



Wuxi Little Swan Company Limited

2012 Annual Report

March 2013

I. Important Notes, Contents & Explanation

The Board of Directors, the Board of Supervisors as well as all directors, supervisors and senior management staff of Wuxi Little Swan Company Limited (hereinafter referred to as “the Company”) warrant that this report does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the factuality, accuracy and completeness of the contents carried in this report.

Mr. Fang Hongbo, company principal, Mr. Chai Xinjian, general manager, Mr. Zhang Zhaofeng, chief of the accounting work, and Mr. Zhong Fangliu, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

Except the following directors, all other directors attended in person the board session for reviewing this report.

| Name | Position | Reason for not attending the board session in person | Name of proxy |
|-----------|----------------------|--|---------------|
| Ye Yongfu | Independent director | Overseas | Yu Lihui |

The Company’s profit distribution preplan upon review and approval of this board session: Based on the total shares of the Company as at 31 Dec. 2012, a cash dividend of RMB 3.00 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

GD Midea Holding Co., Ltd., the controlling shareholder of the Company, had planned to increase, within 12 months since 15 Dec. 2011, its holding of the Company’s A-shares via the trading system of Shenzhen Stock Exchange by a ratio not exceeding 2% of the Company’s total shares. 14 Dec. 2012 marked the end of this shareholding increase plan. In the said period, the Company’s A-shares held by GD Midea Holding increased by 6,319,556 shares, accounting for 1% of the Company’s total shares. After this shareholding increase, GD Midea Holding and TITONI hold 253,513,285 shares of the Company in total, accounting for 40.08% of the Company’s total shares.

This report involves futures plans and some other forward-looking statements, which shall not be considered as virtual promises to investors. Investors are kindly reminded to pay attention to possible risks.

This report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

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Explanation

| Term | Refers to | Contents |
|-------------------------------------|-----------|----------------------------------|
| Company, the Company or Little Swan | Refers to | Wuxi Little Swan Company Limited |
| Midea Group | Refers to | Midea Group Co., Ltd. |
| Midea Holding | Refers to | GD Midea Holding Co., Ltd. |
| Reporting period | Refers to | 1 Jan. 2012-31 Dec. 2012 |

Warning of Significant Risks

1. Market risk. In China, the adjustment and control policy for real estate lead to inadequate new demand in cities. Meanwhile, due to the policy of “electrical appliances brought to countryside” in the previous years, the occupation rate in countryside has been largely raised, causing slower demand in the rural area. In overseas market, economy recovery is slow, Europe debt crisis has never ceased, and regional political and economic crisis exists here and there, making the market demand hard to get insured.
2. Price risk of raw materials. In 2012, the prices of bulk raw materials remained relatively low. If they go to a much higher level, the Company’s profitability will be directly affected.
3. Product development risk. The Company promotes plenty of new products according to market demand every year. If products are not recognized by the market, the development cost of products in early stage would become sunk cost affecting company profit.
4. Exchange rate risk. The fluctuation in exchange rate is very much uncertain. Though the Company has adopted certain counter measures against exchange rate fluctuation, the Company would still be largely affected in profitability of overseas sales by fluctuated exchange rate.
5. Policy risk. In overseas market, the promotion of non-tariff trade barriers and possible anti-dumping policy would affect the scale and profitability of the Company’s overseas business.

II. Company Profile

I. Basic information of the Company

| | | | |
|--|---|------------|----------------|
| Stock abbreviation | XTEA, XTEB | Stock code | 000418, 200418 |
| Stock exchange listed with | Shenzhen Stock Exchange | | |
| Chinese name of the Company | 无锡小天鹅股份有限公司 | | |
| Abbr. of the Chinese name of the Company | 小天鹅 | | |
| English name of the Company (if any) | Wuxi Little Swan Company Limited | | |
| Legal representative of the Company | Mr. Fang Hongbo | | |
| Registered address | No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi | | |
| Postal code for the registered address | 214028 | | |
| Office address | No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi | | |
| Postal code for the office address | 214028 | | |
| Internet website of the Company | http://www.littleswan.com | | |
| Email address | IR_littleswan@littleswan.com.cn | | |

II. For Contact

| | Company Secretary | Securities Affairs Representative |
|-----------------|---|---|
| Name | Ms. Zhou Sixiu | Ms. Tian Lin |
| Contact address | No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi | No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi |
| Tel. | 0510-81082320 | 0510-81082377 |
| Fax | 0510-83720879 | 0510-83720879 |
| E-mail | IR_littleswan@littleswan.com.cn | tianlin@littleswan.com.cn |

III. About information disclosure and where this report is placed

| | |
|---|---|
| Newspapers designated by the Company for information disclosure | Securities Times, Ta Kung Pao (HK) |
| Internet website designated by CSRC for disclosing this report | http://www.cninfo.com.cn |
| Where this report is placed | Securities Department of the Company |

IV. Change of the registered information

| | Registration date | Registration place | Business license No. | Registration code of | Organizational code |
|--|-------------------|--------------------|----------------------|----------------------|---------------------|
|--|-------------------|--------------------|----------------------|----------------------|---------------------|

| | | | | taxation | |
|---|------------------|--|-----------------|-----------------|------------|
| Initial registration | 29 November 1993 | Industrial and Commercial Administration Bureau of Wuxi, Jiangsu | 13590586-X-1 | 320200704046760 | 70404676-0 |
| At the end of the reporting period | 25 March 2011 | Industrial and Commercial Administration Bureau of Wuxi, Jiangsu | 320200000014723 | 320200704046760 | 70404676-0 |
| Changes of the controlling shareholder (if any) | Unchanged | | | | |

V. Other information

The CPAs firm hired by the Company:

| | |
|---------------------|---|
| Name | Jiangsu GongZheng TianYe Certified Public Accountants Co., Ltd. |
| Office address | No. 28, Liangxi Road, Wuxi |
| Signing accountants | Dai Weizhong, Yu Zhiqiang |

Sponsor engaged by the Company to conduct consistent supervision during the reporting period

Applicable Inapplicable

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

Financial consultant engaged by the Company to conduct consistent supervision during the reporting period

Applicable Inapplicable

III. Accounting & Business Highlights

I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

Yes No

| | 2012 | 2011 | Increase or decrease of this year over last year (%) | 2010 |
|--|--------------------|--------------------|--|--------------------|
| Operating revenue (RMB Yuan) | 6,899,863,926.81 | 10,975,621,704.52 | -37.13% | 11,202,366,806.14 |
| Net profit attributable to shareholders of the Company (RMB Yuan) | 338,387,680.99 | 453,327,963.81 | -25.35% | 506,917,078.13 |
| Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan) | 341,978,755.36 | 364,358,220.01 | -6.14% | 370,959,019.17 |
| Net cash flows from operating activities (RMB Yuan) | 344,757,698.15 | 242,531,309.07 | 42.15% | 724,134,271.23 |
| Basic EPS (RMB Yuan/share) | 0.54 | 0.72 | -25% | 0.80 |
| Diluted EPS (RMB Yuan/share) | 0.54 | 0.72 | -25% | 0.80 |
| ROE (%) | 9.59% | 13.99% | -4.4% | 18.09% |
| | As at 31 Dec. 2012 | As at 31 Dec. 2011 | Increase or decrease of this year-end than last year-end (%) | As at 31 Dec. 2010 |
| Total assets (RMB Yuan) | 8,403,705,443.29 | 9,145,185,476.94 | -8.11% | 8,001,576,321.32 |
| Net assets/owners' equity attributable to shareholders of the Company (RMB Yuan) | 3,686,210,495.87 | 3,441,144,937.45 | 7.12% | 3,056,480,975.76 |

II. Items and amounts of extraordinary gains and losses

Unit: RMB Yuan

| Items | 2012 | 2011 | 2010 | Notes |
|--|---------------|---------------|---------------|-------|
| Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions) | 5,388,076.41 | 53,601,089.33 | 2,313,638.24 | |
| Government grants recognized in the current year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts | 23,335,697.60 | 61,717,786.34 | 22,178,681.06 | |

| | | | | |
|---|----------------|---------------|----------------|----|
| according to the country's unified standards | | | | |
| Gain/loss on debt restructuring | 9,007,539.11 | 10,188,474.84 | | |
| Expenses for business reorganization, such as expenses for staffing, reorganization etc. | | | 10,480.00 | |
| Current gains and losses of subsidiaries acquired from business combination under the same control as from period-begin to combination date | | | 198,136,177.36 | |
| Other non-operation income and expenses other than the above | 7,166,257.62 | 4,214,334.91 | 3,518,089.86 | |
| Other non-recurring gains/losses | -33,250,000.00 | 0.00 | -3,242,739.32 | |
| Projected liabilities | | -1,199,402.08 | | |
| Dismissal expenses | -4,606,067.30 | -7,452,612.88 | | |
| Minus: Income tax effects | 6,042,660.17 | 18,070,842.88 | 33,333,639.00 | |
| Minority interests effects (after tax) | 4,589,917.64 | 14,029,083.78 | 53,622,629.24 | |
| Total | -3,591,074.37 | 88,969,743.80 | 135,958,058.96 | -- |

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable Inapplicable

IV. Report of the Board of Directors

I. Overview

(I) Sum-up

In 2012, the washing machine industry met a great challenge in terms of the operating environment. At home, the real estate macro-control continued and the policy of “bringing household appliances to the countryside” faded out while overseas, the European debt crisis kept mounting and geographical, political and economic crises seemed never-ending. As a result, growth of the industry slowed down as a whole. According to ChinaIOL data, for the whole year of 2012, the total output of household washing machines in China was 55.8096 million units, up 0.41% over last year; the total sales volume was 55.6731 million units, representing a slight year-on-year drop of 0.13%, of which 34.8129 million units were sold domestically, decreasing 4.25% on a year-on-year basis, and 20.8601 million units were sold overseas, increasing 7.59% over last year.

Some operating risks of the Company were gathering after years of rapid development. Considering changes of the operating environment, the management of the Company adjusted the operating strategy in time, adopted “leading products, efficiency-driven and global operation” as the strategy axis, worked out new strategies for development, discontinued expansion of the production capacity, minimized risks concerning channels and inventories and improved the operating efficiency. Through adjustment of the year, though the sales of the Company were affected in the short run, the adjustment achieved initial success, which laid a sound foundation for steady development in the future to come.

(II) Review of work focus

1. Efficiency improvement of organization and management

In the reporting period, the Company downsized functional departments, flattened organization and structure, constructed organizations with agility; cancelled product company, carried out base-operation, set Wuxi Base and Hefei Base (including Jinzhou Base); integrated related functional departments of the original product company, cut off staffs; strengthened functional departments’ power of management, control and coordination, reduced communication cost for connection among links; transformed sales pattern, cleared up connection process between front end and back end, and made quick response to the market.

In Oct 2012, the Company established lean manufacturing department, which was founded on all sides of the Company’s manufacturing system, explores the origin of product R&D and planning, systematically improves capacity assessment and the balance of production places, improves production efficiency of manufacturing links, shortens the period of production and manufacturing, and achieves core competitiveness in the industry with stable quality, best cost, and shortest lead time by driving coordinative operation of links in research, production, and sales.

2. Accomplishment of transformation of sales pattern

In the reporting period, based on channel integration, as well as optimized and deepened customer structure and channel structure in past several years, the Company transformed domestic marketing and sales pattern, set 35 product management center in China, and transferred the sales pattern from agency pattern of the original sales company to “direct sales – agency” pattern of product management center in most regions.

With the transformation of marketing and sales pattern, the organization structure was further flattened, channel levels were reduced and expenses were cut down. At the same time, liability subject got clear, matching liability,

authority, and right, as well as connecting front end and back end in a more smooth way. The Company returned back to professional operation, adapted to sales features of products of washing machines, and transferred sales from storage sales to order sales. Main work included integrating channels, optimizing agent layout, fully playing the role of agent platform, re-clearing up current channels and sales points, which raised the coverage rate and efficiency of sales points, activating channel energy; improving the transformation of standardization of terminal images to ensure positive chain-operation and improvement of market share; quickly developing e-commerce sales to ensure fast scale growth; clearing inventory, decreasing operation risks, and enhancing inventory turnover efficiency.

For overseas sales, the Company kept optimizing customer structure, deepened cooperation with internal big clients, adjusted product sales structure, and improved product competitiveness, getting profitability improved. The Company positively developed new clients in Asia, Africa, and Latin Americas to sustain stable integrated sales scale while sales in Europe and Americas fell.

3. Consolidation on management of quality rigidity

In the reporting period, the Company paid much effort on quality management, re-established quality standards from the aspects of “design quality and supplier quality”, the two origins, and “quality of manufacturing process” to consolidate quality control. The Company checked and improved design quality and accomplished over 300 improvement projects, covering 10 series and 50 main models; carried out supplier inspection and annual assessment, developed activities about component quality; accomplished special improvement projects of computer board, before-sales machine, noise vibration, and strong current safety improvement; and accomplished the clear-up of coherence of picture and words, improvement of coherence of copied molds, as well as improvement of the coherence of processing equipment, so as to improve process quality.

In the reporting period, the Company planned management scheme of ISO9001/ISO14001/OHSAS18001 system, maintained and carried the scheme, got passed in the review of external quality environment profession health safety management system and RoHS system; got passed in the extension application for free export testing by General Administration of Quality Supervision and obtained the extension application; got passed in product identification and factory inspection, including 3C identification of washing machines, identification of energy saving and water saving, CQC identification of dryer machines, as well as review on quality and social responsibility by GE and other overseas clients; got passed in Australian standard comparison testing and TUV identification of EMC labs, so as to continuously improve overseas inspection and testing level of labs.

4. Improvement of R&D management

In the reporting period, the Company attached importance to construction of R&D innovation capability, further optimized organization structure, implemented management patterns of technology professionalism, product delayering, and design modeling, tried the operation of product manager mechanism; and transferred product R&D from focusing on R&D quality and design cost-down to focusing design quality and giving consideration to cost and lead time. The Company strengthened on product competitiveness, accomplished the development of over 300 new models of drum washing machines, automatic washing machines, twin-tub washing machines and clothes dryers, made products cover all levels of high, middle, and low end. Among them, Midea 8 series automatic washing machines and Vandelo drum washing machines obtained “2012 China Design Red Star Award”; Little Swan Beverly drum washing machines obtained “2012 China Design Red Star Golden Award”. The technology of automatic throwing obtained 2012 Best Independent Innovation Award promulgated by State Intellectual Property Office and Technology Innovation Award promulgated by China Household Electric Appliance Research Institute. Heat pump clothes dryer passed the new product technology identification by China

National Light Industry Council. Project development and management capability of the Company was thoroughly improved, and PLC process management has been overall implemented, raising product development efficiency, effectively cutting down cost of whole machines, improving design quality, and ensuring that the quality risk of products in design link was minimized. The Company kept promoting standardization, modeling, reduced product models, and dropped down material cost. Meanwhile, the Company perfected patent system structure. In 2012, the Company applied over 200 patents, including 2 overseas invention patents, which broke the zero record in overseas invention patent field.

