accounting for 9.64%; Kou Huameng and other 9 natural person shareholders invested 1.2 million Yuan , accounting for 1.45%. The change of registered capital was verified by Zhongshan Promise Accounting Firm [No. ZCHZ (2007)501010].

On February 18, 2009, 7 natural person shareholders transferred total 0.76% stock rights to Hu Zhiheng, after the transfer, the registered capital of the company was still 83 million Yuan , the structure of registered capital after changes was that Sichuan Changhong invested 33.8 million Yuan , accounting for 40.72%; Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan , accounting for 48.19%; Sichuan Changhong Innovation Investment Co., Ltd. invested 8 million Yuan , accounting for

9.64%; Hu Zhiheng and other two natural person shareholders invested 1.2 million Yuan , accounting for 1.45%.

On October 9, 2014, the company held the shareholders meeting which considered and agreed Kou Huameng to transfer its stock rights of total 250,000 Yuan which accounts for 0.301% of the company's registered capital to Sichuan Changhong Innovation Investment Co., Ltd. at the cost of 317,802 Yuan . The other shareholders of the Company waived the right of pre-emption. On December 11, 2014, the company held the shareholders meeting which considered and agreed Guangdong Xiongfeng Electric Co., Ltd. to transfer its stock rights of total 40 million Yuan which accounts for 48.19 % of the company's registered capital to Sichuan Changhong Electric Co., Ltd. at the cost of 43,977,300 Yuan . The other shareholders of the Company waived the right of pre-emption. The structure of registered capital after changes was that Sichuan Changhong invested 73.8 million Yuan , accounting for 88.92%; Sichuan Changhong Innovation Investment Co., Ltd. Invested 8.25 million Yuan , accounting for 9.94%; Hu Zhiheng and another natural person shareholder invested 950,000 Yuan , accounting for 1.14%.

On January 4, 2016, Sichuan Changhong and Sichuan Changhong Innovation Investment Co., Ltd. transferred total 98.855% of the Company’s stock rights they held to the Company. After the transfer, the Company directly holds 98.855% stock rights of Changhong Ridian.

39) Changmei Technology Co., Ltd. (Changmei Technology for short) was invested and set up on May 12, 2016 in order to promote intelligent transformation and implement the company’s intelligent life project according to the company's strategic planning and business development needs. Changmei Technology has registered capital of 50 million Yuan , of which the Company subscribed and paid 45 million Yuan in cash, accounting for 90% of the registered capital, and Changmei Management Group team subscribed and paid 5 million Yuan in cash, accounting for 10% of the registered capital.

40) CHANGHONG MEILING ELECTRIC INDONESIA, PT.(Indonesia Changhong for short) is a subsidiary established in Indonesia and jointly invested by Zhongshan Changhong and Sichuan Changhong in 2016, the company’s registered capital is 6 million US dollars, of which Zhongshan Changhong subscribed and paid 5.88 million US dollars in cash, accounting for 98% of the registered capital, Changhong Air Conditioning subscribed and paid 120,000 US dollars in cash, accounting for 2% of the registered capital.

41) Changhong Ruba Trading Company (Private) Limited (“Changhong Ruba”) was a joint venture established by Zhongshan Changhong Appliances Company Limited and RUBA GENERAL TRADING FZE Company (“RUBA”) on 5 August 2011 with the approval from Guangdong Development and Reform Commission by issuance of the Approval Relating to Joint Construction of a Manufacturing and Selling Platform Project in Pakistan by Zhongshan Changhong Appliances Company Limited (YFGWZ(2011)958). The resolution of the second extraordinary shareholders' meeting of Zhongshan Changhong in 2016 passed the "Proposal on the Company's Capital Increase to Changhong Ruba Trading Company (Private) Limited", and agreed that the company and UAE RUBA Company jointly increase capital to Changhong Ruba Trading Company(Private) Limited which was invested by both sides in Pakistan at an earlier stage, Zhongshan Changhong invested 3.84 million US dollars in this capital increase, and UAE RUBA Company invested 2.56 million US dollars, the shares held by both sides remained unchanged. After the capital increase, the company’s registered capital became 12.4 million US dollars, of which Zhongshan Changhong Electric Co., Ltd. Invested 7.44 million US dollars in cash, shareholding ratio was 60%, UAE RUBA Company invested 4.96 million US dollars in cash, and shareholding ratio was 40%.

42) Sichuan Changhong Air-conditioners Co., Ltd.(Changhong Air-conditioner for short), a limited liability company jointly set up by Sichuan Changhong and Changhong Chuangtou, was founded on November 28, 2008. Its registered capital was RMB 200 million upon establishment, of which, Sichuan Changhong invested RMB 298 million (RMB 210,088,900 invested by monetary capital while RMB 87,911,100 invested by real material), equivalent to RMB 198 million shares, accounting for 99%

of the registered capital; and Changhong Chuangtou invested RMB 3 million, accounting for 1% of the registered capital with equivalent of RMB 2 million shares. The registered capital receipt was verified by the verification report [CGYYZ (2008) No. 177] of Sichuan Guangyuan Certified Public Accountants Co., Ltd. and [HLTHYZ(2008) No. 12-006] of Sichuan Henglitai Certified Public Accountants Co., Ltd. In December 2009, the Company obtained 100% equity of Changhong Air-conditioner by consolidated under the same control.

43) Zhongshan Changhong Electric Co., Ltd.(Zhongshan Changhong), was the original Guangdong Changhong Electric Co., Ltd., and is a limited liability company jointly set up by Sichuan Changhong and China Minmetals on May 22, 2001. Its registered capital was RMB 80 million upon establishment, of which, Sichuan Changhong invested RMB 72 million, including RMB 69.3 million biding for the estate/ non-estate from original Zhongshan Sanrong Air-conditioner Co., Ltd. And its patent use-right of RMB2.7 million, accounting for 90% of the registered capital; Chine Minmetals invested RMB 8 million in monetary capital accounting 10% of the registered capital. The Company changed its name originally from Guangdong Changhong Electric Co., Ltd in July 2003. In December 2009, the Company obtained 90% equity of Zhongshan Changhong by consolidated under same control. 10% equity held by China Minmetals has been transferred by Changhong Air-conditioner on April 11, 2010. On 25 May 2014, the Company increased RMB 36 million to Zhongshan Changhong, and Changhong AC increased RMB 4 million. In 2016, according to the overseas development strategy of the Company and the development and operation needs of the subsidiaries, the Company and the wholly-owned subsidiary Changhong Air Conditioning have increased capital of RMB 64 million Yuan to Zhongshan Changhong according to the existing shareholding ratio, among which the capital increase of the Company was RMB 57.6 million Yuan , and the capital increase of Changhong Air Conditioning was RMB 6.4 million Yuan . After the completion of this capital increase, the registered capital Zhongshan Changhong shall increase to RMB 184 million Yuan , the shareholding ratio of the company and Changhong Air Conditioning remained unchanged and was still 90% and 10%, of which the Company invested 165.6 million Yuan , accounting for 90% of the registered capital, Changhong Air Conditioning invested 18.4 million Yuan , accounting for 10% of the registered capital.

44) Hefei Meiling Group Holding Co., Ltd (Meiling Group), was the state-owned company originally approved by People's Government of Hefei Province and established authorized by SASAC of Hefei City. On July 14, 2008, 100% state-owned equity of Meiling Group has freely transferred to Xingtai Holding by Hefei SASAC. Agreement by the approval of < State-owned property agreement transfer from Meiling Group> [HGZCQ(2010) No.34] of Hefei SASAC on April 9, 2010, 100% state-owned property of Meiling Group after partial assets and liabilities separated transferred to the Company from Xingtai Holding as amount of RMB 113.2 million. The re-registration of industrial and commercial procedure for Meiling Group after separated partial assets liability has finished on July 28, 2010. The new Meiling Group has register capital of RMB 80 million, and has been verified by the [AD(2010)YZD No. 016] from Anhui Anding CPAs Co., Ltd.

45) Meiling Equator Appliance (Hefei) Co., Ltd.(Equator Appliance for short) was the Sino-foreign joint venture jointly set up by original Meiling Group and EQUATOR INVESTMENTS (USA) INC.(EQUATOR for short), which have been approved by the [SWZWFZZ(2004) No.0103] of Approval Certificate of Foreign Enterprise from People's Government of Anhui Province. Its registered capital was US$ 3 million upon establishment, of which, Sino company invested US$ 2.25 million in machinery equipment, accounting 75% of the registered capital while foreign company invested US$ 0.5 million in monetary capital and US$ 0.25 million in intangible assets, amounting to US$0.75 million, accounting 25% of the registered capital. The above mentioned investment verified by the verification report of [WYAYZ (2004) No. 135] from Anhui Yongan CPAs Co., Ltd. In July 2007, approved by [HWJ(2007) No.136] from Foreign Trade Economic Cooperation Bureau of Hefei City, 25% equity held by EQUATOR transferred to Anhui Meiling Electric Co., Ltd. Totally. The Company's register capital came into RMB 24,793,200 after transference, and was not the joint-venture any more. 25% equity owned by Anhui Meiling Electric Co., Ltd has been transferred totally to original Meiling Group in July 2009.

46) Hefei Equator Appliance Co., Ltd.(Equator Appliance) was jointly set up by original Meiling Group and Yingkaite Appliance on September 26, 2007. Its register capital was RMB 12 million, among which, original Meiling Group invested RMB 8,670,600 in monetary capital, accounting 72.255% in registered capital; Equator Appliance invested RMB 3,329,400 in the assessment

value of intangible assets (land-use right), accounting 27.745% of total registered capital. The investment being verified by [WYAZ(2004) No. 135] from Anhui Yongan CPAs Co., Ltd.