5. Promotion of efficiency improvement

In the reporting period, the Company focused on taking usage of current assets, strictly controlled new input; launched EAM equipment asset management system, established EAM asset management mechanism and system, strengthened equipment asset management; constantly pushed the application and improvement of MES system, intensified production process control, established effective process control management mechanism, implemented real-time monitoring, analysis, and control over abnormality in production process, established properly reformed management rules with transparent abnormal information and clear problem liability; carried out improvement work of “one flow” for efficiency improvement, improved efficiency in five aspects of task management, equipment light asset, plan rigidity, in-time delivered supply chain, as well as quality guarantee, developed bench marking projects, concentrated resources to improve, and pulled efficiency improvement of the Company by drawing upon the experience gained on key points.

6. Reinforcement on risk management and control

In the reporting period, the Company, on the basis of trial points in last year, included all subsidiaries into the range of internal control, and set professional internal control staffs to thoroughly develop standard internal control work, which were to rectify and reform on aspects such as process optimization, rule perfection, staff adjustment, and method improvement, enhancing the management requirements for key business items and high-risk areas of the Company and providing more effective internal control support for healthy and sustainable development of the Company. Meanwhile, the Company reinforced financial analysis, forecast, and warning, established normal operation warning mechanism, so as to thoroughly and dynamically monitor risks in inventory, accounts receivable and treasury.

II. Main business analysis

1. Overview

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

| Items | 2012 | 2011 | YoY increase/decrease% |
|------------------------------|------------------|-------------------|------------------------|
| Operating revenue (RMB Yuan) | 6,899,863,926.81 | 10,975,621,704.52 | -37.13% |
| Operating cost (RMB Yuan) | 5,339,914,557.98 | 9,153,133,555.97 | -41.66% |
| Period expense (RMB Yuan) | 1,168,894,980.25 | 1,266,332,344.76 | -7.69% |
| Operating profit (RMB Yuan) | 404,456,170.64 | 593,269,277.10 | -31.83% |
| Net profit (RMB Yuan) | 378,836,167.46 | 538,564,751.56 | -29.66% |

For reasons for items with a movement over 30%, see “X Financial Report” - “XV. Supplementary Information – 2. Abnormalities of main items of the accounting statements and reasons therefor”.

Review the reporting period progress of development strategies and business plans disclosed in previous periods:

For the reporting period execution of the previously disclosed strategies and business plans, see this section – “I. Overview” – “(II) Main work in the reporting period”.

State the reasons why the Company’s actual business performance is 20% lower or higher than the earning forecast for the reporting period which has been publicly disclosed earlier:

Applicable Inapplicable

2. Revenues

Explanation:

The Company is mainly engaged in washing machines. For the reporting period, the Company achieved operating revenues of RMB 6,899,863,926.81, down 37.13% over last year.

Is the Company’s goods selling revenue higher than the service revenue?

Yes No

Unit: Unit

| Industry | Items | 2012 | 2011 | +/- (%) |
|---------------------|--------------|-----------|------------|---------|
| Household appliance | Sales volume | 7,656,657 | 12,414,918 | -38.33% |
| | Output | 7,795,785 | 12,544,279 | -37.85% |
| | Stock | 1,136,892 | 997,764 | 13.94% |

Reasons for any over-30% YoY movement of the data above:

Applicable Inapplicable

Owing to the slowed-down growth of the industry, as well as the strategic adjustments of the Company, the sales volume of the Company decreased this year, leading to a smaller output.

Major orders held:

Applicable Inapplicable

Significant change or adjustment of the Company’s products or services during the reporting period:

Applicable Inapplicable

Major customers:

| | |
|---|------------------|
| Total sales to the top 5 customers (RMB Yuan) | 1,978,162,007.82 |
| Ratio of the total sales to the top 5 customers to the annual total sales (%) | 28.67% |

Information about the top 5 customers:

Applicable Inapplicable

3. Costs

Classified by industry:

Unit: RMB Yuan

| Industry | Item | 2012 | | 2011 | | YoY +/- (%) |
|----------------------------|---------------|------------------|-----------------------------------|------------------|-----------------------------------|-------------|
| | | Amount | Proportion in operating costs (%) | Amount | Proportion in operating costs (%) | |
| Home appliance manufacture | Raw materials | 4,062,553,588.78 | 86.12% | 7,258,179,214.22 | 91.27% | -44.03% |
| Home appliance manufacture | Labor cost | 221,156,333.64 | 4.69% | 233,464,495.08 | 2.94% | -5.27% |
| Home appliance manufacture | Depreciation | 56,610,638.23 | 1.20% | 60,496,450.79 | 0.76% | -6.42% |
| Home appliance manufacture | Energy | 26,635,747.71 | 0.56% | 35,262,071.04 | 0.44% | -24.46% |

Classified by product:

Unit: RMB Yuan

| Product | Item | 2012 | | 2011 | | YoY +/- (%) |
|------------------|---------------|------------------|-----------------------------------|------------------|-----------------------------------|-------------|
| | | Amount | Proportion in operating costs (%) | Amount | Proportion in operating costs (%) | |
| Washing machines | Raw materials | 4,062,553,588.78 | 86.12% | 7,258,179,214.22 | 91.27% | -44.03% |
| Washing machines | Labor cost | 221,156,333.64 | 4.69% | 233,464,495.08 | 2.94% | -5.27% |
| Washing machines | Depreciation | 56,610,638.23 | 1.2% | 60,496,450.79 | 0.76% | -6.42% |
| Washing machines | Energy | 26,635,747.71 | 0.56% | 35,262,071.04 | 0.44% | -24.46% |

Explanation:

The cost of raw materials saw a YoY decrease mainly due to the decreased output.

Major suppliers:

| | |
|---|------------------|
| Total purchases from the top 5 suppliers (RMB Yuan) | 1,116,489,215.61 |
| Ratio of the total purchases from the top 5 suppliers to the annual total purchases (%) | 22.06% |

Information about the top 5 suppliers:

Applicable Inapplicable

4. Expense

Main expense during the reporting period:

| Item | 2012 | 2011 | YoY +/- |
|------------------------------------|----------------|----------------|----------|
| Selling expenses (RMB Yuan) | 840,560,482.53 | 894,035,414.82 | -5.98% |
| Administrative expenses (RMB Yuan) | 331,386,860.96 | 373,315,207.86 | -11.23% |
| Financial expenses (RMB Yuan) | -3,052,363.24 | -1,018,277.92 | -199.76% |
| Income tax expenses (RMB Yuan) | 66,735,452.95 | 131,808,348.70 | -49.37% |

5. R&D expenses

During the reporting period, the R&D department of the Company mainly worked on products, technology and mechanism improvement. In terms of products, it launched 6 key projects for domestic/overseas sale, making great progress concerning appearance, function, quality and material cost. In terms of technology, it worked out the technological planning for the coming 3-5 years and a new advanced platform, as well as developing a new USP project. As for mechanism improvement, it further specified the R&D strategic planning for the coming 3-5 years, the career development planning for the R&D staff, the remuneration mechanism for them and the execution of the PLC project. The aforesaid work not only showed the future development paths for technology and products in a clearer way, but also laid a foundation for the sales in 2013. For 2012, the Company spent RMB 241.4952 million on R&D, accounting for 6.55% of the Company's latest audited net assets and 3.50% of the Company's latest audited operating revenues.

6. Cash flows

Unit: RMB Yuan

| Item | 2012 | 2011 | YoY +/- (%) |
|---|-------------------|-------------------|--------------|
| Subtotal of cash inflows from operating activities | 7,083,790,703.59 | 10,584,833,343.15 | -33.08% |
| Subtotal of cash outflows from operating activities | 6,739,033,005.44 | 10,342,302,034.08 | -34.84% |
| Net cash flows from operating activities | 344,757,698.15 | 242,531,309.07 | 42.15% |
| Subtotal of cash inflows from investing activities | 10,555,477,669.52 | 215,845,998.21 | 4,790.28% |
| Subtotal of cash outflows from investing activities | 11,754,098,980.68 | 215,268,857.20 | 5,360.19% |
| Net cash flows from investing activities | -1,198,621,311.16 | 577,141.01 | -207,782.58% |
| Subtotal of cash inflows from financing activities | | 83,597,256.84 | -100% |
| Subtotal of cash outflows from financing activities | 132,586,903.59 | 164,468,986.15 | -19.38% |
| Net cash flows from financing activities | -132,586,903.59 | -80,871,729.31 | -63.95% |
| Net increase in cash and cash equivalents | -986,527,085.57 | 160,630,107.64 | -714.16% |

Reasons for any over-30% YoY movement of the data above:

Applicable Inapplicable

Cash inflows from operating activities decreased mainly because sales decreased and operating revenues decreased accordingly.

Cash outflows from operating activities decreased mainly because sales decreased, resulting in less production, purchase and expense.

Net cash flows from operating activities increased mainly because the decrease of operating cash outflows was larger than that of operating cash inflows.

Cash inflows from investing activities increased mainly because of more cash from bank wealth management products.

Cash outflows from investing activities increased mainly because of more cash spent on bank wealth management products.

Net cash flows from investing activities increased mainly because some bank wealth management products were still outstanding, which made the investing cash outflows larger than the inflows.

Cash inflows from financing activities decreased mainly because the Company obtained short-term borrowings last year.

Cash outflows from financing activities decreased mainly because the Company paid off short-term borrowings last year.

Net cash flows from financing activities decreased mainly because there were no financing cash inflows and among the financing cash outflows, the cash paid for dividends, profit or interest was higher when compared with last year.

Net increase in cash and cash equivalents decreased mainly because some cash was paid for bank wealth management products.

Reasons for a big difference between the operating cash flows and the net profit:

Applicable Inapplicable

III. Breakdown of main business

Unit: RMB Yuan

| | Operating revenues | Operating costs | Gross profit rate (%) | Increase/decrease of operating revenues over last year (%) | Increase/decrease of operating costs over last year (%) | Increase/decrease of gross profit rate over last year (%) |
|----------------------------|--------------------|------------------|-----------------------|--|---|---|
| Classified by industry: | | | | | | |
| Home appliance manufacture | 6,163,266,557.05 | 4,717,192,015.96 | 23.46% | -36.03% | -40.59% | 5.87% |
| Classified by product: | | | | | | |
| Washing machines | 6,163,266,557.05 | 4,717,192,015.96 | 23.46% | -36.03% | -40.59% | 5.87% |
| Classified by region: | | | | | | |
| China | 4,131,737,749.77 | 2,785,735,439.42 | 32.58% | -44.23% | -51.49% | 10.08% |
| Other countries | 2,031,528,807.28 | 1,931,456,576.54 | 4.93% | -9.32% | -12.63% | 3.6% |

Note: The main operating income from China refers to the washing machine business and the corresponding data of last year are restated at the same time as data of the washing machine business.

IV. Asset and liability analysis

1. Major changes of asset items

Unit: RMB Yuan

| | As at 31 Dec. 2012 | | As at 31 Dec. 2011 | | Proportion change (%) | Explain any major change |
|-----------------------------|--------------------|--------------------------------|--------------------|--------------------------------|-----------------------|--------------------------|
| | Amount | Proportion in total assets (%) | Amount | Proportion in total assets (%) | | |
| Monetary funds | 1,404,291,094.65 | 16.71% | 2,415,450,351.24 | 26.41% | -9.7% | |
| Accounts receivable | 722,198,904.66 | 8.59% | 929,389,061.45 | 10.16% | -1.57% | |
| Inventories | 952,747,860.68 | 11.34% | 809,400,728.98 | 8.85% | 2.49% | |
| Investing real estate | 5,049,500.73 | 0.06% | 5,242,947.48 | 0.06% | 0% | |
| Long-term equity investment | 5,695,850.80 | 0.07% | 5,838,851.75 | 0.06% | 0.01% | |
| Fixed assets | 1,297,298,526.31 | 15.44% | 1,365,332,660.33 | 14.93% | 0.51% | |

2 Major changes of liability items

Unit: RMB Yuan

| | 2012 | | 2011 | | Proportion change (%) | Explain any major change |
|-----------------------|--------|--------------------------------|--------------|--------------------------------|-----------------------|--------------------------|
| | Amount | Proportion in total assets (%) | Amount | Proportion in total assets (%) | | |
| Short-term borrowings | 0 | 0% | 6,961,486.36 | 0.08% | -0.08% | |

3. Assets and liabilities measured at fair value

Unit: RMB Yuan

| Item | Opening amount | Gain/loss on fair value change in the reporting period | Cumulative fair value change recorded into equity | Impairment provisions in the reporting period | Purchased amount in the reporting period | Sold amount in the reporting period | Closing amount |
|--|----------------|--|---|---|--|-------------------------------------|----------------|
| Financial assets | | | | | | | |
| 1. Derivative financial assets | 4,292,300.00 | -3,067,710.00 | | | | | 1,224,590.00 |
| 2. Available-for-sale financial assets | 284,592.00 | 2,352.00 | 158,647.40 | | | | 286,944.00 |
| Subtotal of financial assets | 4,576,892.00 | -3,065,358.00 | 158,647.40 | | | | 1,511,534.00 |
| Total of the above | 4,576,892.00 | -3,065,358.00 | 158,647.40 | | | | 1,511,534.00 |
| Financial liabilities | 0.00 | 0.00 | 0.00 | | | | 0.00 |

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

 Yes No

V. Core competitiveness analysis

Specializing in washing machine manufacture, the Company is one of the biggest washing machine manufacturers in China, with its main competitiveness lying in brand, scale and technology.

(I) Brand-related competitiveness: The Company adopts a two-brand strategy (“Little Swan” and “Midea”). As a time-honored washer brand, Little Swan is greatly favored by consumers, with the slogan of “Whole-hearted Little Swan” being well-known among them. In 2012, according to the evaluation of R&F Global Ranking Information Group Ltd., the brand of Little Swan was worth 19.126 billion, ranking No. 17 among the top 100 brands in China. As for Midea, it is a well-known home appliance brand, which is also of a high reputation as a washer brand, and its market share keeps rising.

(II) Scale-related competitiveness: The Company has now three production bases—Wuxi, Hefei and Jingzhou, with the combined production capacity over 16 million units. The scale-related competitiveness is incomparable among washer manufacturers. Its wide product range covers tumbling-box, wave-wheel full-automatic, double-cylinder and agitator washing machines, clothes dryers, etc., which can at the same time satisfy different needs of consumers with different prices.

(III) Technology-related competitiveness: With state-level technological centers and state-recognized labs, as well as help from the technology strategic alliance, Little Swan holds on to independent innovation and has the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core washing technologies. Little Swan Lab is the first washing machine lab in China to pass the UL North American safety verification and the German VDE verification. Adhering to the technology-driven strategy, the Company keeps increasing its input for new technologies, as well as the development and utilization of technologies, with the purpose for sustainable development. At present, the Company has about 500 technical personnel and over 500 patents of different kinds.