47) Hongyuan Ground Energy Heating Pump Technology Company ("Hongyuan Ground Energy") was established as a limited liability company with joint capital contribution from Sichuan Changhong Air Conditioner Company ("Changhong Air Conditioner") and Hengyouyuan Science & Technology Development Group on 28 August 2015, with the approval from the Industrial and Commercial Administration Office of Fucheng district, Mianyang, Sichuan province. The registered capital of the company is RMB50 million, among which, RMB25.5 million is contributed by Changhong Air Conditioner in cash with shareholding proportion of 51%, and the remaining RMB24.5 million is contributed by Hengyouyuan Science & Technology Development Group in cash with shareholding proportion of 49%.

(2) Major non-wholly-owned subsidiary

Subsidiary	Shareholding of minority	Gains/losses attributable to minority in the Year	Dividend distributed to minority announced in the Year	Balance of minority's interest at year-end
Zhongke Meiling	33.23%	2,426,850.66	292,500.00	37,520,947.21
Hongyuan Ground Energy	49.00%	251,349.47		9,722,977.49
Changhong Ridian	1.14%	197,605.39		1,248,939.44

(3) Financial information for major non-wholly-owned subsidiary

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhongke Meiling	95,736,799.26	79,041,552.96	174,778,352.22	56,884,199.81	5,000,000.00	61,884,199.81
Hongyuan Ground Energy	94,131,015.35	214,113.11	94,345,128.46	74,502,317.25		74,502,317.25
Changhong Ridian	201,344,325.02	59,154,559.91	260,498,884.93	151,381,017.63		151,381,017.63

(Continued)

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Zhongke Meiling	110,871,612.72	23,171,786.54	134,043,399.26	28,073,877.64	5,000,000.00	33,073,877.64
Hongyuan Ground Energy	25,708,356.81	45,480.97	25,753,837.78	16,423,984.68		16,423,984.68
Changhong Ridian	111,208,245.86	62,080,855.26	173,289,101.12	81,435,705.12		81,435,705.12

(Continued)

Subsidiary	Current Year			
	Operation income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongke Meiling	93,528,664.17	8,112,300.61	8,112,300.61	17,598,849.36

Subsidiary	Current Year			
Hongyuan Ground Energy	43,213,417.74	512,958.11	512,958.11	18,468,908.62
Changhong Ridian	495,075,275.53	17,264,471.30	17,264,471.30	81,480,606.59

(Continued)

Subsidiary	Last Year			
	Operation income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongke Meiling	92,111,076.79	6,858,233.25	6,858,233.25	-8,138,362.46
Hongyuan Ground Energy	18,346,958.57	-670,146.90	-670,146.90	-79,832.60
Changhong Ridian	349,645,724.03	615,594.18	615,594.18	17,903,129.02

(4) Major limitation on using enterprise group’s assets and liquidate debts of enterprise group: Nil

(5) Offering financial supporting or other supports for structured entity that included in consolidation statement scope: Nil

2. Changes of owner' equity shares in subsidiary and its impacts

Item	Zhongke Meiling	Chengdu Meiling	Guiyang Meiling	Kuming Meiling	Taiyuan Meiling	Jiangzhou Meiling	Shenyang Meiling	Zhengzhou Meiling	Changsha Huidian	Hohhot Meiling	Lanzhou Meiling	Total
Original ratio of shares held	70.00%	94.00%	86.00%	86.50%	85.25%	81.00%	94.80%	85.00%	86.00%	83.00%	51.50%	
Equity purchased from minority	-3.24%	0.80%	14.00%	9.00%	14.75%	15.00%	5.20%	10.00%	11.00%	12.00%	48.50%	
Ratio of shares held at period-end	66.76%	94.80%	100.00%	95.50%	100.00%	96.00%	100.00%	95.00%	97.00%	95.00%	100.00%	
Cash		2.00	4.00	14.00	15.00	11.00	11.00	9.00	15.00	12.00	333,779.00	333,872.00
Acquisition cost/total disposal consideration		2.00	4.00	14.00	15.00	11.00	11.00	9.00	15.00	12.00	333,779.00	333,872.00
Less: net assets of subsidiary measured by equity shares obtained by disposed	-308,409.88	-207,617.71	98,584.79	-251,298.63	-1,705,062.28	-903,669.21	-495,032.36	-1,080,438.58	167,599.27	-194,991.57	-236,105.88	-5,116,442.04
Balance	308,409.88	207,619.71	-98,580.79	251,312.63	1,705,077.28	903,680.21	495,043.36	1,080,447.58	-167,584.27	195,003.57	569,884.88	5,450,314.04
Including: Capital public reserve adjusted	-308,409.88	-207,619.71	98,580.79	-251,312.63	-1,705,077.28	-903,680.21	-495,043.36	-1,080,447.58	167,584.27	-195,003.57	-569,884.88	-5,450,314.04

On November 25, 2016, the first extraordinary general meeting of the subsidiary Zhongke Meiling considered and approved the Proposal on the Company's Stock Issuance Plan, the Company gave up the right of preemption, Zhongke Meiling issued stock of 3,150,000 shares this time, after the issuance of shares, the stock rights held by the Company in Zhongke Meiling were diluted to 66.76%, the balance between the net asset shares calculated by the new shareholding ratio after the stock issuance of subsidiary and the net asset shares before the stock issuance of subsidiary calculated by the proportion of original shareholding ratio before the stock issuance of subsidiary was -308,409.88 Yuan, and should be included in the capital reserve.

The balance between the newly achieved long-term equity investment by purchasing stock rights of minority shareholders of some marketing subsidiaries and the net asset shares held by the subsidiary continuously calculated from the purchase date and calculated by the newly increased shareholding ratio was -5,141,904.16 Yuan, and should be included in the capital reserve.

3. Equity in joint venture or affiliated enterprise

(1) Major joint venture or affiliated enterprise

Joint venture or affiliated enterprise	Main office place	Register place	Business nature	Share holding (%)		Accounting treatment for investment of joint venture or affiliated enterprise
				Directly	Indirectly	
Affiliated enterprise:						
1.ChanghongRubaElectricCompany (Private)Ltd.	Lahore, Pakistan	Lahore	Manufactures, sales		40.00	Equity
2.Hefei Xingmei Assets Management Co., Ltd.	Hefei	Hefei	Rental, agency	48.28		Equity
3.Sichuan Zhiyijia Network Technology Co., Ltd.	Mianyang	Mianyang	Sales	30.00		Equity
4.Hongyuan Dineng Rebao Technology Co. Ltd.	Mianyang	Mianyang	R & D, sales, after-sales		49.00	Equity
5.Sichuan Tianyou Guigu Technology Co., Ltd.	Mianyang	Mianyang	Manufactures, sales		25.00	Equity

(2) Financial information for major Joint venture: Nil

(3) Financial information for affiliated enterprise

Item	Ending balance /Current Year				
	ChanghongRubaElectricCompany(Private)Ltd.	Hefei Xingmei Assets Management Co., Ltd.	Sichuan Zhiyijia Network Technology Co., Ltd.	Hongyuan Dineng Rebao Technology Co. Ltd.	Sichuan Tianyou Guigu Technology Co., Ltd.
Current assets:	53,816,804.37	4,306,112.28	1,082,166,887.90	110,218,752.45	46,813,516.00
Including: cash and cash equivalent	3,218,558.81	4,230,072.28	432,181,490.05	3,089,747.24	36,370,617.75
Non-current assets	87,139,096.04	22,951,140.57	14,581,224.90	4,316,949.46	42,568,210.38
Total assets	140,955,900.41	27,257,252.85	1,096,748,112.80	114,535,701.91	89,381,726.38
Current liability	51,373,683.63	1,584,509.70	1,058,052,880.39	61,339,639.80	54,110,854.39
Mom-current liability			1,700,000.00		4,078,409.09
Total liabilities	51,373,683.63	1,584,509.70	1,059,752,880.39	61,339,639.80	58,189,263.48
Minority's interest				113,729.76	
Equity attributable to shareholder of parent company	89,582,216.78	25,672,743.15	36,995,232.41	53,082,332.35	31,192,462.90
Share of net assets measured by shareholding	35,832,886.70	12,394,800.39	11,098,569.71	26,010,342.85	7,798,115.73
Adjustment time					
–Goodwill					
Unrealized profit of the internal downstream transactions	6,783,242.24		1,718,196.04	3,239,277.40	15,398.22
Unrealized profit of the internal upstream transactions	265,029.89				

Other					
Book value of the equity investment for affiliate	29,314,674.36	12,394,800.39	9,380,373.67	22,771,065.45	7,782,717.50
Fair value of equity investment for the affiliates with consideration publicly					
Operation income	123,489,213.94	1,140,362.57	3,453,729,444.24	186,783,858.84	6,509,473.40
Financial expenses	171,233.87	-4,426.04	-10,069,596.05	-48,439.86	-1,241,884.84
Income tax expenses			1,001,622.63		
Net profit	-7,067,882.80	-934,690.76	12,027,151.46	2,990,569.80	-10,086,049.29
Net profit of discontinuing operation					
Other comprehensive income	6,028,246.66				
Total comprehensive income	-1,039,636.14	-934,690.76	12,027,151.46	2,990,569.80	-10,086,049.29
Dividend received from affiliates in the Year					

(Continued)

Item	Opening balance /Last Year				
	ChanghongRubaElectricCompany (Private)Ltd	Hefei Xingmei Assets Management Co., Ltd.	Sichuan Zhiyijia Network Technology Co., Ltd.	Hongyuan Dineng Rebao Technology Co. Ltd.	Sichuan Tianyou Guigu Technology Co., Ltd.
Current assets:	80,097,168.57	4,422,052.11	1,049,476,856.75	23,764,511.93	72,222,287.99
Including: cash and cash equivalent	7,375,329.25	4,422,051.68	91,309,812.52	8,883,320.31	55,646,748.59
Non-current assets	89,542,558.20	24,020,971.98	1,601,922.21	735,873.42	33,684,137.62
Total assets	169,639,726.77	28,443,024.09	1,051,078,778.96	24,500,385.35	105,906,425.61
Current liability	79,017,873.85	1,835,590.18	1,026,110,698.01	14,504,686.26	7,727,913.42
Mom-current liability					6,900,000.00
Total liabilities	79,017,873.85	1,835,590.18	1,026,110,698.01	14,504,686.26	14,627,913.42
Minority's interest					
Equity attributable to shareholder of parent company	90,621,852.92	26,607,433.91	24,968,080.95	9,995,699.09	91,278,512.19
Share of net assets measured by shareholding	36,248,741.17	12,846,069.09	7,490,424.28	4,897,892.55	22,819,628.05
Adjustment time					
–Goodwill					
Unrealized profit of the internal downstream transactions	-365,542.81		2,677,325.98	852,389.87	-1,568.58
Unrealized profit of the internal upstream transactions	392,444.88				
Other					
Book value of the equity investment for affiliate	29,713,680.32	12,846,069.09	4,813,098.30	4,045,502.68	22,821,196.62
Fair value of equity investment for the affiliates with consideration publicly					
Operation income	106,976,700.85	1,770,062.00	2,211,431,774.61	6,373,887.46	2,809,349.48
Financial expenses	94,584.75	-4,571.75	-4,333,752.73	-1,250.90	-543,578.15
Income tax expenses		4,755.05			

Net profit	-5,264,779.35	-467,514.17	-25,031,919.05	-4,300.91	-8,721,487.81
Net profit of discontinuing operation					
Other comprehensive income	1,227,315.18				
Total comprehensive income	-4,037,464.17	-467,514.17	-25,031,919.05	-4,300.91	-8,721,487.81
Dividend received from affiliates in the Year					

(4) Financial summary for non-important Joint venture and affiliate enterprise

Item	Ending balance / Current Year	Opening balance / Last Year
Affiliate:		
Total book value of investment		
Total amount measured by shareholding ratio		
--net profit	-10,437,028.50	-8,152,786.56
--Other comprehensive income		
-- Total comprehensive income	-10,437,028.50	-8,152,786.56

(5) Major limitation on capital transfer ability to the Company from joint venture or affiliates: Nil

(6) Excess loss occurred in joint venture or affiliates: Nil

(7) Unconfirmed commitment with joint venture investment concerned: Nil

(8) Intangible liability with joint venture or affiliates investment concerned: Nil

4. Major conduct joint operation: Nil

5. Structured body excluding in consolidate financial statement: Nil

IX. Relevant risks related with financial instrument

The major financial instruments of the Company include borrowings, account receivables, account payables, transactional financial assets, transactional financial liabilities, the details of which are set out in Note 6. Risks related to these financial instruments include exchange risks and interest rate risks. The management of the Company controls and monitors the risk exposures to ensure the above risks are under control.

In connection with exchange risks, in order to prevent from exchange risks arising from foreign currency transaction amount, foreign currency dominated loans and interest expenditure, the Company entered into several forward exchange contracts with banks. Fair value of the forward exchange contract which has been recognized as derivative financial instrument as of 31 December 2016 has been included in profits and losses. As export business is increasing, if risks that are out of control of the Company occur such as appreciation of RMB, the Company will mitigate the relevant risks by adjusting its sales policy.

The Company's interest rate risk arises from bank borrowings and interest-bearing debt. Financial liabilities at floating rate expose the Company to cash flow interest rate risk, and financial liabilities at fixed rate expose the Company to fair value interest rate risk. The Company will determine the respective proportion of contracts at fixed and floating rates based on the prevailing market conditions. As of 31 December 2016, the interest-bearing debts mainly referred to borrowing contracts at floating rate denominated in RMB with total amount of 281,251,000.00, borrowing contracts at fixed rate denominated in USD with total amount of 308,488,112.73. Risks relating to change of fair value of financial instruments arising from movement of interest rate mainly related to bank borrowings at fixed rate. As for borrowings at fixed rate, the Company aims to keep its floating rate. Risks relating to change of cash flow of financial instruments arising from movement of interest rate mainly related to bank borrowings at floating rate. The Company establishes its policy to keep floating rate for these borrowings so as to eliminate fair value risk arising from movement of interest rate.

X. Fair value

1. Asset and liability measured by fair value at end of the year and fair value measurement level

Item	Fair value at year-end			
	1st level	2nd level	3rd level	Total
Financial assets measured by fair value and with variation reckoned into current gains/losses				
1. Transactional financial assets				
(1) Derivative financial assets		12,060,213.30		12,060,213.30
Financial liabilities measured by fair value and with variation reckoned into current gains/losses				
1. Transactional financial liabilities				
(1) Derivative financial liabilities		559,249.58		559,249.58

The derivative contract is measured by fair value on 2nd level, which is the real-time quote on foreign exchange market on balance sheet date

XI. Related parties and related transaction

(I) Relationship of related parties

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Controlling shareholder and ultimate controller	Type of entity	Place of registration	Nature of business	Legal representative	Organization code
Sichuan Changhong Electric Co., LTD	Mianyang	Manufacture and sales	4,616,244,222	24.88%	24.88%

Sichuan Changhong Electronic Holding Group is the controlling shareholder of Sichuan Changhong Appliances, and the SASAC Mianyang office holds 100.00% equity interests of Sichuan Changhong Electronic Holding Group, which means that SASAC Mianyang office is the ultimate controller of the Company.

(2) Register capital and change thereof of controlling shareholder

Controlling shareholder	Opening balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Changhong Electric Co., LTD	4,616,244,222			4,616,244,222

(3)Shares held by the controlling shareholder and its changes on equity

Controlling shareholder	Amount of shares held		Shareholding ratio (%)	
	Ending balance	Opening balance	Ratio at year-end	Ratio at year-begin
Sichuan Changhong Electric Co., LTD	259,871,791	189,994,153	24.88%	24.88%

2. Subsidiary

Found more in Note "VIII. 1 (1) Enterprise group composition"

3. Joint venture and affiliated enterprise

Major Joint venture and affiliated enterprise of the Company found more in Note "VIII. 3 (1) major joint venture and affiliated enterprise". Other Joint venture and affiliated enterprise that have related transactions occurred with the Company in the Year or occurred in last period, and with balance results:

Joint venture and affiliated enterprise	Relationship
Hefei Meiling Sole Energy Technology Co., Ltd.	Affiliated enterprise of Subsidiary Meiling Group
ChanghongRubaElectricCompany(Private)Ltd.	Affiliated enterprise of Subsidiary Zhongshan Changhong
Hefei Xingmei Assets Management Co., Ltd.	Affiliated enterprise of the Company
Sichuan Zhiyijia Network Technology Co., Ltd.	Affiliated enterprise of the Company, sharing the same controlling shareholder with the Company and actual controller
Hongyuan Dineng Rebao Technology Co. Ltd.	Affiliated enterprise of Subsidiary Changhong Air-conditioning
Sichuan Tianyou Guigu Technology Co., Ltd.	Affiliated enterprise of Subsidiary Changhong Air-conditioning

4. Other related parties

Other related parties	Relationship
Huayi Compressor Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Jijia Fine Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Package Printing Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Jiahong Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong New Energy Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
081 Electronic Group	Control by same controlling shareholder and ultimate controller
Guangdong Changhong Electronics Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Electronic Products Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Xinrui Technology Co., Ltd	Control by same controlling shareholder and ultimate controller

Other related parties	Relationship
Sichuan Changhong Power Source Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Lighting Technology Co.,Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongwei Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
CHANGHONG(HK)TRADINGLIMITED	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Hotel Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Communication Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong International Travel Agency Co., Ltd.	Control by same controlling shareholder and ultimate controller
PT.CHANGHONGELECTRICINDONESIA	Control by same controlling shareholder and ultimate controller
Sichuan CCO Display Device Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongxin Software Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Devices Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
CHANGHONGELECTRICMIDDLEEASTFZE	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hefei Changhong Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
Lejiayi Chain Management Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Minsheng Logistics Co., LTD	Control by same controlling shareholder and ultimate controller
ChanghongEuropeElectrics.r.o	Control by same controlling shareholder and ultimate controller
Chengdu Changhong Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Anhui Xinhao PDP Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Huafeng Corp. Group	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Network Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Chengdu Changhong Electronic Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Guangyuan Hongcheng Industrial Co., Ltd.	Control by same controlling shareholder and ultimate controller
BVCH Optronics (Sichuan) Co., Ltd.	Control by same controlling shareholder and ultimate controller
Beijing Changhong Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Electronic System Co., Ltd.	Control by same controlling shareholder and ultimate controller

Other related parties	Relationship
081 Electronic Group Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Group Finance Co., Ltd.	Control by same controlling shareholder and ultimate controller
Yibing Hongxing Electronics Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Property Service Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongcheng Construction Engineering Co., Ltd.	Control by same controlling shareholder and ultimate controller
Hefei Changhong New Energy Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Property Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Intelligent Health Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Huanyu Industrial Co. Ltd.	Control by same controlling shareholder and ultimate controller
Mianyang Technology Town Big Data Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Education Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Shenzhen Yijia'en Technology Co. Ltd.	Control by same controlling shareholder and ultimate controller
CHANGHONGELECTRIC(AUSTRALIA)	Control by same controlling shareholder and ultimate controller
Sichuan Changhong Diandianbang Technology Co., Ltd.	Control by same controlling shareholder and ultimate controller
Sichuan Hongyu Metal Manufacture Co., Ltd.	Affiliate enterprise of controlling shareholder
Sichuan Changxin Refrigeration Parts Co., Ltd.	Affiliate enterprise of controlling shareholder
Mianyang Highly Electric Co., Ltd.	Affiliate enterprise of controlling shareholder
Sichuan Changhe Technology Co., Ltd.	Affiliate enterprise of controlling shareholder
Hengyouyuan Technology Development Group Co., Ltd.	The investor has major influence on the subsidiary