VI. Investment analysis

1. Investments in equities of external parties

(1) Equity-holdings in financial enterprises

| Enterprise name | Enterprise variety | Initial investment cost (RMB Yuan) | Opening equity-holdings (share) | Opening equity-holding ratio (%) | Closing equity-holdings (share) | Closing equity-holding ratio (%) | Closing book value (RMB Yuan) | Gain/loss in the reporting period (RMB Yuan) | Accounting title | Equity source |
|-------------------------|--------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------------|--|-----------------------------|------------------|
| Jiangsu Commercial Bank | Commercial bank | 1,100,000.00 | 2,202,564 | 0% | 2,202,564 | 0% | 1,210,000.00 | 246,810.24 | Long-term equity investment | Private offering |
| Total | | 1,100,000.00 | 2,202,564 | -- | 2,202,564 | -- | 1,210,000.00 | 246,810.24 | -- | -- |

2. Wealth management entrustment, derivative investments and entrustment loans

(1) Wealth management entrustment

Unit: RMB 0,000

| Name of trustee | Amount | Beginning date | Ending date | Payment determination | Principal actually recovered | Actual | Actual gain | Through legal procedure or not | Impairment provision | Related-party transaction or not | Related-party relation | |
|---|--------------|----------------|--------------|--|---|------------------------------|-------------|--------------------------------|----------------------|----------------------------------|------------------------|---|
| | | | | | | gain in the reporting period | | | | | | |
| Bank | 1,166,269.11 | 1 Apr. 2012 | 31 Dec. 2012 | Floating interest rate and the contract gave the highest annualized rate of return | 1,049,075.11 | 4,864.17 | 4,864.17 | Yes | 0 | Yes | N/A | |
| Total | 1,166,269.11 | -- | -- | -- | 1,049,075.11 | 4,864.17 | 4,864.17 | -- | 0 | -- | -- | |
| Cumulative overdue principals and gains | | | | | | | | | | | | 0 |
| Explain the wealth management entrustment | | | | | The entrusted amount was utilized in a cycle within the approved line | | | | | | | |

Notes:

The entrusted amount was the Company's own idle funds.

(2) Derivative investments

| | |
|---|--|
| <p>Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)</p> | <p>The Company has formulated the Management Methods for Futures Hedging Business and the Management Methods for Exchange Funds upon review to thoroughly assess and control derivative investment risks, which are detailed as follows:</p> <p>1. Market risk</p> <p>Price movements of bulk raw materials and fluctuations of exchange rates may incur a great market risk in the futures business and the foreign exchange funds business. Meanwhile, if the Company fails to input enough funds in time to create and maintain hedging positions in its futures hedging operations, or fails to input foreign exchanges on time for contract execution in the foreign exchange funds business, hedging loss and contract breach risk may incur.</p> <p>Counter-measures: The Company will not carry out speculative trading in its futures hedging business and foreign exchange funds business. And the Company will stick to the principle of being prudent in operations. As for the futures hedging business, the hedging volume should be determined and futures trading applications should be filed in strict accordance with production and operation needs. In principle, the hedging volume shall not exceed one third of the planned volume for the year. And a stop-loss mechanism is adopted. Guarantee deposits are paid as required and increased according to production and operation</p> |
|---|--|

| | |
|--|--|
| | <p>needs. As for the foreign exchange funds business, a from-the-bottom-up management mechanism is adopted. When subsidiaries or product enterprises file applications for funds business, they will give a risk analysis on conditions or circumstances that might affect gains and losses, estimate the maximum gain and loss, and state the ratio or total amount of guarantee deposits they can bear. And the Company will, according to their applications, update operations in time in its funds business and make funds arrangements before the maturity date.</p> <p>2. Operation risk</p> <p>The Company may suffer loss in its hedging business and foreign exchange funds business due to faulty internal procedures, staff, systems and external events.</p> <p>Counter-measures: Responsibility division and approval procedures for the hedging and foreign exchange business have been specified in relevant management rules. And a sound supervision mechanism has been established. And operation risk can be effectively reduced by enhancing risk control over procedures for operation, decision-making and trading.</p> <p>3. Risk concerning laws and regulations</p> <p>The Company carries out its hedging and foreign exchange business in compliance with applicable laws and regulations, with rights and duties between the Company and agencies being stated clearly.</p> <p>Counter-measures: The Company urges responsible departments to understand better about relevant laws, regulations and market rules; be strict in contract re-checks; make clear relevant rights and duties; and enhance compliance checks to make sure that the Company operates derivative investments in compliance with applicable laws, regulations and the Company's internal management rules.</p> |
| <p>Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p> | <p>The Company adopts public quotations in the futures market or forward foreign exchange quotations declared by the People's Bank of China in its analysis on fair values of derivative products.</p> |
| <p>Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period</p> | <p>No significant changes.</p> |
| <p>Specific opinion from independent directors on the Company's derivatives investment and risk control</p> | <p>Independent directors of the Company believe that: A. The Company has formulated derivative investment rules such as the Management Methods for Futures Hedging Business and the Management Methods for Exchange Funds to help it effectively control risks involved; B. During the reporting period, the Company performed the relevant approval procedure before it conducted derivative investments in strict compliance with the lines and ways approved by the Shareholders' General Meeting; And C. The Company's derivative investments in the reporting period mainly targeted its exports. It signed forward exchange</p> |

| | |
|--|--|
| | contracts with domestic financial institutions, which helped it lock up the exchange rate and avoid the risk of exchange rate fluctuations. The Company conducted no speculative operations, so there was no credit risk. And transaction periods were determined according to expectations and payment receiving and making, with no influence on the Company's fluidity. |
|--|--|

Position holdings of derivative investments at the end of the reporting period:

Applicable Inapplicable

| Type of contract | Opening contract amount (RMB Yuan) | Closing contract amount (RMB Yuan) | Gain or loss in the reporting period | Proportion of the closing contract amount in the closing net assets of the Company (%) |
|---------------------------------------|---------------------------------------|---------------------------------------|---|---|
| Forward foreign exchange contracts | 234,646,900.00 | 242,450,350.00 | 6,782,220.00 | 2.89% |
| Total | 234,646,900.00 | 242,450,350.00 | -- | 2.89% |

Notes:

3. Analysis to main subsidiaries and stock-participating companies

Particulars about main subsidiaries and stock-participating companies:

| Company name | Company variety | Industry | Main products/services | Registered capital | Total assets (RMB Yuan) | Net assets (RMB Yuan) | Operating revenues (RMB Yuan) | Operating profit (RMB Yuan) | Net profit (RMB Yuan) |
|---|-----------------|-------------|---|--------------------|-------------------------|-----------------------|-------------------------------|-----------------------------|-----------------------|
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | Subsidiary | Manufacture | washing machine manufacture | USD 135.52 million | 2,948,117,154.17 | 1,509,757,098.79 | 2,866,354,524.42 | 69,661,409.77 | 66,493,336.99 |
| Wuxi Little Swan General Electrical Appliances Co., Ltd | Subsidiary | Manufacture | Washer-dryer manufacture | RMB 28 million | 233,921,116.57 | 150,619,421.45 | 403,374,216.20 | 43,240,961.28 | 44,267,455.43 |
| Wuxi FILIN Electronics Co., Ltd | Subsidiary | Manufacture | Development and manufacture of new electronic | USD 3,624,564 | 339,178,612.83 | 227,358,710.32 | 242,082,600.54 | 26,232,717.11 | 24,947,580.24 |

| | | | components | | | | | | |
|--|------------|-------------|-----------------------------|-------------------|----------------|---------------|----------------|---------------|---------------|
| Little Swan (Jingzhou) Sanjin Electric Appliance Co., Ltd. | Subsidiary | Manufacture | Washing machine manufacture | RMB 11.07 million | 199,685,773.26 | 25,830,912.13 | 331,804,906.67 | 14,832,474.58 | 13,961,835.31 |

Explain particulars about main subsidiaries and stock-participating companies:

Subsidiaries acquired or disposed during the reporting period:

Applicable Inapplicable

4. Significant projects of investments with non-raised funds

Unit: 0,000

| Project name | Total investment | Input for this year | Cumulative actual input as at the period-end | Project progress | Project earnings |
|---|------------------|---------------------|--|------------------|-------------------------|
| Investment plans of the Company and its subsidiaries for 2011 | 64,870 | 571 | 19,911 | 30% | Immeasurable separately |
| The new base in Tianjin | 85,000 | 553.33 | 553.33 | 0% | Suspended |
| Total | 149,870 | 1,124.33 | 20,464.33 | -- | -- |
| Notes to significant projects invested with non-raised funds | | | | | |

In the year-begin of 2011, in regards of market demand growth forecast and tightening production capacity at that time, the Company, based on company decision, planned to invest RMB 648.7 million to enlarge the production capacity of Jinzhou Base and other bases, and planned to invest RMB 850 million to establish Tianjin Base. During the implementation process, the market changed a lot with decreased whole demand and slower industry growth.

According to market changes, the Company adjusted investment plans in time. Non-invested projects in investment plans of the Company and subsidiaries in 2011 have been postponed currently. Tianjin base project has been paused. As applied by Tianjin Little Swan Washing Machine Co., Ltd., the Company's subsidiary, the agreement with the Bureau of Land Management of Tianjin Konggang Economic Zone was signed on 10 Jan 2013, with effect of terminating rights and obligations ruled in the original NO.AF-1122 land sell contract, as well as letting the Bureau of Land Management of Tianjin Konggang Economic Zone return the paid land-sell fund of RMB 80.65 million.

VII. Outlook of the Company's future development

(I) Industry development trend

In the industry of washing machines, the degree of brand concentration is low, competitors are numerous, and new competitors join in all the time, causing fierce price competitions. In domestic market, domestic brands dominate impeller-type washing machines, but foreign brands still got the control power in drum washing machines.

Meanwhile, in the third and fourth grade market, the degree of brand recognition is low, and many less known and inferior brands exist. In overseas market, Chinese self-owned brands are few. OEM and ODM are the main type, causing profitability that can be hardly improved.

In future, the industry of washing machines will develop in following aspects: Firstly, to optimize product structure, raise the proportion of drum washing machines and high-end automatic products, as well as energy-saving products. Secondly, to enlarge new channels, for example, e-commerce. With more and more young people interested in online shopping, e-channels of washing machines shall be the hotly contested spot. Thirdly, to develop new products, such as clothes dryers and high energy-saving products. Fourthly, to grab overseas market. As the production capacity in China has been far higher than market demand, overseas market would be the only way to consume spared capacity.

(II) Development plan of the Company

In future three years, the Company shall continuously center on the strategy principal of “product leads, efficiency drives, and operation globalizes”, focus on the industry, make good products, place people first, and constantly push and deepen operation transformation, so as to ensure maximum profitability in proper scale. The Company shall make good products, train and improve product competitiveness, firmly promote structure adjustment; balance scale and profitability, short-term development and long-term development, partial and integrated interest, as well as domestic and overseas sales, realize balanced growth in scale and profit, continue to deepen transformation, transfer from quantity to quality, from scale to efficiency, from low added value to high added value, as well as from low quality to high quality; realize driving force of efficiency, pushing the improvement of manufacturing efficiency, order pattern, and storage logistics, transfer to growth pattern of rational resource allocation, as well as maximized and intensive resource benefit; construct friendly-type company, and stick to place people first.

According to the requirements of the three year plan, in 2013, the Company shall do all fundamental work well and constantly implement transformation requirements, which are detailed as below:

1. Constructing highly effectively operating organization

The Company shall constantly construct simple, highly effective, and flatten agile organization, focus organization and resources to the link of improving core value; gradually construct friendly-type enterprise by 3-5 years, improve staff satisfaction and sense of belonging; opening up the circulating channel for internal staffs, so as to make the best use of human resources value; improve the yield rate and usage rate of fixed assets, improve mold assets benefits, strictly control new investment in 2013, ensure the compliance of projects and input-output; constantly strengthen process and system construction, reduce man-made factors, intensify internal audit function, establish risk prevention function, and enhance risk prevention of all departments.

2. Paying hard efforts on improving product competitiveness

The Company shall stick to make good products, construct the capacity of sustainable development, and thoroughly improve “product competitiveness facing clients”. The Company shall tackle core technologies, research and develop construction of innovation mechanism, further increase quality input, pay full effort to construct “industrial quality bench mark”, consolidate fundamental research capability, become “innovation leader in science and technology”, optimize resource allocation from the value chain, and put limited resources to key products.

The Company shall further transfer quality management idea, transfer the management way of after-repair to original-governance and process management and control: to be guided by the market, constantly stick to manage the origin of design and supply quality, control manufacturing process, transfer from quality control to quality prevention, thoroughly improve product quality; dig out deep-level reason, establish all-staff quality liability

system, form all-staff quality atmosphere and quality management culture facing the market; perfect all systems, standardize, rule, and fix systems, so as to improve the capability of quality management system.

3. Constantly improving manufacturing efficiency

In 2013, the first main task for the manufacturing system is to stabilize production and solve balance problem. On the basis of stabilizing manufacturing system, the Company shall push the sustainable improvement of all fundamental management work, replenish manufacturing specialists, implement core projects, improve manufacturing professional capability; plan and orderly develop efficiency improvement work, explore efficiency improvement work to the direction of automatic and fewer human; pass plan rigidity projects, implement improvement projects, including logistic improvement, and improve production efficiency in an obvious way.

4. Continuously deepening marketing transformation

In domestic market, the Company shall further transform marketing and establish advantage of marketing capability of sustainable development: (1) Product management center shall carry out virtual operation to make liability and right clear, and activate operation energy. (2) The Company will promote “order mechanism” to produce on the basis of demand, so as to lower down inventory and accelerate turnover. (3) The Company shall launch CCS system, consolidate customer management, accelerate channel inventory turnover, realize precise marketing, and strengthen operation risk management and control. (4) The Company shall improve service system and improve user satisfaction. In 2013, the Company will further optimize product structure, concern about opportunities brought by construction and promotion of urbanization, join in new businesses, including e-commerce, stabilize channels, attach importance to distribution and retail, improve market share and brand image, and regain market position.

In overseas market, the Company will explore the change of business pattern, seek for more cooperation opportunities with local markets; constantly enlarge and strengthen cooperation with big clients, continue to optimize clients, develop new client resources, realize scale growth on the basis of making profit; further optimize product structure, raise the revenue proportion of automatic washing machines, make breakthrough in sales of clothes dryers, put more focus on enlarging high-end markets in Australia and Japan; perfect overseas quality information system, and decrease operation risks.

(III) Future risk analysis

1. Market risk. In China, the adjustment and control policy for real estate lead to inadequate new demand in cities. Meanwhile, due to the policy of “electrical appliances brought to countryside” in the previous years, the occupation rate in countryside has been largely raised, causing slower demand in the rural area. In overseas market, economy recovery is slow, Europe debt crisis has never ceased, and regional political and economic crisis exists here and there, making the market demand hard to get insured.

2. Price risk of raw materials. In 2012, the prices of bulk raw materials remained relatively low. If they go to a much higher level, the Company’s profitability will be directly affected.

3. Product development risk. The Company promotes plenty of new products according to market demand every year. If products are not recognized by the market, the development cost of products in early stage would become sunk cost affecting company profit/

4. Exchange rate risk. The fluctuation in exchange rate is very much uncertain. Though the Company has adopted certain counter measures against exchange rate fluctuation, the Company would still be largely affected in profitability of overseas sales by fluctuated exchange rate.

5. Policy risk. In overseas market, the promotion of non-tariff trade barriers and possible anti-dumping policy would affect the scale and profitability of the Company’s overseas business.