(II) Related transactions

1. Purchasing commodity

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electric Co., LTD	Purchasing commodity	14,456.41	9,519.51
Sichuan Changhong Electronics Group Co., Ltd.	Purchasing commodity	0.37	
Huayi Compressor Co., Ltd.	Purchasing commodity	44,592.84	51,119.55
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Purchasing commodity	42,763.92	34,993.69
Sichuan Changhong Jijia Fine Co., Ltd.	Purchasing commodity	21,372.67	15,319.03

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Package Printing Co., Ltd.	Purchasing commodity	5,862.38	3,891.38
CHANGHONG(HK)TRADINGLIMITED	Purchasing commodity	179.34	871.32
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Purchasing commodity	770.77	450.53
Sichuan Changhong New Energy Technology Co., Ltd.	Purchasing commodity	6.69	43.42
081 Electronic Group Co., Ltd.	Purchasing commodity	278.61	188.68
Guangdong Changhong Electronics Co., Ltd.	Purchasing commodity	865.98	476.21
Sichuan Hongyu Metal Manufacture Co., Ltd.	Purchasing commodity	55.98	37.51
Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Purchasing commodity	468.62	187.64
Sichuan Changhong Devices Technology Co., Ltd.	Purchasing commodity	684.44	2,929.15
Sichuan Changhong Xinrui Technology Co., Ltd	Purchasing commodity	5,019.64	8,393.49
Sichuan Hongwei Technology Co., Ltd.	Purchasing commodity	342.66	17.74
Sichuan Changhong Lighting Technology Co.,Ltd.	Purchasing commodity	0.57	4.79
Sichuan Jiahong Industrial Co., Ltd.	Purchasing commodity	13.77	3.09
Sichuan Changhong International Hotel Co., Ltd.	Purchasing commodity		5.74
Sichuan Zhiyijia Network Technology Co., Ltd.	Purchasing commodity	2.56	1.62
Sichuan Changhong Power Source Co., Ltd.	Purchasing commodity	3.68	
Sichuan Huafeng Group Co., Ltd.	Purchasing commodity	23.04	
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Purchasing commodity	1.67	
Sichuan Changhong Electronic Products Co., Ltd.	Purchasing commodity	3,485.14	
Sichuan Hongxin Software Co., Ltd.	Purchasing commodity	5.09	
Sichuan Changhong Property Service Co., Ltd.	Purchasing commodity	0.04	
Sichuan Changhong Communication Technology Co., Ltd.	Purchasing commodity		0.16
Sichuan Changhe Technology Co., Ltd.	Purchasing commodity	687.31	341.13
Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchasing commodity	20,715.41	11,944.29
Mianyang Highly Electric Co., Ltd.	Purchasing commodity	18,280.41	14,137.35
Hongyuan Dineng Rebao Technology Co. Ltd.	Purchasing commodity	13,655.96	
Sichuan Tianyou Guigu Technology Co., Ltd.	Purchasing	189.61	23.62

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
	commodity		
Total		**194,785.58**	**154,900.64**

2. Labor service receive

Related parties	Content	Current Year	Last Year
Sichuan Changhong Electric Co., LTD	Labor service receive	20,635,470.36	13,536,578.79
Sichuan Changhong Minsheng Logistics Co., LTD	Labor service receive	438,755,474.68	420,580,234.83
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Labor service receive	55,643.55	12,279.45
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Labor service receive	119,890,832.60	125,062,530.99
Sichuan Hongxin Software Co., Ltd.	Labor service receive	303,773.60	
Guangdong Changhong Electronics Co., Ltd.	Labor service receive	774,830.62	113,519.53
Sichuan Jiahong Industrial Co., Ltd.	Labor service receive	188,221.66	29,852.60
Sichuan Changhong International Hotel Co., Ltd.	Labor service receive	181,222.85	17,473.00
CHANGHONG(HK)TRADINGLIMITED	Labor service receive	97,468.90	2,007,833.37
Sichuan Changhong Electronics Group Co., Ltd.	Labor service receive	113,420.18	12,922.00
Sichuan Changhong International Travel Agency Co., Ltd.	Labor service receive	119,887.70	
Sichuan Changhong Property Service Co., Ltd.	Labor service receive	6,733.33	
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Labor service receive	28,408.32	
Sichuan Hongwei Technology Co., Ltd.	Labor service receive	235,849.05	968,584.90
Sichuan Zhiyijia Network Technology Co., Ltd.	Labor service receive	2,529.91	
Sichuan Changhong Jijia Fine Co., Ltd.	Labor service receive		4,304.00
Total		**581,389,767.31**	**562,346,113.46**

3. Purchase of fuels and energy

Related parties	Content	Current Year	Last Year
Sichuan Changhong Electric Co., LTD	Receive fuels and energy	16,589,751.56	14,864,527.96
Huayi Compressor Co., Ltd.	Receive fuels and energy	480,530.98	247,361.46
Guangdong Changhong Electronics Co., Ltd.	Receive fuels and	1,531,985.67	

	energy		
Sichuan Jiahong Industrial Co., Ltd.	Receive fuels and energy	11,450.26	
Hefei Changhong New Energy Technology Co., Ltd.	Receive fuels and energy	242,591.95	
Sichuan Changhong Electronics Group Co., Ltd.	Receive fuels and energy	10,243.00	5,396.54
Sichuan Changhong Property Service Co., Ltd.	Receive fuels and energy	45,132.76	
Total		**18,911,686.18**	**15,117,285.96**

4. Sales of goods/ labor service providing

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Sichuan Changhong Electric Co., LTD	Sales of goods	108,928.79	82,925.29
Sichuan Changhong Electronics Group Co., Ltd.	Sales of goods	338.20	0.69
Sichuan Changhong Jijia Fine Co., Ltd.	Sales of goods	4,693.13	2,906.14
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Sales of goods	13,701.81	12,094.53
Lejiayi Chain Administration Co., Ltd.	Sales of goods	365.25	570.66
PT.CHANGHONGELECTRICINDONESIA	Sales of goods	2.60	20.92
CHANGHONG(HK)TRADINGLIMITED	Sales of goods	45,103.46	38,162.85
CHANGHONGELECTRIC(AUSTRALIA)	Sales of goods	13.92	
Sichuan Hongwei Technology Co., Ltd.	Sales of goods	9.76	6.00
Sichuan Changhong Devices Technology Co., Ltd.	Sales of goods	0.00	48.60
Sichuan Changhong Minsheng Logistics Co., LTD	Sales of goods	87.2	123.69
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Sales of goods	724.69	733.07
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Sales of goods	949.01	615.73
Hefei Changhong Industrial Co., Ltd.	Sales of goods	255.71	439.68
Sichuan Huafeng Group Co., Ltd.	Sales of goods	17.25	4.24
Sichuan Zhiyijia Network Technology Co., Ltd.	Sales of goods	143,292.46	42,443.59
Sichuan Changhong Property Co., Ltd.	Sales of goods	3.95	
Anhui Xinhao PDP Co., Ltd.	Sales of goods	5.13	62.91
Sichuan Changhong Network Technology Co., Ltd.	Sales of goods	1.57	4.37
Chengdu Changhong Electronic Technology Co., Ltd.	Sales of goods	1.55	
Sichuan Changhong Intelligent Health Technology Co., Ltd.	Sales of goods	0.31	
Guangdong Changhong Electronics Co., Ltd.	Sales of goods	0.14	4.92
Sichuan Huanyu Industrial Co. Ltd.	Sales of goods	1.42	
Sichuan Changhong Xinrui Technology Co., Ltd	Sales of goods	75.91	3,764.42
Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Sales of goods	4.32	

Related parties	Content	Current Year (10 thousand Yuan)	Last Year (10 thousand Yuan)
Mianyang Technology Town Big Data Technology Co., Ltd.	Sales of goods	0.06	
BVCH Optronics (Sichuan) Co., Ltd.	Sales of goods	1.91	
Sichuan Changhong Electronic Products Co., Ltd.	Sales of goods	8.74	
Sichuan Changhong Group Finance Co., Ltd.	Sales of goods	0.25	
Huayi Compressor Co., Ltd.	Sales of goods	16.92	
Sichuan Changhong Package Printing Co., Ltd.	Sales of goods	33.31	21.16
Sichuan Changhong Power Source Co., Ltd.	Sales of goods	5.34	17.86
Sichuan Changhong Education Technology Co., Ltd.	Sales of goods	0.31	
Sichuan Changhong International Hotel Co., Ltd.	Sales of goods		1.35
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Sales of goods		14.92
081 Electronic Group Co., Ltd.	Sales of goods		-6.04
CHANGHONGELECTRICMIDDLEEASTFZE	Sales of goods		15.44
ChanghongEuropeElectrics.r.o	Sales of goods		92.42
Chengdu Changhong Property Co., Ltd.	Sales of goods		1.37
Hefei MeiLing Solar Energy Technology Co., Ltd.	Sales of goods		75.23
Guangyuan Hongcheng Industrial Co., Ltd.	Sales of goods		0.03
Fuyang Meiling Appliance Marketing Co., Ltd.	Sales of goods		333.75
Sichuan Changhong Property Service Co., Ltd.	Sales of goods	4.89	
Sichuan Changxin Refrigeration Parts Co., Ltd.	Sales of goods	7,035.25	3,333.09
Hongyuan Dineng Rebao Technology Co. Ltd.	Sales of goods	21,275.51	1,033.72
Sichuan Tianyou Guigu Technology Co., Ltd.	Sales of goods	229.86	36.01
ChanghongRubaElectricCompany(Private)Ltd.	Sales of goods	3,846.63	3,039.47
Mianyang Highly Electric Co., Ltd.	Sales of goods		0.46
Total		**351,036.52**	**192,942.54**

Businesses between the Company and its connected persons are generally conducted under market operation rules as if they were the same as other business counterparties. For price of sale or purchase and provision of other labor service between the Company and its related parties, the state pricing is applicable if the pricing do exists; in case of absence of such state pricing, price is determined under market price; in case of absence of such market price, price is determined by both parties at actual cost plus reasonable expenses; for some special services, the price of which cannot be determined under the rule of cost plus expense, the price shall be determined by both parties by negotiation.