VIII. Profit/dividend distribution

Formulation, execution or adjustment of the Company's profit distribution policy, especially the cash dividend policy, during the reporting period:

In Jul. 2012, according to the CSRC Notice on Further Implementing Matters Related to Cash Dividend Distribution of Listed Companies (Zheng-Jian-Fa [2012] No. 37) and the Notice of CSRC Jiangsu Bureau on Further Implementing Requirements Related to Cash Dividend Distribution of Listed Companies, taking into account its actual situation, the Company further specified the dividend-related article in its Articles of Association, specifying the dividend ratio, decision-making mechanism, etc.. And the said amendment to the Company's Articles of Association was reviewed and approved at the 18th Session of the 6th Board of Directors and later at the First Special Shareholders' General Meeting for 2012. The Company will execute the profit distribution policy in strict compliance with the amended Articles of Association. Independent directors will express their opinion to protect the right of minority shareholders to fully express their opinion and requirements. In this way, legitimate rights and interests of the Company's shareholders, especially its minority shareholders, are safeguarded.

The Company's preplans for profit distribution and turning capital reserve into share capital for the reporting period were in compliance with relevant rules such as the Company's Articles of Association.

The Company's preplans or plans for profit distribution and turning capital reserve into share capital for the recent three years (including the reporting year):

Profit distribution plan for 2010: Based on the total 632,487,764 shares of the Company as at the end of 2010, a cash dividend of RMB 1.00 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. The plan was fully carried out in Jun. 2011.

Profit distribution plan for 2011: Based on the total 632,487,764 shares of the Company as at the end of 2011, a cash dividend of RMB 2.00 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. The plan was fully carried out in Jun. 2012.

Profit distribution plan for 2012: Based on the total 632,487,764 shares of the Company as at the end of 2012, a cash dividend of RMB 3.00 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. The plan should be submitted for approval of the Shareholders' General Meeting after review of the Board of Directors.

Cash dividend distribution of the Company over the recent three years:

Unit: RMB Yuan

| Year | Amount of cash dividend (tax included) | Net profit attributable to shareholders of listed companies under the consolidated statement in the year | Ratio in net profit attributable to shareholders of listed companies under the consolidated statement (%) |
|------|--|--|---|
| 2012 | 189,746,329.20 | 338,387,680.99 | 56.07% |
| 2011 | 126,497,552.80 | 453,327,963.81 | 27.9% |
| 2010 | 63,248,776.40 | 506,917,078.13 | 12.48% |

The Company (including its subsidiaries) made profit in the reporting period and the retained profit of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution:

Applicable Inapplicable

IX. Social responsibilities

(I) Safeguarding legitimate rights and interests of consumers: Being market-oriented, the Company pays attention to customers' needs and keeps improving quality management to offer products with a quality higher than the expectation of consumers. It has a national service hotline—4008228228—to answer to customers' questions and complaints to their satisfaction.

(II) Safeguarding rights and interests of employees: Employees are the foundation of the Company and it is the Company's social responsibility to protect its employees' occupational health and safety, which will help ensure a harmonious development and a long-going business for the Company. The Company has created near 10,000 jobs and pays for five insurances and housing funds for them. It also conducts many leisure activities to enrich employees' life, for example, photographing trips, basketball games, badminton games, for-fun sports meetings, etc. It carried out skill trainings and contests for workers at the production line, as well as other kinds of trainings to help with the personal development of employees. And it also has its own clinics to offer free medical services for employees so they won't have to travel far for medical service.

(III) Promoting energy saving and environmental protection: Having been devoting itself to R&D of highly efficient products, the Company is the first washing machine manufacturer to pass the carbon footprint certification. Meanwhile, the Company responds to the call of the country and increases the proportion of products at energy efficiency level 1 and 2.

X. Particulars about researches, visits and interviews received in this reporting period

| Time of reception | Place of reception | Way of reception | Visitor type | Visitor | Main discussion and materials provided by the Company |
|-------------------|--------------------------------|------------------|--------------|---|---|
| 9 Jan. 2012 | Conference Room of the Company | Field research | Institution | Sinolink Securities | Overall operation of the Company |
| 13 Mar. 2012 | Conference Room of the Company | Field research | Institution | Sinolink Securities, E Fund Management | Overall operation of the Company |
| 22 Mar. 2012 | Conference Room of the Company | Field research | Institution | Huatai United Securities, Bosera Funds | Overall operation of the Company |
| 23 Apr. 2012 | Conference Room of the Company | Field research | Other | Jinling Evening Nes, Huatai Securities and individual shareholders | Overall operation of the Company |
| 8 May 2012 | Conference Room of the Company | Field research | Institution | Morgan Stanley, Keywise Capital, Azentus Capital, UG Investment, Comgest, Norges Bank | Overall operation of the Company |
| 16 May 2012 | Conference Room of the Company | Field research | Institution | ChinaAMC | Overall operation of the Company |
| 23 May 2012 | Conference Room of the Company | Field research | Institution | Changjiang Securities, PICC Asset Management | Overall operation of the Company |
| 28 May 2012 | Conference Room of the Company | Field research | Institution | Dacheng Fund Management | Overall operation of the Company |

| | | | | | |
|---------------|--------------------------------|----------------|-------------|--|----------------------------------|
| 19 Sept. 2012 | Conference Room of the Company | Field research | Institution | Barclays Capital Asia Limited, Dodge &Cox, Jupiter Asset Management, Food Asset management | Overall operation of the Company |
| 12 Nov. 2012 | Conference Room of the Company | Field research | Institution | Orient Fund, China Galaxy Securities, AEGON-INDUSTRIAL Fund | Overall operation of the Company |
| 15 Nov. 2012 | Conference Room of the Company | Field research | Institution | HFT Investment Management, E Fund Management, Changjiang Securities | Overall operation of the Company |

V. Significant Events

I. Significant lawsuit or arbitration

Applicable Inapplicable

There was no significant lawsuit or arbitration during the reporting period.

Media's questions

Applicable Inapplicable

There was no media's question during the reporting period.

II. Implementation situation and influence of equity incentive plan of the Company

Inapplicable

Note: In order to fully stimulate the enthusiasm of the core management personnel of the Company, Midea Group Co., Ltd. finished implementing a management team shareholding plan towards the core management personnel of the group and its main subsidiaries during the reporting period. According to the plan, the controlling shareholder of Midea Group Co., Ltd.—Midea Investment & Holding Co., Ltd. would grant its 99.9% shares held in Ningbo Meisheng to the incented personnel, Ningbo Meisheng totally held 3% shares (i.e. 30,000,000 shares) of Midea Group Co., Ltd., and the change of industrial and commercial registration for the above transfer has been completed on 14 Dec. 2012.

The above shares comes from the shares of Midea Investment & Holding Co., Ltd., and the implementation subject of the incentive plan is not the listed company, i.e. the above transferred shares are not from the listed company, so it isn't applicable for the equity incentive for listed company stipulated in Administration on Equity Incentive for Listed Companies (Trial).

In accordance with Provision VII in the Enterprise Accounting Standards Interpretation No. 4 and other stipulations, the property transfer involves the equity payment, and relevant expenses arising from the equity payment shall be shared by the companies in which the incentive targets work. And the Company's core management personnel including Chai Xinjian, Yin Bitong, Fu Wei and Mao Zhiliang participated in the plan, who totally held 6.3333% shares of Ningbo Meisheng, and RMB 33,250,000 from the equity transfer shall be recorded into the Company's equity payment expenses in 2012, which is recorded as management expenses increase RMB 33,250,000 and capital surplus (other capital surplus) increase RMB 33,250,000.

In accordance with the Enterprise Accounting Standards and relevant regulations, the management expenses arising from equity payment belongs to non-recurring gains and losses, which won't affect the net profits attributable to the Company after deducting non-recurring gains and losses, or decrease the cash outflow and net assets, and such expenses have been totally reflected in 2012, it won't affect the overall business performance of the Company in 2013.

III. Significant related-party transactions

1. Other significant related-party transactions

(1) The Company convened the 10th Session of the 6th Board of Directors on 14 Dec. 2010 and the 1st Special Shareholder's General Meeting 2011 on 7 Jan. 2011, which reviewed and approved the Proposal on Related Transaction on Trademark Licensing. The Company permitted GD Midea Holding Co., Ltd and its controlled subsidiaries to use trademark of “小天鹅 LITTLE SWAN and picture” in air conditioner commodities, with trademark license fees estimated as no more than RMB 20,000,000. GD Midea Holding Co., Ltd permitted the

Company and subsidiaries of the Company to use trademark of “Midea” in production, sales and ad campaign of washing machines and dryers, with trademark license fees estimated as no more than RMB 20,000,000. The aforesaid licensing contracts were all contracted with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the licensing period ranged from 1 Jan. 2011 to 31 Dec. 2013. At the same time, the Company will renew and sign the Contract on Trademark Licensing with Little Swan (Jingzhou) Electric Appliances Co., Ltd. As negotiated by both parties, the deadline of licensing period extends from 19 Jun. 2011 to 31 Dec. 2013.

(2) The 2011 Annual Shareholder’s General Meeting was convened on 19 Apr. 2012, at which reviewed and approved the Proposal on Prediction of the Line of Routine Related Transaction of the Company for 2012.

For details of the routine related transaction and the credits and liabilities with related parties, please refer to “VIII. Related Parties and Related-party Transactions” of “X. Financial Report”.

There were no non-operating credits and liabilities with related parties during the reporting period.

The website to disclose the interim announcements on significant related-party transactions

| Name of the interim announcement | Disclosure date of the interim announcement | Website to disclose the interim announcement |
|--|---|--|
| Announcement on Related-party Transaction about Trademark Licensing (Announcement No.: 2010-48) | 16 Dec. 2010 | www.cninfo.com.cn |
| Announcement on Prediction of the Line of 2012 Annual Routine Related-party Transactions of Wuxi Little Swan Company Limited (Announcement No.: 2012-04) | 2 Mar. 2012 | www.cninfo.com.cn |
| Announcement on the Line of 2012 Annual Routine Related-party Transactions Newly Increased by Subsidiaries of Wuxi Little Swan Company Limited (Announcement No.: 2012-12) | 31 Mar. 2012 | www.cninfo.com.cn |

IV. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

Explanation on the trusteeship

During the reporting period, the Company didn’t have any trusteeship for/from other companies, or any such events occurred in previous period but lasting to the reporting period.

The trusteeship whose profits reaching more than 10% of the total profits of the Company in the reporting period

Applicable Inapplicable

(2) Contract

Explanation on the contract

During the reporting period, the Company didn’t have any contract for/from other companies, or any such events occurred in previous period but lasting to the reporting period.

The contract whose profits reaching more than 10% of the total profits of the Company in the reporting period

Applicable Inapplicable

(3) Lease

Explanation on the lease

During the reporting period, the Company didn’t have any lease for/from other companies, or any such events occurred in previous period but lasting to the reporting period.

The lease whose profits reaching more than 10% of the total profits of the Company in the reporting period

Applicable Inapplicable

2. Guarantees provided by the Company

Unit: RMB Ten Thousand

| Guarantees provided by the Company for external parties (excluding those for subsidiaries) | | | | | | | | |
|--|--|----------------------|--|-------------------------|---|---------------------|-----------------|--------------------------------------|
| Guaranteed party | Disclosure date of relevant announcement on the guarantee amount | Amount for guarantee | Actual occurrence date (date of agreement) | Actual guarantee amount | Type of guarantee | Period of guarantee | Executed or not | Guarantee for a related party or not |
| Total external guarantee line approved during the reporting period (A1) | | | | 0 | Total actual occurred amount of external guarantee during the reporting period (A2) | | 0 | |
| Total external guarantee line that has been approved at the end of the reporting period (A3) | | | | 0 | Total actual external guarantee balance at the end of the reporting period (A4) | | 0 | |
| Guarantees provided by the Company for its subsidiaries | | | | | | | | |
| Guaranteed party | Disclosure date of relevant announcement on the guarantee amount | Amount for guarantee | Actual occurrence date (date of agreement) | Actual guarantee amount | Type of guarantee | Period of guarantee | Executed or not | Guarantee for a related party or not |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 29 Feb. 2012 | 10,953 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 6 Apr. 2012 | 1,000 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 24 Apr. 2012 | 3,306 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 24 May 2012 | 6,527 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 21 Jun. 2012 | 6,291 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar | 2 Mar. 2012 | 160,000 | 21 Jun. 2012 | 8,664 | Joint liability | Six | Yes | No |

| | | | | | | | | |
|--|-------------|---------|---------------|---|---------------------------|------------|-----|----|
| Washing Equipment Manufacturing Co., Ltd. | | | | | guarantee | months | | |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 1 Jun. 2012 | 1,074 | Joint liability guarantee | Six months | Yes | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 17 Jul. 2012 | 3,466 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 25 Jul. 2012 | 10,111 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 22 Aug. 2012 | 8,662 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 27 Aug. 2012 | 4,313 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 28 Sept. 2012 | 285 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 31 Oct. 2012 | 9,753 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 28 Nov. 2012 | 2,895 | Joint liability guarantee | Six months | No | No |
| Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. | 2 Mar. 2012 | 160,000 | 28 Nov. 2012 | 5,158 | Joint liability guarantee | Six months | No | No |
| Total guarantee line approved for the subsidiaries during the reporting period (B1) | | 165,000 | | Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2) | | 82,457 | | |
| Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3) | | 165,000 | | Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4) | | 44,643 | | |
| Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees) | | | | | | | | |
| Total guarantee line approved during the reporting period (A1+B1) | | 165,000 | | Total actual occurred amount of guarantee | | 82,457 | | |

| | | | |
|--|---------|---|--------|
| | | during the reporting period (A2+B2) | |
| Total guarantee line that has been approved at the end of the reporting period (A3+B3) | 165,000 | Total actual guarantee balance at the end of the reporting period (A4+B4) | 44,643 |
| Proportion of total guarantee amount (A4+B4) to the net assets of the Company | | | 12.11% |
| Of which: | | | |
| Amount of guarantee for shareholders, actual controller and related parties (C) | | | 0 |
| Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (D) | | | 0 |
| Part of the amount of the total guarantee over 50% of net assets (E) | | | 0 |
| Total amount of the above three guarantees (C+D+E) | | | 0 |
| Explanation on possible bearing joint responsibility of liquidation due to immature guarantee | | | Naught |
| Explanation on provision of guarantees for external parties in violation of the prescribed procedure | | | Naught |

Explanation on particulars about the guarantees by complex ways.