5. Fuel and energy providing

Related parties	Content	Current Year	Last Year
Guangdong Changhong Electronics Co., Ltd.	Fuel and energy providing	956,099.28	866,165.68
Sichuan Changhong Minsheng Logistics Co., LTD	Fuel and energy providing	68,684.40	80,271.36
Sichuan Changhong Devices Technology Co., Ltd.	Fuel and energy providing	463,262.93	

Related parties	Content	Current Year	Last Year
Sichuan Changhong Jijia Fine Co., Ltd.	Fuel and energy providing	96,364.38	386,615.33
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Fuel and energy providing	4,856,207.90	5,769,242.83
Sichuan Hongwei Technology Co., Ltd.	Fuel and energy providing	7,893.94	
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Fuel and energy providing		170.93
Total		**6,448,512.83**	**7,102,466.13**

6. Related rental

(1) Renting

Lessor	Lessee	Type of assets	Leasing income in this year	Leasing income in last year
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Fine Co., Ltd.	Forklift truck	2,792.14	62.74
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Fine Co., Ltd.	Warehouse	14,060.38	
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Fine Co., Ltd.	Apartment	75,635.43	
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Fine Co., Ltd.	Plant	486,720.81	466,560.00
Hefei Meiling Co., Ltd.	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Warehouse	34,301.89	
Hefei Meiling Co., Ltd.	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Plant	661,680.00	1,294,380.00
Hefei Meiling Co., Ltd.	Sichuan Changhe Technology Co., Ltd.	Warehouse	1,833.96	
Hefei Meiling Co., Ltd.	Sichuan Changhong Xinrui Technology Co., Ltd	Forklift truck	1,485.85	1,191.51
Hefei Meiling Co., Ltd.	Sichuan Changhong Xinrui Technology Co., Ltd	Warehouse	12,226.42	
Hefei Meiling Co., Ltd.	Sichuan Changhong Minsheng Logistics Co., LTD	Office	10,608.00	
Hefei Meiling Co., Ltd.	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Office	24,547.72	
Hefei Meiling Co., Ltd.	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Apartment	194,413.33	
Hefei Meiling Co., Ltd.	Hefei Changhong Industrial Co., Ltd.	Apartment	448,681.52	
Hefei Meiling Co., Ltd.	Sichuan Changhong Electric Co., LTD	Apartment	68,624.76	
Hefei Meiling Co., Ltd.	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Apartment	63,959.42	
Changhong Air-Conditioner	BVCH Optronics (Sichuan) Co., Ltd.	Freight elevator	63,720.00	63,720.00
Changhong Air-Conditioner	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Machinerayequipment		8,177.80
Changhong Air-Conditioner	Sichuan Changhong Jijia Fine Co., Ltd.	Driving		7,000.00
Zhongshan Changhong	Sichuan Changhong Jijia Fine Co., Ltd.	2# living area	3,889.43	10,320.21

Lessor	Lessee	Type of assets	Leasing income in this year	Leasing income in last year
Zhongshan Changhong	Sichuan Changhong Minsheng Logistics Co., LTD	Warehouse	100,000.00	
Zhongshan Changhong	Guangdong Changhong Electronics Co., Ltd.	Office building	1,474,415.84	814,103.36
Zhongshan Changhong	Sichuan Changhong Minsheng Logistics Co., LTD	Office building	57,509.74	40,659.36
Zhongshan Changhong	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	2# living area	89,802.16	
Zhongshan Changhong	Shenzhen Yijia'en Technology Co. Ltd.	2# living area	18,141.15	
Zhongshan Changhong	Sichuan Hongwei Technology Co., Ltd.	2# living area	5,047.62	
Mianyang Refrigeration	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Warehousing fee	60,396.23	65,886.80
Mianyang Refrigeration	Sichuan Changhong Package Printing Co., Ltd.	Warehousing fee	4,150.94	3,773.59
Mianyang Refrigeration	Sichuan Changhe Technology Co., Ltd.	Warehousing fee	207.55	271.69
Mianyang Refrigeration	Sichuan Changxin Refrigeration Parts Co., Ltd.	Warehousing fee	207.55	566.03
Jiangxi Electric	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Rental of Plant	474,614.85	451,920.00
Jiangxi Electric	Sichuan Changhong Jijia Fine Co., Ltd.	Rental of Plant		134,064.00
Jiangxi Electric	Sichuan Changhong Jijia Fine Co., Ltd.	Machinerayequipment		99,487.17
Changhong Ridian	Sichuan Changhong Devices Technology Co., Ltd.	Workshop lease	823,744.00	842,128.00
Changhong Ridian	Sichuan Changhong Minsheng Logistics Co., LTD	Workshop lease	1,014,296.40	339,838.08
Changhong Ridian	Sichuan Hongwei Technology Co., Ltd.	Workshop lease		71,539.20
Total			**6,291,715.09**	**4,715,649.54**

(2) Lessee of related parties

Lessor	Lessee	Type of assets	Leasing expense in this year	Leasing expense in last year
Sichuan Changhong Electric Co., LTD	Sichuan Changhong	Workshop and office	8,374,314.61	7,884,364.10
Sichuan Changhong Electronics Group Co., Ltd.	Sichuan Changhong	Shopfront	84,263.16	9,767.00
Sichuan Changhong Electronics Group Co., Ltd.	Mianyang Refrigeration	Staff dormitory	5,520.00	7,840.00
Beijing Changhong Technology Co., Ltd.	Beijing Meiling	Office	89,128.50	356,514.00
Sichuan Changhong Electric Co., LTD	Appliance marketing	Office	493,088.97	535,471.91
Guangdong Changhong Electronics Co., Ltd.	Changhong Ridian	Dormitory rental	525,298.65	
Sichuan Changhong Electric Co., LTD	Changhong Ridian	Dormitory rental	210,433.96	
Total			**9,782,047.85**	**8,793,957.01**

7. Related guarantee

Secured party	Sponsored party	Maximum guarantee amount (in 10 thousand Yuan)	Start	End	Completed (Y/N)
Hefei Meiling	Zhongshan Changhong Electric Appliance	15,000.00	2015.12.29	2016.12.29	Y
Hefei Meiling	Zhongshan Changhong Electric Appliance	8,000.00	2015.03.30	2016.03.29	Y
Hefei Meiling	Zhongshan Changhong Electric Appliance	17,000.00	2016.01.01	2016.12.31	N
Hefei Meiling	Zhongshan Changhong Electric Appliance	5,000.00	2015.05.27	2016.05.27	Y
Hefei Meiling	Zhongshan Changhong Electric Appliance	5,000.00	2016.08.05	2017.08.04	N
Hefei Meiling	Zhongshan Changhong Electric Appliance	5,000.00	2016.10.28	2017.10.28	N
Hefei Meiling	Changhong Ridian	2,000.00	2016.09.01	2017.09.01	N
Hefei Meiling	Changhong Ridian	4,500.00	2016.05.05	2017.05.05	N
Counter guarantee:					
Zhongshan Changhong Electric Appliance	Hefei Meiling	15,000.00	2015.12.29	2016.12.29	Y
Zhongshan Changhong Electric Appliance	Hefei Meiling	8,000.00	2015.03.30	2016.03.29	Y
Zhongshan Changhong Electric Appliance	Hefei Meiling	17,000.00	2016.01.01	2016.12.31	N
Zhongshan Changhong Electric Appliance	Hefei Meiling	5,000.00	2015.05.27	2016.05.27	Y
Zhongshan Changhong Electric Appliance	Hefei Meiling	5,000.00	2016.08.05	2017.08.04	N
Zhongshan Changhong Electric Appliance	Hefei Meiling	5,000.00	2016.10.28	2017.10.28	N
Changhong Ridian	Hefei Meiling	2,000.00	2016.09.01	2017.09.01	N
Changhong Ridian	Hefei Meiling	4,500.00	2016.05.05	2017.05.05	N

8. Assets transfer, debt restructuring of related parties

Related parties	Type	Current Year	Last Year
Sichuan Changhong Electric Co., LTD	Purchasing fixed assets	221,411.27	3,271,518.77
Sichuan Hongxin Software Co., Ltd.	Purchasing fixed assets	252,830.20	990,566.04
Sichuan Hongwei Technology Co., Ltd.	Purchasing fixed assets	1,374,917.70	
Sichuan Hongxin Software Co., Ltd.	Purchasing fixed assets	149,292.45	
Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	Purchasing fixed assets	2,053,812.82	

Related parties	Type	Current Year	Last Year
Sichuan Changhong Jijia Fine Co., Ltd.	Purchasing fixed assets	17,948.72	
Sichuan Hongcheng Construction Engineering Co., Ltd.	Purchase and construction of fixed assets	5,909,615.13	
Sichuan Changhong Electronic System Co., Ltd.	Purchasing fixed assets		714,059.83
081 Electronic Group Co., Ltd.	Purchasing fixed assets		59,829.06
Sichuan Changhong New Energy Technology Co., Ltd.	Fixed assets sold		15,035.60
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Fixed assets sold	31,091.89	
Sichuan Tianyou Guigu Technology Co., Ltd.	Fixed assets sold	854.70	
Total		**10,011,774.88**	5,051,009.30

9. Related transaction with Changhong Finance Company

(1) Saving balance

Company	Opening balance	Ending balance	Income from bank saving
Hefei Meiling Co., Ltd.	929,016,660.03	1,269,669,769.16	46,911,461.33
Sichuan Changhong Air Conditioner Co., Ltd.	51,254,783.01	403,311,310.63	5,814,745.44
Zhongshan Changhong Appliance Co., Ltd	64,705,781.78	67,318,559.05	95,732.71
Hefei Meiling Group Holding Co., Ltd.	3,832.74	1,185,381.05	1,889,048.34
Mianyang MeiLing Refrigeration Co., Ltd.	218,333.30	60,008.27	623,644.26
Zhongke MeiLing Low-temperature Technology Co., Ltd.	50,772,917.93	25,450,411.46	450,411.46
Jiangxi MeiLing Electric Appliance Co., Ltd.	102,164,170.55		2,175,638.22
Guangdong Changhong Ridian Technology Co., Ltd.	61,945,227.21	125,819,243.83	235,401.39
Hongyuan Heat Pump Technology Co., Ltd.		16,027,479.75	38,116.80
Total	**1,260,081,706.55**	**1,908,842,163.20**	**58,234,199.95**