Naught

V. Performance of commitments

1. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period, or such commitments carried down into the reporting period

| Commitment | Commitment maker | Contents | Time of making commitment | Period of commitment | Fulfillment |
|---|-------------------------|--|---------------------------|----------------------|----------------------------------|
| Commitment on share reform | Controlling shareholder | Where the controlling shareholder GD Midea Holding Co., Ltd. (Midea Holding) plans to sell the Company's shares released from trading moratorium held by it via the bid trading system of the Shenzhen Stock Exchange, and Midea Holding decreases over 5% shares within six months since the first reduction of holdings, Midea Holding will disclose the suggestive announcement on share selling through the Company two trading days before its first reduction of holdings. | 28 Feb. 2008 | Long-term | In the process of implementation |
| Commitment in the acquisition report or | Controlling | 1. As for Midea Holding's commitment on share lock-up , it has committed that it will not transfer Little Swan shares held by it within 36 months since | 1 Dec. 2010 | Item 1 will be | In the process |

| | | | | | |
|------------------------------|-----------------------------------|--|--|--|----------------|
| the report on equity changes | shareholder and actual controller | <p>the date when the private share offering deal is closed.</p> <p>2. As for the commitment of avoiding horizontal competition, Midea Holding (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, Midea Holding, Mr. He Xiangjian and other subsidiary companies under their control excluding the Company and the Company's subordinate companies will not increase business or establish new subsidiary companies engaged in business which is the same with or similar to the Company's main business or forms substantial horizontal competition with the Company. If they act against the commitment above, profits thus generated will be attributable to the Company.</p> <p>3. As for the commitment for regulating related-party transactions, GD Midea Holding (the controlling shareholder) and Mr. He Xiangjian (the actual controller) have promised that when there are inevitable related-party transactions or such transaction incurred with rational reasons after the completion of the transaction, they will follow the fair, reasonable and market principles in formulating and signing relevant agreements on such related-party transactions and ensure that no harm will be done to interests of the Company and other shareholders. Where GD Midea Holding and Mr. He Xiangjian act against the promise above and damage interests of the Company and other shareholders, they will assume liabilities for compensation according to relevant provisions.</p> <p>4. As for the commitment on independence, GD Midea Holding has promised to protect Little Swan's independence in terms of assets, staff, finance, organization and business.</p> <p>5. As for the commitment on related-party deposits and borrowings, up to 8 Apr. 2010, the Financial Settlement Center of GD Midea Holding had settled all internal deposits and borrowings with Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.; and GD Midea Holding has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..</p> <p>6. The commitment by GD Midea Holding on housing properties with no ownership certificates of the target company for sale is detailed as follows. Two pieces of the buildings of Royalstar Washing Equipment assessed and sold to the Company are of no ownership certificates—the warehouse for half-finished products (176 square meters) and the workshop for injection molding (834 square meters), both located in the old factory of Royalstar Washing Equipment, Hewa Road, Hefei. GD Midea Holding has promised that if loss occurs due to the said two buildings without ownership certificates in the asset disposal process in the future, it will assume the loss thus caused and make compensation to the Company.</p> | | finished on 1 Dec. 2013, while the others shall be performed for long-term | implementation |
|------------------------------|-----------------------------------|--|--|--|----------------|

| | | | | |
|----------------------------------|--|--|--|--|
| | <p>7. The commitment by GD Midea Holding on trademarks is detailed as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, GD Midea Holding has promised that it will make sure that Royalstar Washing Equipment uses the “Midea” trademark in a proper manner. Royalstar Washing Equipment will be allowed to use the “Midea” trademark with a trademark use fee not more than that paid by Midea Group (the controlling shareholder of GD Midea Holding) and its subsidiaries (currently 3% of the annual sales income generated by products using the “Midea” trademark), and upon negotiation and signing of the “Agreement for Trademark Use”. The related-party transactions incurred due to the said use of the “Midea” trademark will be submitted to the decision-making organ of the Company for approval according to the stipulated procedure. As such, interests of the Company and its minority shareholders will be safeguarded. (2) Concerning the “Royalstar” trademark: GD Midea Holding has signed the “Contract for Trademark Use” with Royalstar Group and obtained the ordinary use rights of the “Royalstar” (or “荣事达”) trademark. As the transferor in the transfer transaction of equity interests of Royalstar Washing Equipment, GD Midea Holding has promised that within the scope as agreed in the “Contract for Trademark Use”, if any dispute arises between Royalstar Washing Equipment and Royalstar Group over the former’s execution of the “Contract for Trademark Use”, Little Swan will not be involved. If Royalstar Washing Equipment and Little Swan have to assume any responsibility or loss due to the aforesaid dispute, GD Midea Holding is willing to take on the responsibility instead and make compensations to Royalstar Washing Equipment and Little Swan at full amount.</p> <p>8. The commitment by GD Midea Holding on social security payment and tax risks is detailed as follows. GD Midea Holding has promised that upon the completion of the said equity transfer deal, if Royalstar Washing Equipment is obliged to take on any responsibility or pay relevant fares as required by relevant government authorities due to its social security payment before the said deal, GD Midea Holding is willing to pay relevant fares for Royalstar Washing Equipment to relevant government authorities in a timely manner and assume any other liability. If any loss thus occurs to Royalstar Washing Equipment or Little Swan, GD Midea Holding is willing to assume relevant responsibilities for compensation. Upon the completion of the said equity transfer deal, if income tax evasion or any other tax risk is found in Royalstar Washing Equipment, GD Midea Holding is willing to assume relevant legal responsibilities and risks and pay relevant taxes in a timely manner to relevant government authorities; and if any loss thus occurs to Little Swan, GD Midea Holding will assume the corresponding responsibility for compensation.</p> | | | |
| Commitments made upon the assets | | | | |

| | | | | | |
|---|---|--|--|--|--|
| reorganization | | | | | |
| Commitments made upon IPO or refinancing | | | | | |
| Other commitments made to minority shareholders | | | | | |
| Executed timely or not? | Yes | | | | |
| Detailed reason for failing to execute and the next plan | Inapplicable | | | | |
| Make commitments on causing the problems of horizontal competition and related-party transactions or not? | Yes | | | | |
| Settlement period of commitment | Naught | | | | |
| Way of settlement | When the Company's controlling shareholder and actual controller remains unchanged, GD Midea Holding, Mr. He Xiangjian and other subsidiary companies under their control excluding the Company and the Company's subordinate companies will not increase business or establish new subsidiary companies engaged in business which is the same with or similar to the Company's main business or forms substantial horizontal competition with the Company; when there are inevitable related-party transactions or such transaction incurred with rational reasons, they will follow the fair, reasonable and market principles in formulating and signing relevant agreements on such related-party transactions and ensure that no harm will be done to interests of the Company and other shareholders. | | | | |
| Fulfillment of commitment | Under strict fulfillment | | | | |

VI. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

| | |
|--|---|
| Name of domestic CPAs firm | Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. |
| Remuneration of domestic CPAs firm (RMB 0'000) | 235 |
| Consecutive years of the audit services provided by domestic CPAs firm | Six years (including the year of 2012) |
| Name of the certified public accountants from the CPAs firm | Dai Weizhong, Yu Zhiqiang |

Reengage the CPAs firm at current period or not?

Yes No

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

Applicable Inapplicable

As for the internal control audit, the Company engaged Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. as the audit firm of the Company for the internal control for the year; during the reporting period, the Company paid the auditing fees for the financial report and internal control totaling RMB 2,350,000 to Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.

During the reporting period, Huatai United Securities Co., Ltd., as the Company's sponsor institution for continuous supervision on its share splitting reform, continued to perform its continuous supervisory responsibility.

VI. Change in Shares & Shareholders

I. Changes in share capital

| | Before the change | | Increase/decrease (+, -) | | | | | After the change | |
|--|-------------------|----------------|--------------------------|--------------|---------------------------------------|------------|------------|------------------|----------------|
| | Amount | Proportion (%) | Issuance of new shares | Bonus shares | Capitalization of public reserve fund | Others | Subtotal | Amount | Proportion (%) |
| I. Shares subject to trading moratorium | 256,135,820 | 40.50% | | | | -4,132,371 | -4,132,371 | 252,003,449 | 39.84% |
| 1. Other domestic shares | 225,284,106 | 35.62% | | | | -4,135,371 | -4,135,371 | 221,148,735 | 34.96% |
| Including: Shares held by domestic legal persons | 225,176,106 | 35.60% | | | | -4,027,371 | -4,027,371 | 221,148,735 | 34.96% |
| Shares held by domestic individuals | 108,000 | 0.02% | | | | -108,000 | -108,000 | | |
| 2. Shares held by overseas shareholders | 30,851,714 | 4.88% | | | | | | 30,851,714 | 4.88% |
| Including: Shares held by overseas legal persons | 30,851,714 | 4.88% | | | | | | 30,851,714 | 4.88% |
| 3. Shares held by senior management staff | | | | | | 3,000 | 3,000 | 3,000 | 0% |
| II. Shares not subject to trading moratorium | 376,351,944 | 59.50% | | | | 4,132,371 | 4,132,371 | 380,484,315 | 60.16% |
| 1. Ordinary shares denominated in RMB | 216,167,786 | 34.18% | | | | 4,132,371 | 4,132,371 | 220,300,157 | 34.83% |
| 2. Domestically listed foreign shares | 160,184,158 | 25.33% | | | | | | 160,184,158 | 25.33% |
| III. Total shares | 632,487,764 | 100% | | | | | | 632,487,764 | 100% |

Reason for the changes in share capital

Particulars on changes in shares subject to trading moratorium

| Name of shareholder | Shares at the year-begin | Shares released in current year | Shares increased in current year | Shares at the year-end | Reason for trading moratorium | Date of release |
|----------------------------|--------------------------|---------------------------------|----------------------------------|------------------------|-------------------------------|------------------------------------|
| GD Midea Holding Co., Ltd. | 219,181,386 | 6,319,556 | 3,480,185 | 216,342,015 | Note 1,2 | The increased 6,319,556 shares: 15 |

| | | | | | | Dec. 2012; others: 1 Dec. 2013 |
|--|-------------|-----------|-----------|-------------|--------|-----------------------------------|
| TITONIINVESTMENTS DEVELOPMENT LTD. | 30,851,714 | 0 | 0 | 30,851,714 | Note 1 | 18 Nov. 2013 |
| Cui Kai | 108,000 | 96,271 | -11,729 | 0 | Note 3 | 6 Jul. 2012 |
| Wuxi Doushan Comprehensive Development Co., Ltd. | 540,000 | 481,356 | -58,644 | 0 | Note 3 | 6 Jul. 2012 |
| Special Account of the Disposition of Property of Bankrupt Enterprises for Yangjiang Huayang Construction & Development Co., Ltd. | 648,000 | 577,628 | -70,372 | 0 | Note 3 | 6 Jul. 2012 |
| Jiangsu Little Swan Group Co., Ltd. | 0 | 140,745 | 140,745 | 0 | Note 3 | 6 Jul. 2012 |
| Yang Xiaowen | 0 | 0 | 3,000 | 3,000 | Note 4 | |
| Other shareholders holding shares subject to trading moratorium | 4,806,720 | 0 | 0 | 4,806,720 | Note 5 | |
| Total | 256,135,820 | 7,615,556 | 3,483,185 | 252,003,449 | -- | -- |

Note 1: During the reporting period, the Company privately issued A-shares to GD Midea Holding Co., Ltd. that GD Midea Holding Co., Ltd. made a commitment that it would not transfer the shares of the Company within 36 months since the final day of private issuing.

Note 2: During the period of 15 Dec.2011 and 16 Jan. 2012, GD Midea Holding Co., Ltd. increased to hold 6,319,556 A-shares of the Company by ways of centralized price bidding on Shenzhen Stock Exchange. GD Midea Holding Co., Ltd. and its concert parties made commitment that it would not decrease its holding of A-shares of the Company on secondary market during the increase period and statutory period.

Note 3: On 6 Jul. 2012, a total of 1,296,000 shares subject to trading moratorium held by four restricted shareholders were released, for details please refer to the Suggestive Announcement on Shares Released from Trading Moratorium of Wuxi Little Swan Company Limited (Announcement No.: 2012-18, published on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> on 4 Jul. 2011)

Note 4: The Proposal on Adding to Elect the Supervisor of the Company was reviewed and approved on the Second Special Shareholders' General Meeting for 2012, at which Mr. Yang Xiaowen was added as a supervisor of the Seventh Supervisory Committee, whose shares were locked up according to the rules on shareholding of senior management;

Note 5: The Company accomplished the share merger reform on 4 Aug. 2006. There were 14 shareholders participated in the share merger reform among all non-circulating shareholders of the Company, and the rest 94 shareholders' considerations of the share merger reform were paid in advance by the former controlling shareholder, Jiangsu Little Swan (Group) Co., Ltd.. By the end of reporting period, there are still 16 non-circulating shareholders did not release from trading moratorium with total shares amounting to 4,806,720 shares.

Approval for changes in share capital

Applicable Inapplicable

Transfer for changes in share capital

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

Applicable Inapplicable

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

II. Issuance and listing of securities

1. Securities issued in the previous three years

| Name of security and its derivative security | Issuing date | Issuing price (or interest rate) | Number of issuance | Listing date | Number approved for listing | Ending date of trade |
|---|--------------|----------------------------------|--------------------|--------------|-----------------------------|----------------------|
| Stock | | | | | | |
| A-share | 18 Nov. 2010 | 8.63 | 8,483,200 | 2 Dec. 2010 | 0 | |
| Convertible company bonds, bonds with attached warrant, company bonds, etc. | | | | | | |
| Warrant | | | | | | |

Explanation on securities issuance over the past three years

(1) Securities issuance over the past three years

In accordance with the Reply on Approving the Significant Assets Reorganization of Wuxi Little Swan Co., Ltd. and its Share Issuance to GD Midea Holding Co., Ltd. in exchange of assets (ZJXX[2010] Document No.1577) issued by China Securities Regulatory Committee(CSRC), the Company issued 84,832,004 A-shares to GD Midea Holding Co., Ltd. at the issue price as RMB 8.63 per share, which is the consideration in exchange of 69.47% of Hefei Royalstar Water Industry Facilities Co., Ltd.

Under the approval of Shenzhen Stock Exchange, the privately issued 84,832,004 shares of RMB common share were listed in Shenzhen Stock Exchange since 2 Dec. 2010. GD Midea Holding Co., Ltd. made a commitment that it would not transfer the shares of the Company within 36 months after the final day of private issuing, and thereafter will trade according the stipulations of CSRC and Shenzhen Stock Exchange.

(2) Changes in total shares of the Company and structure

During the reporting period, there existed no changes in total shares of the Company, or changes in structure of shares or in asset-liability structure of the Company due to bonus shares, capitalization of shares, allotment of shares, issuance of new shares, private issuance of shares or other reasons.

(3) Existent shares held by internal staffs of the Company

There existed no shares held by internal staffs of the Company.

III. Shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

| | | | |
|-------------------------------------|--------|---|--------|
| Total number of shareholders at the | 33,689 | Total number of shareholders on the fifth trading day | 29,339 |
|-------------------------------------|--------|---|--------|

| reporting period | | before the disclosure date of the annual report | | | | | | |
|--|---|---|-------------------------------------|---|------------------------------------|--------------------------------|--------------------------|------------------|
| Particulars about shares held by shareholders with a shareholding percentage over 5% | | | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage (%) | Total shares held at the period-end | Increase/decrease during the reporting period | Number of non-tradable shares held | Number of tradable shares held | Pledged or frozen shares | |
| | | | | | | | Status of shares | Number of shares |
| GD MIDEA HOLDING CO., LTD. | Domestic non-state-owned corporation | 35.2% | 222,661,571 | 3,480,185 | 216,342,015 | 6,319,556 | | |
| GAOLING FUND,L.P. | Overseas corporation | 8.28% | 52,368,043 | | | | | |
| TITONI INVESTMENTS DEVELOPMENT LTD. | Overseas corporation | 4.88% | 30,851,714 | | | | | |
| FINANCE BUREAU OF WUXI | On behalf of the state | 3.49% | 22,057,657 | | | | | |
| BOCI SECURITIES LIMITED | State-owned corporation | 3.4% | 21,475,656 | | | | | |
| NATIONAL SOCIAL SECURITY FUND PORTFOLIO 102 | Domestic non-state-owned corporation | 2.39% | 15,133,169 | | | | | |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | Overseas corporation | 2.16% | 13,650,442 | | | | | |
| SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C | Overseas corporation | 1.1% | 6,986,181 | | | | | |
| CHINA CONSTRUCTION BANK – PENGHUA VALUE ADVANCED STOCK FUND | Domestic non-state-owned corporation | 1.1% | 6,933,828 | | | | | |
| ICBC – E Fund Value Selection Stock Fund | Domestic non-state-owned corporation | 0.98% | 6,203,622 | | | | | |
| Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares (if any) | Inapplicable | | | | | | | |
| Explanation on associated relationship or persons acting in concert among the above-mentioned shareholders: | GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert. | | | | | | | |

| Particulars about shares held by the top ten shareholders holding shares not subject to trading moratorium | | | |
|--|---|------------------------------------|------------|
| Name of shareholder | Number of tradable shares held at the year-end (Note 4) | Type of shares | |
| | | Type | Number |
| GAOLING FUND,L.P. | 52,368,043 | Domestically listed foreign shares | 52,368,043 |
| FINANCE BUREAU OF WUXI | 22,057,657 | Renminbi ordinary shares | 22,057,657 |
| BOCI SECURITIES LIMITED | 21,475,656 | Domestically listed foreign shares | 21,475,656 |
| NATIONAL SOCIAL SECURITY FUND PORTFOLIO 102 | 15,133,169 | Renminbi ordinary shares | 15,133,169 |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | 13,650,442 | Domestically listed foreign shares | 13,650,442 |
| SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C | 6,986,181 | Domestically listed foreign shares | 6,986,181 |
| CHINA CONSTRUCTION BANK — PENGHUA VALUE ADVANCED STOCK FUND | 6,933,828 | Renminbi ordinary shares | 6,933,828 |
| GD MIDEA HOLDING CO., LTD. | 6,319,556 | Renminbi ordinary shares | 6,319,556 |
| ICBC—E Fund Value Selection Stock Fund | 6,203,622 | Renminbi ordinary shares | 6,203,622 |
| UBS CUSTODY SERVICES SINGAPORE PTE. LTD. | 5,965,705 | Domestically listed foreign shares | 5,965,705 |
| Explanation on associated relationship or/and persons acting in concert among the top ten tradable shareholders and between the top ten tradable shareholders and the top ten shareholders | GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert. | | |
| Explanation on shareholders participating in the margin trading business (if any) | Naught | | |

2. Particulars about the controlling shareholder

Corporation

| Name of controlling shareholder | Legal representative / company principal | Date of establishment | Organization code | Registered capital | Business scope |
|---------------------------------|--|-----------------------|-------------------|--------------------|--|
| GD MIDEA HOLDING CO., LTD. | Fang Hongbo | 30 Mar. 1992 | 19033709-2 | RMB 3,384,347,650 | Production, manufacture and selling of household appliances, TV sets, communication equipments and spare parts thereof; technical consulting services for the aforesaid products; manufacture of |

| | | | | | |
|---|---|--|--|--|--|
| | | | | | moulds and production equipments; hotel management; advertisement agency services; marketing services; hardware, electrical appliances and accessories; electronic products; metal materials; construction materials; chemicals (excluding hazardous chemicals); machines; general merchandise; export of products and relevant technologies owned by the company and its subsidiaries; production and processing; plastic products; import of R&D raw and auxiliary materials, machines, instruments and meters, spare parts and relevant technologies; processing of imported materials and three types of processing plus compensation trades (The aforesaid businesses are operated in accordance with the Document [99] Wai-Jing-Mao-Zheng-Shen-Han-Zi No.528 and include no businesses for which a license is needed for operation.) |
| Operating results, financial situation, cash flow and future development strategy, etc. | The Company's controlling shareholder is GD MIDEA HOLDING CO., LTD. with the securities code of 000527, whose operating results, financial situation, cash flow and future development strategy, etc. are published on www.cninfo.com.cn . | | | | |
| Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period | The Company's controlling shareholder is GD MIDEA HOLDING CO., LTD. with the securities code of 000527, whose shares held in other listed companies by holding or shareholding is published on www.cninfo.com.cn . | | | | |

Change of the controlling shareholder during the reporting period

Applicable Inapplicable

3. Particulars about the actual controller

Natural person

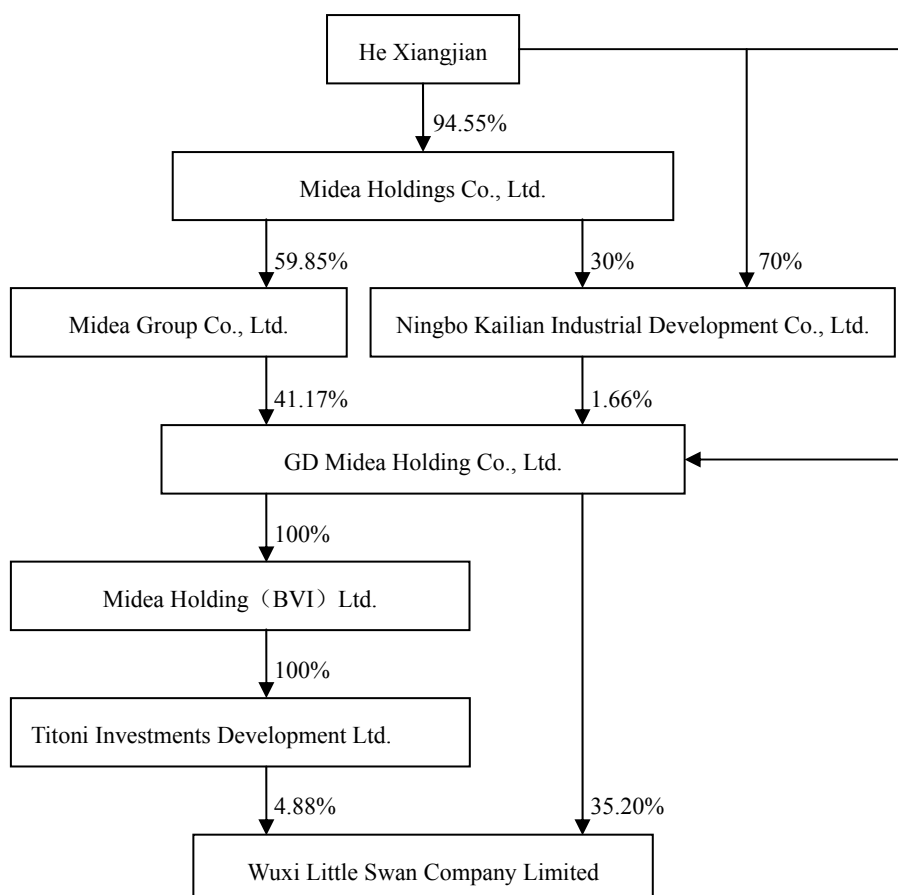
| Name of the actual controller | Nationality | Whether gain the right of residence in other countries or regions or not |
|---|--|--|
| He Xiangjian | The People's Republic of China | No |
| Occupation and position over the five years | Chairman of the Board in Midea Holding and Midea Group | |

| | |
|---|--|
| Particulars on his controlling listed companies over the past ten years | Midea Holding (000527.SZ) , Welling Holding (00382.HK) and Little Swan (A: 000418.SZ;B:200418) |
|---|--|

Change of the actual controller during the reporting period

Applicable Inapplicable

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



The actual controller controls the Company via trust or other ways of asset management

Applicable Inapplicable

IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

| Name of shareholder / act-in-concert person | Amount of shares to be increased holding | Shares proportion to be increased (%) | Amount of shares actually held | Shares proportion increased actually (%) | Initial disclosure date of the shareholding increase scheme | Disclosure date for the completion of implementing the shareholding increase scheme |
|---|--|---------------------------------------|--------------------------------|--|---|---|
| GD Midea Holding Co., Ltd. | 12,649,755 | 2% | 6,319,556 | 1% | 17 Jan. 2012 | 17 Jan. 2012 |

Explanation on other situations

Announcement on Shareholding Increase by Controlling Shareholder of Wuxi Little Swan Company Limited (Announcement No.: 2012-01) was published on <http://www.cninfo.com.cn> dated 17 Jan. 2012.

Announcement on the Completion of Implementing the Shareholding Increase Scheme (Announcement No.: 2012-38) was published on <http://www.cninfo.com.cn> dated 17 Dec. 2012.

VII. Directors, Supervisors, Senior Management Staff & Employees

I. Changes in shareholding of directors, supervisors and senior management staffs

| Name | Office title | Tenure status | Sex | Age | Start date | Ending date | Shares held at the year-beg in (share) | Amount of shares increased at the reporting period (share) | Amount of shares decreased at the reporting period (share) | Amount of shares held at the period-end (share) |
|----------------|---------------------------------------|---------------|--------|-----|--------------|--------------|--|--|--|---|
| Fang Hongbo | Chairman of the Board | Current | Male | 45 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Chai Xinjian | Director , General Manager | Current | Male | 49 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Li Feide | Director | Current | Male | 35 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Xiao Mingguang | Director | Current | Male | 42 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Zhang Zhaofeng | Director, CFO | Current | Male | 37 | 2 Nov. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Zhou Sixiu | Director, Secretary to the Board | Current | Female | 39 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Zhao Shuming | Independent director | Current | Male | 60 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Ye Yongfu | Independent director | Current | Male | 65 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Yu Lihui | Independent director | Current | Female | 47 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Jiang Huafang | Chairman of the Supervisory Committee | Current | Male | 36 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Yang Xiaowen | Supervisor | Current | Male | 46 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 3,000 | 0 | 3,000 |
| Ye Dexin | Staff representative supervisor | Current | Male | 40 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Hu Ziqiang | Deputy GM | Current | Male | 55 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | |
|--------------|---------------------------------|---------|--------|----|---------------|--------------|---|-------|---|-------|
| Yin Bitong | Deputy GM | Current | Male | 44 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Fu Wei | Deputy GM | Current | Male | 36 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Mao Zhiliang | Deputy GM | Current | Male | 55 | 21 Aug. 2012 | 20 Aug. 2015 | 0 | 0 | 0 | 0 |
| Li Jianwei | Director | | Male | 46 | 16 Sept. 2009 | 21 Aug. 2012 | 0 | 0 | 0 | 0 |
| Wu Ganping | Director | Former | Male | 40 | 16 Sept. 2009 | 21 Aug. 2012 | 0 | 0 | 0 | 0 |
| Li Mingde | Staff representative supervisor | Former | Male | 32 | 9 Mar. 2011 | 21 Aug. 2012 | 0 | 0 | 0 | 0 |
| Xiao Li | CFO | Former | Female | 35 | 21 Aug. 2012 | 2 Nov. 2012 | 0 | 0 | 0 | 0 |
| Liu Jufeng | Director | Former | Male | 34 | 21 Aug. 2012 | 2 Nov. 2012 | 0 | 0 | 0 | 0 |
| Total | -- | -- | -- | -- | -- | -- | 0 | 3,000 | 0 | 3,000 |

II. Post-holding situation

Main working experience of current directors, supervisors and senior management staffs over the past five years:

(1) Mr. Fang Hongbo, Chairman of the Board, master degree. He now serves as the Chairman of the Board in the Company, as the Chairman of the Board in Midea Group Co., Ltd. as the Chairman of the Board and concurrently President in GD Midea Holding Co., Ltd.. He ever took the posts of Vice President, Vice Chairman of the Board and President in GD Midea Holding Co., Ltd.

(2) Mr. Chai Xinjian, Director and GM, doctor degree, and researcher-level Senior Engineer. Now he acts as Director and General Manager of the Company. He ever took the posts of Director of the Technology Center and of Standing Deputy General Manager in Wuxi Little Swan Company Limited.

(3) Mr. Li Feide, director, master degree. He now serves as Director in the Company, Chief of the Strategy & Operation Department and Secretary to the Board in Midea Group Co., Ltd. as well as Director in GD Midea Holding Co., Ltd.. He ever took the posts of Secretary to the Board in GD Midea Holding Co., Ltd..

(4) Mr. Xiao Mingguang, Director, master degree, CPAs. He now serves as Director in the Company and GD Midea Holding Co., Ltd.. He ever took the posts as chief of Audit and Supervision Department, in GD Midea Holding Co., Ltd..

(5) Mr. Zhang Zhaofeng, Director and CFO, and master degree. Now he acts as the Director and CFO in the Company. He ever took the posts of Supervisor, Director and CFO of the Company, as Chief of the Audit and Supervision Department in GD Midea Holding Co., Ltd..

(6) Ms. Zhou Sixiu, Director and Secretary to the Board, and bachelor degree. Now, she holds the posts of Director and Secretary to the Board in the Company. She ever served as Securities Affair Representative and other positions in Wuxi Qingfeng Stock Co., Ltd.

(7) Mr. Zhao Shuming, Independent Director, doctor degree. He now serves as Independent Director of the Company and Honorary Dean, Professor and Ph.D. Candidate Tutor of School of Business of Nanjing University. He ever served as Dean of School of Business, Assistant Principal of Nanjing University. He has been the Independent Director of the Company since Sept. 2008., and concurrently serves as Independent Director of Jiangsu Lianfa Textile Co., Ltd., Anhui Hengyuan Coal-Electricity Co., Ltd. and Daqo New Energy Corp. (listed in New York Stock Exchange).

(8) Mr. Ye Yongfu, Independent Director, master degree and Senior Engineer. He now serves as Independent Director of the Company. He ever took the posts of Deputy Director of Wuxi Municipal Economic Commission, of Director and Secretary of CPC in Wuxi Development Plan Committee, of Director and Secretary of CPC in

Wuxi Municipal Economic and Trade Commission, and concurrently held Deputy Secretary-general of the Municipal Government, of Director of the Enterprise Management Center, of Director and Secretary of CPC of Training Center of National Center for Management Development at Wuxi, as well as Deputy Leader of Wuxi Support Leading Group. He has been the Independent Director of the Company since Sept. 2008., and concurrently serves as Independent Director of Wuxi Commercial Mansion Grand Orient Co., Ltd. and Jiangsu Zhongchao Cable Corporation.

(9) Ms. Yu Lihui, Independent Director, master degree and CPA. She now serves as Independent Director of the Company and acts as the associate professor in the School of Business of East China University of Science and Technology, Senior Lecturer of Ourui Management Consultant Co., Ltd. at present. She ever served as Training Specialist of AMA. And she has been the Independent Director of the Company since Sept. 2009.

(10) Mr. Jiang Huafang, Chairman of the Supervisory Committee, bachelor degree. He now serves as Chairman of the Supervisory Committee, Director of Operation & HR Department in the Company. He ever took the posts of Chief of Overseas Supporter Department and Chief of Supply Chain Management Department in the Company, of Regional Sales Manager of Midea Central Air Conditioner Marketing Company, of Deputy Purchasing Manager of Hefei Hualing Electric Appliances Co., Ltd., of Department Director and Chief of Supply Chain Management Department in Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..

(11) Mr. Yang Xiaowen, Supervisor and bachelor degree. He is now a supervisor of the Company and the GM of the subsidiary--Wuxi Little Swan General Appliance Co., Ltd.. And he was once the vice GM of technology of Wuxi Little Swan General Appliance Co., Ltd., etc.