(2) Notes discounted

Company	Bank acceptance book discounted amount	Bank acceptance discounted amount	Expenses of discounted
Hefei Meiling Co., Ltd.	242,871,970.10	240,970,903.54	1,901,066.56
Sichuan Changhong Air Conditioner Co., Ltd.	733,975,237.73	726,008,159.25	7,967,078.48
Hefei Meiling Group Holding Co., Ltd.	100,000,000.00	98,373,333.30	1,626,666.70
Mianyang MeiLing Refrigeration Co., Ltd.	150,000,000.00	149,440,000.05	559,999.95
Total	**1,226,847,207.83**	**1,214,792,396.14**	**12,054,811.69**

(3) Notes issued

Company	Issuing unit	Note amount	Type

Hefei Meiling Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	627,233,900.00	Bank acceptance
Sichuan Changhong Air Conditioner Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	748,307,945.36	Bank acceptance
Zhongshan Changhong Appliance Co., Ltd	Sichuan Changhong Group Finance Co., Ltd.	270,000,947.24	Bank acceptance
Mianyang MeiLing Refrigeration Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	141,021.36	Bank acceptance
Guangdong Changhong Ridian Technology Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	56,053,906.52	Bank acceptance
Hefei Meiling Group Holding Co., Ltd.	Sichuan Changhong Group Finance Co., Ltd.	96,000.00	Bank acceptance
Total		**1,701,833,720.48**	

(4) Borrowing: Nil

(5) Accounts receivable factoring : Nil

10. Key management's remuneration

Item	Current Year(10 thousand Yuan)	Last Year (10 thousand Yuan)
Total remuneration	**337.44**	340.36
Including: performance incentive fund		

(III) Come and go balance with related parties

1. Receivables

Item	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Sichuan Changhong Electric Co., LTD	521,671.35		2,138,556.68	
Account receivable	Sichuan Changhong Electronics Group Co., Ltd.	376,186.92		2,209,161.87	
Account receivable	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	965,201.45		207,505.03	
Account receivable	CHANGHONGELECTRIC(AUSTRALIA)	144,829.93			
Account receivable	Hefei Changhong Industrial Co., Ltd.			1,492,108.99	
Account receivable	Sichuan Changhong Property Service Co., Ltd.	12,516.00			
Account receivable	Huayi Compressor Co., Ltd.	334,800.00		263,800.00	
Account receivable	Sichuan Changhong Jijia Fine Co., Ltd.			5,536.56	
Account receivable	PT.CHANGHONGELECTRICINDONESIA	26,971.06		212,356.95	
Account receivable	CHANGHONG(HK)TRADINGLIMITED	60,541,639.57		133,214,694.78	
Account receivable	Sichuan Changhong Package Printing Co., Ltd.	4,400.00		800.00	

Item	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Sichuan Changhong International Hotel Co., Ltd.	1,334,736.90		2,859,768.75	
Account receivable	Chengdu Changhong Electronic Technology Co., Ltd.	434,509.01		1,835,245.20	
Account receivable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	0.60		3,559.52	
Account receivable	Lejiayi Chain Administration Co., Ltd.			325,769.21	
Account receivable	Sichuan Zhiyijia Network Technology Co., Ltd.	174,033,095.60		260,964,612.33	
Account receivable	Sichuan Hongwei Technology Co., Ltd.	7,600.00		8,998.00	
Account receivable	Anhui Xinhao PDP Co., Ltd.	63,000.00		645,000.00	
Account receivable	Yibing Hongxing Electronics Co., Ltd.	147,174.10		1,058,049.10	
Account receivable	Sichuan Changhong Network Technology Co., Ltd.			51,150.00	
Account receivable	ChanghongRubaElectricCompany(Private)Ltd	16,296,282.53		34,269,278.41	
Account receivable	Hongyuan Dineng Rebao Technology Co. Ltd.	36,070,419.59		12,094,465.83	
Account paid in advance	Sichuan Changhong Electric Co., LTD	1,054,531.13			
Account paid in advance	Sichuan Changhong Mold Plastic Tech. Co., Ltd.			5.38	
Account paid in advance	Sichuan Zhiyijia Network Technology Co., Ltd.	14,074.00			
Account paid in advance	Sichuan Hongwei Technology Co., Ltd.	263,948.00			
Account paid in advance	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	254,682.00			
Other receivables	Sichuan Changhong Electric Co., LTD	39,617.46		449,090.56	
Other receivables	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	200,000.00		200,000.00	
Other receivables	Sichuan Changhong Minsheng Logistics Co., LTD			80,265.12	
Other receivables	Sichuan Changhong Devices Technology Co., Ltd.			1,416.11	
Other receivables	Hongyuan Dineng Rebao Technology Co. Ltd.	130,396.62			
Other receivables	Sichuan Tianyou Guigu Technology Co., Ltd.	12,500,000.00			
Total		**305,772,283.82**		**454,591,194.38**	

2. Payables

Item	Related parties	Ending balance	Opening balance
Account received in advance	Sichuan Changhong Electric Co., LTD	36,470,918.03	4,549,701.77

Item	Related parties	Ending balance	Opening balance
Account received in advance	Sichuan Changhong Diandianbang Technology Co., Ltd.	259.00	
Account received in advance	CHANGHONG(HK)TRADINGLIMITED		317.48
Account received in advance	Lejiayi Chain Administration Co., Ltd.	559,819.59	900.02
Account received in advance	081 Electronic Group	2,906,393.55	
Account received in advance	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	273,106.03	339,625.21
Account received in advance	CHANGHONGELECTRICMIDDLEEASTFZE	37,303.37	1,626.32
Account received in advance	PT.CHANGHONGELECTRICINDONESIA		245.39
Account received in advance	Sichuan Hongshi Display Devices Co., Ltd.		74,587.00
Account received in advance	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	52,999.49	25,349.12
Account received in advance	Sichuan Changhong Power Source Co., Ltd.	164,400.00	
Account received in advance	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	0.01	
Account received in advance	Sichuan Changhong Mold Plastic Tech. Co., Ltd.		27,308.76
Account received in advance	Hefei MeiLing Solar Energy Technology Co., Ltd.	315,389.49	
Account received in advance	Sichuan Tianyou Guigu Technology Co., Ltd.	269,700.06	148,501.26
Accounts payable	Sichuan Changhong Electric Co., LTD	18,441,774.94	29,851,894.60
Accounts payable	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	111,859,645.07	46,397,079.60
Accounts payable	Huayi Compressor Co., Ltd.	54,756,261.49	139,199,433.03
Accounts payable	Sichuan Changhong Jijia Fine Co., Ltd.	49,428,116.49	18,183,863.16
Accounts payable	Sichuan Changhong Minsheng Logistics Co., LTD	40,128,307.43	13,792,125.99
Accounts payable	Sichuan Changhong Package Printing Co., Ltd.	11,582,508.82	3,815,726.06
Accounts payable	Sichuan Changhong Devices Technology Co., Ltd.	8,244,251.90	2,856,979.62
Accounts	Sichuan Changhong Lighting Technology Co.,Ltd.		28,458.00

Item	Related parties	Ending balance	Opening balance
payable			
Accounts payable	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	2,231,885.31	474,412.43
Accounts payable	081 Electronic Group Co., Ltd.	397,568.22	145,004.41
Accounts payable	Sichuan Changhong New Energy Technology Co., Ltd.	235.76	35,055.83
Accounts payable	Guangdong Changhong Electronics Co., Ltd.	3,602,882.13	2,698,808.96
Accounts payable	Sichuan Changhong Power Source Co., Ltd.	4,806.70	17,694.78
Accounts payable	Sichuan Hongyu Metal Manufacturing Co., Ltd.	475,411.87	76,605.95
Accounts payable	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	6,593,913.18	12,325,292.30
Accounts payable	Sichuan Hongwei Technology Co., Ltd.	1,647,512.58	
Accounts payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,503.63	10,503.63
Accounts payable	Sichuan Changhong International Hotel Co., Ltd.	24,483.00	
Accounts payable	Sichuan Changhong Xinrui Technology Co., Ltd	31,134,508.32	17,899,155.35
Accounts payable	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	1,159,293.19	37,968.00
Accounts payable	Sichuan Changhong International Travel Agency Co., Ltd.	14,981.00	
Accounts payable	Sichuan Changhong Electronic System Co., Ltd.	77,000.00	77,000.00
Accounts payable	Sichuan Jiahong Industrial Co., Ltd.	1500.00	78,317.93
Accounts payable	Sichuan Changhong Property Service Co., Ltd.	28.00	
Accounts payable	Sichuan Huafeng Group Co., Ltd.	283,500.63	
Accounts payable	Hongyuan Dineng Rebao Technology Co. Ltd.		2,846,000.00
Accounts payable	Sichuan Tianyou Guigu Technology Co., Ltd.	397,435.50	333,333.01
Accounts payable	Sichuan Changxin Refrigeration Parts Co., Ltd.	16,767,170.82	5,266,539.58
Accounts payable	Mianyang Highly Electric Co., Ltd.	33,257,152.05	20,557,246.51
Accounts payable	Sichuan Changhe Technology Co., Ltd.	2,769,516.97	1,288,398.54
Other accounts payable	Sichuan Changhong Electric Co., LTD	189,285.06	1,992,259.81
Other accounts payable	Sichuan Changhong Electronics Group Co., Ltd.		4,124.00
Other accounts payable	Sichuan Changhong Mold Plastic Tech. Co., Ltd.	6,021,988.84	1,557,408.63