(12) Mr. Ye Dexin, Supervisor and master degree. He now serves as Supervisor and Chief of Technical R&D Center in the Company. He ever served as the Chief of Wave-wheel Design Room 3, Chief of Cylinder Design Room 2 of the R&D Center in the Company and the Chief of the R&D Department of the Drum Washing Machine Company.

(13) Mr. Hu Ziqiang, Deputy GM and doctor degree. He now serves as the Technical Principal of the Company. He ever served as the Principal of the Vibration Noise Team in the R&D Center of GE Group, Manager of GE Household Electrical Appliances Company, Deputy GM and Chief of R&D Center in Su Zhou Samsung Electronics Co., Ltd..

(14) Mr. Yin Bitong, Deputy General Manager and master degree. He now acts as Deputy General Manager and General Manager of Domestic Marketing Company in the Company. He ever served as Assistant General Manager, Marketing Chief and Chief of large region market in South China in Midea Air-conditioner Marketing Company in China, Marketing General Manager in China in Midea (Guangzhou) Hualing Air Conditioner Equipment Co., Ltd.. Domestic Marketing General Manager of Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..

(15) Mr. Fu Wei, Deputy GM and bachelor degree. Now he serves as the Deputy GM and GM of Overseas Sales Company in the Company. He ever acted as Regional Manager and Area Manager of Air-conditioner Overseas Division in GD Midea Holding Co., Ltd., Senior Manager of Electrolux Operation Center of Air-conditioner Overseas Division and GM of Washing Machine Operation Department of International Division in GD Midea Holding Co., Ltd..

(16) Mr. Mao Zhiliang, Deputy GM and master degree. He now acts as the Principal of the Manufacturing Center in the Company. He ever served as the GM of Wuxi Little Swan General Appliance Co., Ltd. and GM of the Drum Washing Machine Company in the Company.

Post-holding in shareholders' units

Applicable Inapplicable

| Name of the person holding any post in any | Name of the shareholder unit | Position in the shareholder unit | Beginning date of office term | Ending date of office term | Receives payment from the shareholder unit |
|--|------------------------------|----------------------------------|-------------------------------|----------------------------|--|
| | | | | | |

| shareholder unit | | | | | |
|--|----------------------------|---|---------------|--------------|-----|
| Fang Hongbo | GD Midea Holding Co., Ltd. | Chairman of the Board | 25 Aug. 2012 | 24 Aug. 2015 | |
| Fang Hongbo | GD Midea Holding Co., Ltd. | Chairman of the Board and President | 1 Apr. 2010 | 1 Apr. 2013 | Yes |
| Li Feide | Midea Group Co., Ltd. | Chief of the Strategy & Operation Department and Secretary to the Board | 25 Aug. 2012 | 24 Aug. 2015 | |
| Li Feide | GD Midea Holding Co., Ltd. | Director | 1 Apr. 2010 | 1 Apr. 2013 | Yes |
| Xiao Mingguang | GD Midea Holding Co., Ltd. | Director | 10 Sept. 2012 | 1 Apr. 2013 | Yes |
| Notes to post-holding in shareholders' units | Naught | | | | |

Post-holding in other units

Applicable Inapplicable

| Name of the person holding any post in other units | Name of other unit | Position in other unit | Beginning date of office term | Ending date of office term | Receives payment from other unit |
|--|---|--|-------------------------------|----------------------------|----------------------------------|
| Zhao Shuming | School of Business of Nanjing University | Honorary Dean, Professor and Ph.D. Candidate Tutor | 1 Oct. 1991 | | Yes |
| Yu Lihui | School of Business of East China University of Science and Technology | Associate professor | 1 Jul. 1991 | | Yes |
| Notes to post-holding in other units | Naught | | | | |

III. Remuneration for directors, supervisors and senior management staffs

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management staffs

(1) Decision-making procedure for the remuneration of directors, supervisors and senior management staffs: The remuneration of directors, supervisors and senior management receiving remuneration from the Company is decided after the approval of the Board of Directors.

(2) Determining basis for the remuneration of directors, supervisors and senior management staffs: The remuneration of directors, supervisors and senior management receiving remuneration from the Company consist of the basic annual salary and performance annual salary. The basic annual salary is decided according to the

duties, risks, pressure and other factors born by the directors, supervisors and senior management, and it stays unchanged; while the performance annual salary is linked with the profit completion rate and the appraisal results of target responsibility system of the Company. The remuneration system of the directors, supervisors and senior management of the Company serves for its operating strategy, which is adjusted according to the changes of operation situation of the Company so as to adapt to the needs of the further development of the Company. The adjustment basis for the remuneration of directors, supervisors and senior management of the Company is as follows: (1) the increase level of remuneration in the same industry; (2) the inflation level; (3) the earnings of the Company; (4) the adjustment of organization structure; (5) individual adjustment on positions. The allowance for independent directors approved by the Board of Directors is RMB 80,000 per year, and the expenses occurred to execute their responsibilities are born by the Company.

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

Remuneration of the directors, supervisors and senior management staffs of the Company during the reporting period

| Name | Position | Sex | Age | Tenure status | Total remuneration gained from the Company (Yuan) | Total remuneration gained from shareholder's unit Yuan) | Actual remuneration at the period-end |
|----------------|---------------------------------------|--------|-----|---------------|---|---|---------------------------------------|
| Fang Hongbo | Chairman of the Board | Male | 45 | Current | | 4,796,220.90 | 4,796,220.90 |
| Chai Xinjian | Director , General Manager | Male | 49 | Current | 2,050,000.00 | | 2,050,000.00 |
| Li Feide | Director | Male | 35 | Current | | 850,692.00 | 850,692.00 |
| Xiao Mingguang | Director | Male | 42 | Current | | 1,345,633.90 | 1,345,633.90 |
| Zhang Zhaofeng | Director, CFO | Male | 37 | Current | 66,667.34 | 1,051,658.60 | 1,118,325.94 |
| Zhou Sixiu | Director, Secretary to the Board | Female | 39 | Current | 350,050.04 | | 350,050.04 |
| Zhao Shuming | Independent director | Male | 60 | Current | 80,000.00 | | 80,000.00 |
| Ye Yongfu | Independent director | Male | 65 | Current | 80,000.00 | | 80,000.00 |
| Yu Lihui | Independent director | Female | 47 | Current | 80,000.00 | | 80,000.00 |
| Jiang Huafang | Chairman of the Supervisory Committee | Male | 36 | Current | 498,864.00 | | 498,864.00 |
| Yang Xiaowen | Supervisor | Male | 46 | Current | 548,150.00 | | 548,150.00 |
| Ye Dexin | Staff representative supervisor | Male | 40 | Current | 521,100.03 | | 521,100.03 |
| Hu Ziqiang | Deputy GM | Male | 55 | Current | 1,573,971.00 | | 1,573,971.00 |

| | | | | | | | |
|--------------|---------------------------------|--------|----|---------|--------------|---------------|---------------|
| Yin Bitong | Deputy GM | Male | 44 | Current | 1,380,000.00 | | 1,380,000.00 |
| Fu Wei | Deputy GM | Male | 36 | Current | 1,193,996.00 | | 1,193,996.00 |
| Mao Zhiliang | Deputy GM | Male | 55 | Current | 875,007.34 | | 875,007.34 |
| Li Jianwei | Director | Male | 46 | Former | | 3,440,000.00 | 3,440,000.00 |
| Wu Ganping | Director | Male | 40 | Former | 20,000.00 | | 20,000.00 |
| Li Mingde | Staff representative supervisor | Male | 32 | Former | 303,272.33 | | 303,272.33 |
| Xiao Li | CFO | Female | 35 | Former | 150,050.03 | | 150,050.03 |
| Liu Jufeng | Director | Male | 34 | Former | 200,803.03 | | 200,803.03 |
| Total | -- | -- | -- | -- | 9,971,931.14 | 11,484,205.40 | 21,456,136.54 |

Particulars about the equity incentives awarded for the directors, supervisors and senior management of the Company

Applicable Inapplicable

IV. Changes in engagement and dismissal of Directors, Supervisors and Senior Management Staffs within the reporting period

| Name | Position | Type | Date | Reason |
|----------------|---------------------------------|--------------------|--------------|---|
| Liu Jufeng | Director | Leaving the office | 2 Nov. 2012 | Job changes |
| Xiao Li | CFO | Leaving the office | 2 Nov. 2012 | Job changes |
| Zhang Zhaofeng | Supervisor | Leaving the office | 2 Nov. 2012 | Job changes |
| Li Jianwei | Director | Leaving the office | 21 Aug. 2012 | Leave the office upon the expiry of office term |
| Wu Ganping | Director | Leaving the office | 21 Aug. 2012 | Leave the office upon the expiry of office term |
| Li Mingde | Staff representative supervisor | Leaving the office | 21 Aug. 2012 | Leave the office upon the expiry of office term |

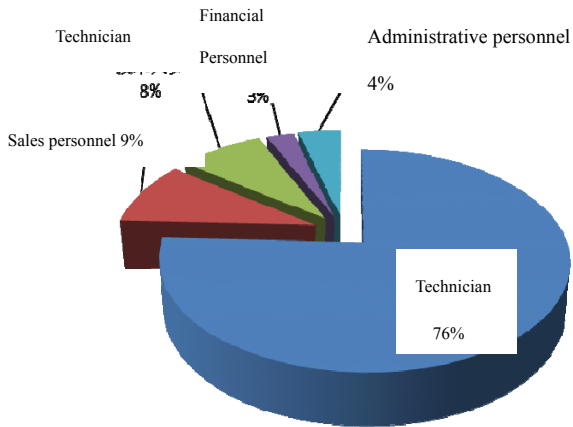
V. Particulars about changes in core technical team or key technicians during the reporting period (not directors, supervisors or senior management)

There were no changes in core technical team or key technicians (not directors, supervisors or senior management) and other persons who have significant influence on the Company's core competitiveness during the reporting period, which has no influence on the Company's operation.

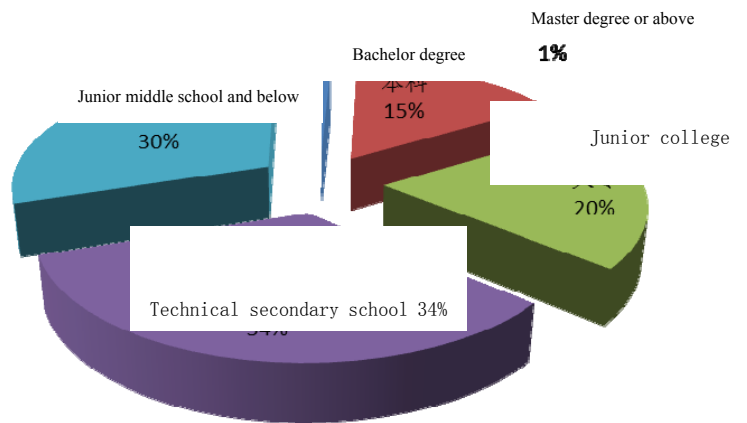
VI. About employees

As to 31 Dec. 2012, there were 8747 employees-in-service in the Company, and 454 retired workers need to undertake their relevant expenses, its composition is listed as follows:

Picture 1: Composition of profession



Picture 2: Composition of education



Employee’s remuneration policy and training plan

- (1) Employee’s remuneration policy: It will adopt irregular work system and integrated working hours for employee’s remuneration according to the nature and content of the positions, and sign the collective wage contract by collective wage consultation system.
- (2) Employee’s training: It will decide the training content for employees from different levels and groups according to the post qualification, and promote the training of entire staff, so as to build a learning organization.

VIII. Corporate Governance

I. Basic information of corporate governance

The Company continuously perfected its corporate governance, set up modern enterprise system and standardized its operation strictly in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law and Administrative Rule for Listed Companies issued by CSRC.

In the reporting period:

- (1) The Company overall revised and supplemented the Registration System for Information Insiders, further standardized and strengthened the management work on the inside information of the Company; besides, it carried out the publicity activities on preventing inside trading, so as to increase the prevention awareness of directors, supervisors and senior management on inside trading.
- (2) The Company promulgated Internal Control Management System for Entrusted Financial Management to standardize the management on the entrusted financial management business of the Company and its subsidiaries, so as to effectively control the risks, increase investment income and protect the interest of the Company and its shareholders;
- (3) The Company revised relevant provisions on profit distribution in the Articles of Association, clearly defined the profit distribution policy, profit distribution decision-making procedure, implementation and changes of profit distribution policy, etc., further defined the distributing condition and proportion for cash dividends.
- (4) The Company promulgated the Regulations on Solicitation of Voting Rights, stimulated the shareholders to actively join in the Company's management, and improved the corporate governance structure, and further protected the interest of shareholders especially the minority shareholders.
- (5) The Company established the Nomination Committee and promulgated the Regulations for the Nomination Committee, standardized the nomination and engagement of members of the Board and senior management;
- (6) The Company promulgated the Work Plan on Implementation of the Internal Control Rules for 2012, based on the trial implementation of internal control rules in 2011, it further improved its work on standardizing internal control in 2012 by including all the subsidiaries into the scope to implement internal control, and continued to engage agency to guide the Company to improve the internal control work;
- (7) The Company further standardized the operation of Board of Directors, Supervisory Board and Shareholders' General Meeting, increasing the training and popularization for directors, supervisors and senior management about relevant laws and rules of securities, so as to enhance their awareness and responsibility of protecting the interest of the Company and shareholders.

Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

Yes No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

Progress of corporate governance activities, promulgation and implementation of Registration System for Information Insiders

During the year, the Company did well the confidential work for inside information in strict accordance with the newly revised Registration System for Information Insiders of Wuxi Little Swan Company Limited (published on <http://www.cninfo.com.cn> dated 2 Mar. 2012) and Regulations of CSRC for Listed Companies on Establishing Registration System for Information Insiders as well as other relevant regulations, and did well the registration

work for information insiders. Upon self-examination, no information insider was found to manipulate insider information for trading the Company's shares before the Company disclosed significant and sensitive information that might affect its share price. And the Company received no monitoring & inspection measures or administrative punishments from regulators due to its execution of the Information Insider Registration Mechanism or insider trading. During the reporting period, directors, supervisors and senior management of the Company were not involved in any illegal trading of the Company's shares.