Item	Related parties	Ending balance	Opening balance
Other accounts payable	Sichuan Changhong Jijia Fine Co., Ltd.	1,900,500.00	361,466.64
Other accounts payable	Sichuan Changhong Gerun Renewable Resources Co., Ltd.	10,000.00	10,000.00
Other accounts payable	Huayi Compressor Co., Ltd.	1,050,000.00	1,050,000.00
Other accounts payable	Sichuan Changhong Package Printing Co., Ltd.	50,000.00	50,000.00
Other accounts payable	Sichuan Changhong Precision Electronics Tech. Co., Ltd.	145.16	
Other accounts payable	Sichuan Changhong Minsheng Logistics Co., LTD	586,504.95	594,004.95
Other accounts payable	CHANGHONG(HK)TRADINGLIMITED	1,881,972.53	876,260.05
Other accounts payable	Sichuan Changhong Devices Technology Co., Ltd.	260.07	
Other accounts payable	Sichuan Changhong Xinrui Technology Co., Ltd	200,000.00	200,000.00
Other accounts payable	Sichuan Changhong Electronic Products Co., Ltd.	50,000.00	
Other accounts payable	081 Electronic Group Co., Ltd.	169.00	3,549.14
Other accounts payable	Sichuan Zhiyijia Network Technology Co., Ltd.		48,707.00
Other accounts payable	Sichuan Jiahong Industrial Co., Ltd.	4,643.32	2,182.34
Other accounts payable	Guangdong Changhong Electronics Co., Ltd.	4,602.00	26,485.76
Other accounts payable	Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd.	219,375.00	
Other accounts payable	Mianyang Highly Electric Co., Ltd.	637,644.61	603,295.12
Other accounts payable	Sichuan Changhe Technology Co., Ltd.	100,000.00	50,000.00
Other accounts payable	Sichuan Changxin Refrigeration Parts Co., Ltd.	50,000.00	50,000.00
Other accounts payable	Hengyouyuan Technology Development Group Co., Ltd.	2,800.00	
Total		**449,302,334.16**	**330,940,803.04**

(IV) Commitments from related parties: Nil

XII. Share-based payment: Nil

XIII. Contingency

1. Pending action or possible liabilities formed from arbitration: Nil
2. Contingency from external guarantee: Nil
3. Other contingency: nil

XIV. Commitments: Nil

XV. Events occurring after the balance sheet date

1. Important non-adjustment items: nil
2. Profit distribution

Being audited by Shine Wing Certified Public Accountants (LLP), the net profit achieved in individual statement of the parent company amounting to RMB 239,624,261.53 Yuan, in line with relevant regulations, after extract for statutory surplus reserve RMB 23,962,426.15 Yuan, the distributable profit in individual statement of the parent company for year of 2016 amounting to RMB 215,661,835.38 Yuan; deducted the 2015 profit distribution RMB 45,824,352.27 Yuan, plus the retained profit at beginning of the year RMB 786,501,710.90 Yuan, the accumulated retained profit in individual statement of the parent company at end of 2016 amounting to RMB 956,339,194.01 Yuan. In addition, the accumulated retained profit in consolidate statement at end of the 2016 amounting to RMB 968,097,382.98 Yuan;the distributable profit in consolidate statement for year of 2016 amounting to RMB 196,254,254.81 Yuan.

According to the relevant laws and regulations and the provisions of "Articles of Association" and considering the interests of the shareholders and the company's long-term development needs, the board of directors approved the company to distribute the cash bonus of 0.6 Yuan per 10 stocks (including tax) to all shareholders on the basis of the general capital of 1,044,597,881 stocks of December 31, 2016, totally the cash bonus RMB 62,675,872.86 Yuan has been distributed (Including tax, the cash bonus accounts for 29.06% of the profit available for distribution in the individual statements of the parent company in the current year). After the distribution, the total share capital of the company keeps the same, accumulates the remaining undistributed profits of RMB 893,663,321.15 Yuan which is to be distributed annually after carry-over

This plan has been considered and passed by the board of directors, and needs to be submitted to 2016 annual general meeting of the company for deliberation.

3. Major sales return: nil
4. Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

XVI. Other significant matters

1. Correction of previous periods and influence: nil
2. Debt restructuring: nil
3. Assets replacement: nil
4. Pension plan: nil

5. Discontinuing operation: nil

6. Branch information

Item	Ice cumber	AC	Marketing	Small appliances	Other	Sales in branch	Total
Operation income	707,211.02	447,310.64	239,121.90	49,507.53	29,851.54	220,331.54	1,252,671.09
Including: Income from trading outside	506,166.07	447,259.55	239,121.90	49,157.11	10,966.45		1,252,671.09
Income from trading in branch	201,044.95	51.09		350.42	18,885.08	220,331.54	
Operation expenses	689,663.78	447,145.01	240,898.47	47,908.28	28,489.62	214,866.56	1,239,238.60
Operation profit	17,547.25	165.62	-1,776.57	1,599.25	1,361.92		13,432.49
Total assets	965,651.61	286,639.75	39,100.22	26,049.89	13,265.58	79,950.31	1,250,756.73
Total liability	505,141.29	209,092.68	69,941.18	15,138.10	7,998.84	73,163.50	734,148.58
Supplementary information							
Depreciation and amortization expenses	12,576.04	4,124.59	19.40	372.26	511.38	1.05	17,602.62
Capital expenditure	15,522.32	8,544.42	25.98	80.45	827.88	62.51	24,938.54
Non-cash expenses except for depreciation and amortization	60,215.02	57,850.44	35,916.76	1,307.20	757.98	2,107.29	153,940.11

7. Other major transactions and events shows impact on investor's decision-making: nil

XVII. Notes to main items of financial statement of parent company

1. Account receivable

(1) Risk structure of account receivable

Category	Ending amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Account receivable with single significant amount and withdrawal single item bad debt provision					
Account receivable withdrawal bad debt provision by combination					
Combination 1	234,535,499.95	23.02%	12,281,916.10	5.24%	222,253,583.85
Combination 2	784,448,310.52	76.98%			784,448,310.52
Combination Subtotal	1,018,983,810.47	100.00%	12,281,916.10	1.21%	1,006,701,894.37
Account receivable with single minor amount but withdrawal single item bad debt provision					
Total	1,018,983,810.47	100.00%	12,281,916.10	1.21%	1,006,701,894.37

(Continued)

Category	Opening amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Account receivable with single significant amount and withdrawal single item bad debt provision					
Account receivable withdrawal bad debt provision by combination	—	—	—	—	—

Category	Opening amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Combination 1	153,138,749.45	16.03%	11,767,503.69	7.68%	141,371,245.76
Combination 2	801,957,750.21	83.97%			801,957,750.21
Combination Subtotal	955,096,499.66	100.00%	11,767,503.69	1.23%	943,328,995.97
Account receivable with single minor amount but withdrawal single item bad debt provision					
Total	955,096,499.66	100.00%	11,767,503.69	1.23%	943,328,995.97

1) No account receivable with single significant amount and withdrawal bad debt provision single at year-end.

2) Account receivable with Withdrawal of bad debt provision by aging account in combination 1

Book Age	Ending balance		
	Account receivable	Bad debt provision	Provision ratio (%)
Within 1 year	230,187,998.34	11,509,399.92	5%
1-2 years	4,064,533.95	609,680.09	15%
2-3 years	184,817.80	64,686.23	35%
3-4 years			55%
4-5 years			85%
Over 5 years	98,149.86	98,149.86	100%
Total	**234,535,499.95**	**12,281,916.10**	—

3) Account receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	752,441,912.34
Account receivable with L/C	32,006,398.18
Total	**784,448,310.52**

4) No account receivable with single minor amount but withdrawal single item bad debt provision at year-end

(2) Provision, reversal (or recovery) of bad debt provision

The bad debt accrual in the year was RMB 514,412.41; no recovery or reversal bad debt provision in the year.

(3) No account receivable actually written-off at year-end.

(4) No arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company at year-end.

(5) The top five account receivable at year-end has RMB 361,770,254.95 in total, a 35.50% in total account receivable.

(6) Account receivable de-recognized: Nil

2. Other account receivable

(1) Category of other account receivable

Category	Ending amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Other account receivable with single significant amount and withdrawal single item bad debt provision					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	2,286,196.46	8.50%	164,504.75	7.20%	2,121,691.71
Combination 2	24,620,732.24	91.50%			24,620,732.24
Combination Subtotal	26,906,928.70	100.00%	164,504.75	0.61%	26,742,423.95
Other account receivable with single minor amount but withdrawal single item bad debt provision					
Total	**26,906,928.70**	**100.00%**	**164,504.75**	**0.61%**	**26,742,423.95**

(Continued)

Category	Opening amount				
	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Ratio	
Other account receivable with single significant amount and withdrawal single item bad debt provision					
Other account receivable withdrawal bad debt provision by combination					
Combination 1	4,840,833.66	8.76%	1,976,106.94	40.82%	2,864,726.72
Combination 2	50,391,165.17	91.24%			50,391,165.17
Combination Subtotal	55,231,998.83	100.00%	1,976,106.94	3.58%	53,255,891.89
Other account receivable with single minor amount but withdrawal single item bad debt provision					
Total	**55,231,998.83**	**100.00%**	**1,976,106.94**	**3.58%**	**53,255,891.89**

1) No other account receivable with single significant amount and no withdrawal bad debt provision single at year-end

2) Other account receivable with withdrawal bad debt provision by aging account for combination 1

Item	Ending balance		
	Account receivable	Bad debt provision	Provision ratio (%)
Within 1 year	1,824,247.20	91,212.36	5%
1-2 years	451,949.26	67,792.39	15%
2-3 years			35%
3-4 years	10,000.00	5,500.00	55%
4-5 years			85%
Over 5 years			100%
Total	**2,286,196.46**	**164,504.75**	

3) Other receivable without bad debt provision withdrawal in combination 2

Combination	Book balance
Connected amount between related parties	21,867,562.15
Loans of employee's pretty cash	2,753,170.09
Total	**24,620,732.24**

4) No other account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables at year-end.

(2) Reversal (or withdraw) of reserve for bad debts in the Year
Releasing bad debt provision in the year amounting to RMB 1,811,602.19; bad debt recovered the original verification was RMB 6,000.00 in the year.

(3) Other account receivable charge off in this year: Nil

(4) No areas from shareholders' unit with over 5 percent (5 percent included) voting rights held at year-end

(5) Top 5 other account receivable has RMB 24,339,624.01 in total, a 90.46% in total account receivable at year-end

(6) Other receivables classify by nature

Nature	Ending book balance	Opening book balance
Related parties	21,867,562.15	32,309,376.56
Loans of employee's pretty cash	2,753,170.09	3,317,078.21
Margin	1,344,924.85	398,295.60
Advance money paid temporary	619,956.01	
Other	321,315.60	4,442,538.06
Export rebate		14,764,710.40
Total	**26,906,928.70**	**55,231,998.83**

(7) Other receivable de-recognized: Nil

3. Long-term equity investments

(1) Classification of long-term equity investments

Item	Ending balance			Opening balance		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Investment in subsidiaries						
Hefei Meiling Packing Products Co., Ltd.				12,961,230.52		12,961,230.52
Zhongke MeiLing Low-temperature Technology Co., Ltd.	42,000,000.00		42,000,000.00	42,000,000.00		42,000,000.00
Mianyang MeiLing Refrigeration Co., Ltd.	95,000,000.00		95,000,000.00	95,000,000.00		95,000,000.00
Hefei Meiling Appliance Marketing Co., Ltd.	54,900,000.00		54,900,000.00	54,900,000.00		54,900,000.00
Zhongshan Changhong Appliance Co., Ltd	169,856,419.37		169,856,419.37	112,256,419.37		112,256,419.37
Sichuan Changhong Air Conditioner Co., Ltd.	305,600,437.79		305,600,437.79	305,600,437.79		305,600,437.79
Hefei Meiling Group Holding Co., Ltd.	113,630,000.00		113,630,000.00	113,630,000.00		113,630,000.00
Jiangxi MeiLing Electric Appliance Co., Ltd.	79,000,000.00		79,000,000.00	79,000,000.00		79,000,000.00
Mianyang Meiling Software Technology Co., Ltd.				4,950,000.00		4,950,000.00
Guangdong Changhong Ridian Technology Co., Ltd.	90,802,061.95		90,802,061.95			
Changmei Technology Co., Ltd.	18,000,000.00		18,000,000.00			
Investment in associates						
Hefei Xingmei Assets Management Co., Ltd.	12,394,800.39		12,394,800.39	12,846,069.09		12,846,069.09
Sichuan Zhiyijia Network Technology Co., Ltd.	11,098,569.71		11,098,569.71	7,490,424.28		7,490,424.28
Total	**992,282,289.21**		**992,282,289.21**	**840,634,581.05**		**840,634,581.05**

(2) Investment in subsidiaries

Invested unit	Opening balance	Increase during the year	Decrease during the year	Ending balance	Provision for impairment losses	Ending balance of impairment loss
Hefei Meiling Packing Products Co., Ltd.	12,961,230.52		12,961,230.52			
Zhongke Meiling Cryogenic Technology Co., Ltd.	42,000,000.00			42,000,000.00		
Mianyang MeiLing Refrigeration Co., Ltd.	95,000,000.00			95,000,000.00		
Hefei Meiling Appliance Marketing Co., Ltd.	54,900,000.00			54,900,000.00		
Zhongshan Changhong Appliance Co., Ltd	112,256,419.37	57,600,000.00		169,856,419.37		
Sichuan Changhong Air Conditioner Co., Ltd.	305,600,437.79			305,600,437.79		
Hefei Meiling Group Holding Co., Ltd.	113,630,000.00			113,630,000.00		
Jiangxi MeiLing Electric Appliance Co., Ltd.	79,000,000.00			79,000,000.00		
Mianyang Meiling Software Technology Co., Ltd.	4,950,000.00		4,950,000.00			
Guangdong Changhong Ridian Technology Co., Ltd.		90,802,061.95		90,802,061.95		
Changmei Technology Co., Ltd.		18,000,000.00		18,000,000.00		
Total	**820,298,087.68**	**166,402,061.95**	**17,911,230.52**	**968,788,919.11**		

(3) Investment in associates

Invested unit	Opening balance	Changes in the Year								Ending balance	Ending balance of impairment
		Additional Investment	Negative Investment	Investment income recognized under equity	Adjustment for other comprehensive income	Other equity change	Cash dividend or profit announced to issued	Provision for impairment loss	Other		
Hefei Xingmei Assets Management Co., Ltd.	12,846,069.09			-451,268.70						12,394,800.39	
Sichuan Zhiyijia Network Technology Co., Ltd.	7,490,424.28			3,608,145.43						11,098,569.71	
Total	**20,336,493.37**			**3,156,876.73**						**23,493,370.10**	

4. Operation income and operation cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main business	6,507,129,875.91	5,529,452,332.04	5,758,154,658.16	4,822,671,744.03
Other business	938,956,879.61	904,175,189.74	696,528,668.87	678,486,276.86
Total	**7,446,086,755.52**	**6,433,627,521.78**	**6,454,683,327.03**	**5,501,158,020.89**

(1) Classified according to product

Product	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
Main business	**6,507,129,875.91**	**5,529,452,332.04**	**5,758,154,658.16**	**4,822,671,744.03**
Refrigerator and freezer	6,090,629,825.93	5,184,542,280.26	5,459,207,451.22	4,572,815,730.29
Washing machine	416,498,098.94	344,908,193.24	295,337,371.41	249,850,015.80
Air conditioner			5,117.95	4,910.25
Other	1,951.04	1,858.54	3,604,717.58	1,087.69
Other business	**938,956,879.61**	**904,175,189.74**	**696,528,668.87**	**678,486,276.86**
Sales of raw materials	922,463,944.65	902,013,070.81	683,226,603.42	674,964,128.19
Other income	16,492,934.96	2,162,118.93	13,302,065.45	3,522,148.67
Total	**7,446,086,755.52**	**6,433,627,521.78**	**6,454,683,327.03**	**5,501,158,020.89**

(2) Classified according to region

Regions	Current Year		Last Year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic income	5,599,460,298.75	4,804,187,600.08	4,964,248,778.53	4,192,090,273.97
Export income	1,846,626,456.77	1,629,439,921.70	1,490,434,548.50	1,309,067,746.92
Total	**7,446,086,755.52**	**6,433,627,521.78**	**6,454,683,327.03**	**5,501,158,020.89**

Top five clients of the Company owe income in sales of RMB 2,703,980,742.68 yuan, a 36.31% in total operation income.

5. Investment income

Item	Current Year	Last Year
Long-term equity investment income by equity method	3,156,876.73	-7,735,291.56
Investment income arising from disposal of the long-term equity investment	-641,846.86	
Investment income arising from period of holding the long-term equity investment	75,261,313.40	
Investment income from disposal of financial assets, which is measured by fair value and with its variation reckoned into current gains/losses	-1,187,641.34	-2,296,400.00
Investment income during holding the financial assets available for sale	6,693,575.48	5,756,139.46
Total	**83,282,277.41**	**-4,275,552.10**

XVIII. Approval of financial statement

The financial statement has already been approved from the board of directors of the Company for reporting dated 28 March 2017.

Supplementary information for financial statement

1. Non-operational gains and losses for this year

(1) Non-recurring gains and losses regulated by Explanation Announcement of Information Disclosure on Stock Issuance Enterprise No.1—Non-recurring gains/losses (2008) from CSRC:

Item	Current Year	Note
Gains and losses from disposal of non-current assets	9,265,320.01	
Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident		
Government subsidy recorded in current gains and losses	41,152,549.66	
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses		
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment		
Gains and losses from exchange of non-monetary assets		
Gains and losses from assets under trusted investment or management		
Various provision for impairment of assets withdrew due to act of God, such as natural disaster		
Gains and losses from debt restructuring		
Enterprise reorganization expense		
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value		
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control		
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company		
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	11,500,963.72	
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test		
Gains and losses obtained from external trusted loans		
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern		
Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting		
Trust fee obtained from trust operation		
Other non-operating income and expenditure except for the aforementioned ones	4,948,619.55	
Other gains and losses items complying with definition for non-current gains and losses	3,798,660.03	
Subtotal	70,666,112.97	
Affect on income tax	8,534,266.32	
Affect on minority equity(after taxation)	376,180.79	
Total	**61,755,665.86**	

2. Return on equity and earnings per share

In accordance with requirement of the No. 9 Rule of Information Disclosure Compiling of Public Listed Companies: Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Company in 2016 are as follow:

Profit during the report period	Weighted average return on equity	Earnings per share/EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	5.77%	0.2717	0.2717
Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses	4.15%	0.1955	0.1955

3. Accounting difference under the accounting rules in and out of China: Nil

4. Supplementary information for accounting policy changed: Nil

Section XII Documents available for Reference

I. Financial statement carrying the signatures and seals of the Chairman, principal of the accounting works and person in charge of accounting organ;

II. Original auditing report carrying the seal of CPA and autography and seal of the accountants;

III. Original documents of the Company and manuscripts of public notices that disclosed in the website designated by CSRC in the report period;

The aforesaid documents are all available at headquarter of the Company. The Company would provide them timely when CSRC and Shenzhen Stock Exchange require or the shareholders need consultation according to the regulations and Articles of Association.

Chairman: Liu Tibin

Hefei Meiling Co., Ltd.

30 March 2017