II. Particulars about annual shareholders' general meeting and special shareholders' general meeting held during the reporting period

1. Particulars about annual shareholders' general meeting held during the reporting period

| Session | Convening date | Name of proposal | Resolution | Disclosure date | Disclosure index |
|---|----------------|---|---|-----------------|---|
| 2011 Annual Shareholders' General Meeting | 19 Apr. 2012 | 1. Annual Financial Statement Report 2011; 2. Annual Profit Distribution Plan 2011; 3. Annual Work Report of the Board 2011; 4. Annual Work Report of the Supervisory Board 2011; 5. Annual Report and Its Abstract 2011; 6. Proposal on Engaging the Audit Firm for the 2012 Annual Financial Report; 7. Proposal on Engaging the Audit Firm for the 2012 Annual Internal Control; 8. Proposal on Prediction of the Line of Routine Related Transaction of the Company for 2012; 9. Proposal on the Company's Applying for Bank Loan Line of Credit and Offering Accumulative Guarantee Amount for the Subsidies; 10. Proposal on Opening Forward Exchange Transactions for 2012 | All the proposals are approved at the session | 20 Apr. 2012 | Announcement on Resolutions Made at the 2011 Annual Shareholders' General Meeting (Announcement No.: 2012-15) was published on www.cninfo.com.cn |

2. Particulars about special shareholders' general meeting held during the reporting period

| Session | Convening date | Name of proposal | Resolution | Disclosure date | Disclosure index |
|---|----------------|---|---|-----------------|--|
| The First Special Shareholders' General Meeting for 2012 | 21 Aug. 2012 | 1. Proposal on Revising the Articles of Association; 2. Proposal on Re-election of the Board of Directors; 3. Proposal on Re-election of the Supervisory Committee | All the proposals are approved at the session | 22 Aug. 2012 | Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2012 (Announcement No.: 2012-23) was published on www.cninfo.com.cn |
| The Second Special Shareholders' General Meeting for 2012 | 20 Nov. 2012 | 1. Proposal on Additionally Electing Supervisors of the Company; 2. Proposal on Additionally Electing Directors of the Company; 3. Proposal on Opening Forward Exchange Transactions for 2013 | All the proposals are approved at the session | 21 Nov. 2012 | Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2012 (Announcement No.: 2012-36) was published on www.cninfo.com.cn |

III. Performance of the Independent Directors

1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

| Particulars about the independent directors attending the board sessions | | | | | | |
|--|----------------------|----------------------------|---------------------------------------|----------------------------|-----------------|--|
| Name of independent directors | Due presence (times) | Presence in person (times) | Presence by telecommunication (times) | Entrusted presence (times) | Absence (times) | Failing to present in person for two consecutive sessions or not |
| Zhao Shuming | 7 | 1 | 5 | 1 | 0 | No |
| Ye Yongfu | 7 | 2 | 4 | 1 | 0 | No |
| Yu Lihui | 7 | 2 | 5 | 0 | 0 | No |
| Presence of independent directors in shareholders' general meeting (times) | 3 | | | | | |

Explanation on failing to present in person for two consecutive sessions

Naught

2. Particulars about independent directors propose objection on relevant events

Whether independent directors propose objection on relevant events or not?

Yes No

The independent directors didn't propose objection on relevant events during the reporting period.

IV. Performance of the Special Committees under the Board during the reporting period

During the reporting period, the performance of the Special Committees under the Board was as follows:

1. The Audit Committee under the Board convened two sessions, at which reviewed and approved the Annual Financial Statement Report 2011, Annual Report and Its Abstract 2011, Summary Report of the Audit Committee on the 2011 Annual Audit Work, Proposal on Engaging the Audit Firm for the 2012 Annual Financial Report, Proposal on Engaging the Audit Firm for the 2012 Annual Internal Control and 2012 Semi-annual Report and Its Abstract;
2. The Remuneration and Appraisal Committee under the Board convened one session, at which reviewed and approved the Proposal on Paying the 2011 Annual Remuneration to the Senior Management;
3. The Nomination Committee under the Board convened one session, at which reviewed and approved the Proposal on Additionally Electing the Directors of the Company and Proposal on Engaging the CFO of the Company.

V. Performance of the Supervisory Committee

Whether the Supervisory Committee finds the Company existing risks or not in the supervisory activities during the reporting period?

Yes No

The Supervisory Committee has no objection on the supervised events during the reporting period

VI. Particulars about the Company's "five-separation" from the controlling shareholder in

respect of business, personnel, assets, organization and financing

The Company totally kept separation from the controlling shareholder in respect of business, personnel, assets, organization and financing that it owned an independent and complete business as well as self-operation capability.

1. In respect of business, the Company owned independent and integrated system of R&D, purchasing, production and sales. Main business of the Company is washing machine that there isn't any horizontal competition between the Company and the controlling shareholder. The Company was completely separated from the controlling shareholder in business.
2. In respect of personnel, in terms of labor, personnel and salary management, the Company and the controlling shareholder were independent each other, there existed no mixed operation and management between the Company and the controlling shareholder. Such senior management staff as General Manager, Deputy General Managers, CFO and Secretary to the Board did not take any post other than Director in Shareholding Companies respectively.
3. In respect of assets, the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder.
4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.
5. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

VII. Particulars on horizontal competition

The Company didn't exist any horizontal competition with its controlling shareholder and actual controller.

VIII. Performance appraisal and incentive system for senior management staffs

The selection, appraisal and incentive system of the senior management staff of the Company were implemented according to relevant regulations of the Company Law and the Articles of Association of the Company. The Company established comprehensive management system based on KPI, continued to implement the annual compensation system closely linked with the Company's operating achievements, which was decided by the Board of Directors, and it has effectively strengthened the sense of responsibility and improved work enthusiasm of the whole senior management staffs.

IX. Internal Control

I. Construction of internal control of the Company

Strictly in line with laws and regulations stipulated in Company Law, Securities Law as well as Corporate Governance Principle for Listed Company promulgated by CSRC, the Company standardized corporate operation, continuing established and perfected corporate governance, drafted relevant internal control system, enforced and improved internal control work, made prevention to control company risk and safeguarded lawful rights and interests of the Company and shareholders.

1. General construction of internal control system

According to regulations of Company Law, Articles of Association and relevant laws, the Company set up relatively completed frame system of organizational control, established rules for procedure for the Board of Directors, Supervisory Board and Shareholders' General Meeting and corporate governance. The Board of the Company worked out proposals of Shareholders' General Meeting, shouldered significant decisions of the Company and was responsible for Shareholders' General Meeting. The Company installed general manager pursuant to the law, presided daily production, operation and management of the Company, gathered and formulated proposals of the Board as well as responsible for the Board. Supervisory Board was supervision union of the Company, which was responsible for supervision of behavior of directors, general manager and finance of the Company. The Board divided into strategic committee, remuneration and evaluation committee, and audit committee and nomination committee. The strategic committee, remuneration and evaluation committee, and audit committee formed a system of internal control as they accounted for separate responsibility, cooperated with each other while restricted each other at the same time.

According to requirements stipulated in Company Law, Securities Law and relevant laws and regulations of CSRC etc., the Company established and perfected Articles of Association, Rules of Procedure for Shareholders' General Meeting, Rules of Procedure for Supervisory Board, System of Independent Director, Management System of Investor Relations, Management System of Information Disclosure, Internal Reporting System of Significant Information etc., standardized and perfected corporate governance of the Company.

2. Major work implemented for the establishment and perfection of internal control in 2012

In the reporting period, the Company conducted standardized work of internal control in an overall way in accordance with Standards for Enterprises Internal Control. On the 16th Session of the 6th Board of the Company, reviewed and approved the Working Plan Concerning Implementing the Standardized Work of Internal Control of the Company in 2012. According to the work plan, the Company engaged professional institution to be consultant for the compliant project on internal control. Basing on the trial implementation in 2011, the Company included key subsidiaries into the scope of internal control, completed compliant project plan of internal control, evaluation of internal control design and amendment of flaw etc., drafted evaluation report of internal control. Through the implementation of standardized work of internal control, the Company made rectification and improvement in aspects of optimizing procedure, accomplishing system, adjustment of personnel, improvement of method and so on, reinforced management requirements on target business and high risk areas, which providing an effective support for the healthy and sustainable development of the Company.

Besides, the Company also engaged Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. to carry out independent audit toward the effectiveness of internal control of the Company in 2012.

II. Announcement from the Board to the responsibility of internal control

It is the responsibility of the Board of the Company to establish, to perfect as well as to effective conduct internal control. Since the implement of internal control, framework of internal control is more perfect, system of internal control is more proper and adapting to changes in operation and development of the Company. The internal control system is running well and the risk of operation is in control.

The Board of the Company and all directors guaranteed that the Self-appraise Report of Internal Control for 2011 does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the truth, accuracy and completeness of the contents of this report.

III. Basis on establishing the internal control for financial report

The internal control for financial report is decided according to the Basic Rules for Enterprise Internal Control and Supporting Guidelines for Enterprise Internal Control jointly issued by the five ministries of PRC, such as the Ministry of Finance.

IV. Self-appraisal report on internal control

| | |
|---|--|
| Particulars about significant deficits of internal control found during the reporting period in the self-appraisal report on internal control | |
| In accordance with the recognition standards for the deficits of internal control, it doesn't find any significant deficits during the process of appraising internal control relevant to the financial report. | |
| Disclosure date of the Self-appraisal Report on Internal Control | 6 Mar. 2013 |
| Disclosure index of the Self-appraisal Report on Internal Control | For details about the Self-appraisal Report on the 2012 Annual Internal Control, please refer to www.cninfo.com.cn , which is the information disclosure website designated by Shenzhen Stock Exchange. |

V. Audit report on internal control

Applicable Inapplicable

| | |
|--|---|
| Audit opinion paragraphs in the Audit Report on Internal Control | |
| The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on 31 Dec. 2012 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations. | |
| Disclosure date of the Audit Report on Internal Control | 6 Mar. 2013 |
| Disclosure index of the Audit Report on Internal Control | For details about the Audit Report on 2012 Annual Internal Control, please refer to www.cninfo.com.cn , which is the information disclosure website designated by Shenzhen Stock Exchange. |

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

Yes No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

Yes No

VI. Establishment and execution of rules of accountability for significant mistakes in annual report information disclosure

The Company already formulated Rules of Accountability for Significant Mistakes in Annual Report Information Disclosure in Chapter XI., Section I of Management System for Information Disclosure. In the reporting period, there isn't any amendment of significant accounting false, complement of significant information omit or adjustment in prediction of performance etc..

X. Financial Report

Note I Audit Report

| | |
|----------------------------|---|
| Types of auditing opinion | qualified opinion without reservation |
| Signing date of the report | Mar4th, 2013 |
| Accountant firm | Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. |
| Number of the audit report | WCPA A [2013] NO.A080 |

TO THE SHAREHOLDERS OF WUXI LITTLE SWAN COMPANY LIMITED,

We have audited the accompanying consolidated financial statements of Wuxi Little Swan Company (the “Company”) which comprise the Balance sheet as of December 31, 2012, and the Income statement, Statement of changes in equity and Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

1. Management’ s Responsibility for the Financial Statements

The management is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Accounting Standard for Business Enterprises and China Accounting System for Business Enterprises. These responsibilities include: (i)designing , implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (ii)selecting and applying appropriate accounting policies; (iii) and making accounting estimates that are reasonable in the circumstances.

2. Auditor’ s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

3. Audit opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Note II Financial Report

The monetary unit used in notes to the financial statements is yuan of rmb

1. CONSOLIDATED BALANCE SHEET

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012-12-31 | 2011-12-31 |
|--|------------------|------------------|
| Current Assets: | | |
| Monetary fund | 1,404,291,094.65 | 2,415,450,351.24 |
| Deposit reservation for balance | | |
| Lendings to banks and other financial institutions | | |
| Trading financial assets | 1,224,590.00 | 4,292,300.00 |
| Notes receivable | 2,262,814,443.87 | 2,757,923,958.94 |
| Accounts receivable | 722,198,904.66 | 929,389,061.45 |
| Prepayment | 97,188,434.21 | 250,051,980.25 |
| Insurance receivable | | |
| Reinsurance receivable | | |
| Provisions of Reinsurance contracts receivable | | |
| Interest receivable | | |
| Dividend receivable | | |
| Other Receivables | 16,984,517.49 | 15,548,447.50 |
| Repurchasing of financial assets | | |
| Inventory | 952,747,860.68 | 809,400,728.98 |
| Non-current assets due within 1 year | | |
| Other current assets | 1,201,171,819.72 | 112,052,669.26 |
| Subtotal of current assets | 6,658,621,665.28 | 7,294,109,497.62 |
| Non-current Assets | | |
| Loans and advance | | |
| Sellable financial asset | 286,944.00 | 284,592.00 |
| Expired investment in possess | | |
| Long-term receivables | | |
| Long-term equity investment | 5,695,850.80 | 5,838,851.75 |
| Investment real estate | 5,049,500.73 | 5,242,947.48 |

| | | |
|---|------------------|------------------|
| Fixed assets | 1,297,298,526.31 | 1,365,332,660.33 |
| Construction in progress | | |
| Construction materials | | |
| Disposal of fixed assets | | |
| Capitalized biological assets | | |
| Oil-gas assets | | |
| Intangible assets | 308,714,119.44 | 316,860,016.08 |
| Development expenditure | | |
| Good will | | |
| Long-term deferred expenses | 27,729,917.87 | 52,754,858.43 |
| Deferred tax assets | 100,308,918.86 | 104,762,053.25 |
| Other non-current assets | | |
| Subtotal of non-current assets | 1,745,083,778.01 | 1,851,075,979.32 |
| Total assets | 8,403,705,443.29 | 9,145,185,476.94 |
| Current Liabilities: | | |
| Short-term loans | | 6,961,486.36 |
| Loan from Central Bank | | |
| Deposit received and hold for others | | |
| Call loan received | | |
| Financial liabilities | | |
| Notes payable | 1,003,090,693.95 | 1,539,319,483.44 |
| Accounts payable | 2,129,979,583.30 | 2,815,488,171.38 |
| Advances from the customers | 804,441,642.84 | 485,754,049.80 |
| Selling of repurchased financial assets | | |
| Fees and commissions receivable | | |
| Employees' wage payable | 125,902,663.09 | 135,480,654.26 |
| Taxes payable | -3,821,048.41 | 1,463,883.21 |
| Interests payable | | |
| Dividends payable | 3,710,206.21 | 2,838,070.21 |
| Other payables | 71,726,352.37 | 165,405,271.16 |
| Reinsurance fee payable | | |
| Insurance contract provision | | |
| Entrusted trading of securities | | |
| Entrusted selling of securities | | |
| Non-current liabilities due within 1 year | | |
| Other current liabilities | | |
| Subtotal of current liabilities | 4,135,030,093.35 | 5,152,711,069.82 |
| Non-current Liabilities: | | |
| Long-term loans | | |
| Debentures payable | | |
| Long-term payables | | |
| Specific purpose account payable | 2,607,427.30 | |
| Contingent liabilities | 14,041,361.41 | 20,152,637.08 |
| Deferred tax liabilities | 211,685.10 | 671,488.80 |

| | | |
|---|------------------|------------------|
| Other non-current liabilities | 1,271,800.00 | 6,621,250.00 |
| Subtotal of non-current liabilities | 18,132,273.81 | 27,445,375.88 |
| Total liabilities | 4,153,162,367.16 | 5,180,156,445.70 |
| Shareholders' Equity | | |
| Share capital | 632,487,764.00 | 632,487,764.00 |
| Capital surplus | 1,129,409,313.71 | 1,096,157,314.51 |
| Less: Treasury Stock | | |
| Reserve fund | | |
| Surplus Reserves | 270,617,248.93 | 249,433,912.28 |
| General risk provision | | |
| Undistributed profit | 1,656,317,300.32 | 1,465,610,508.78 |
| Foreign exchange difference | -2,621,131.09 | -2,544,562.12 |
| Owners' equity attributable to parent company | 3,686,210,495.87 | 3,441,144,937.45 |
| Minority interest | 564,332,580.26 | 523,884,093.79 |
| Total shareholders' equity | 4,250,543,076.13 | 3,965,029,031.24 |
| Total liabilities & shareholders' equity | 8,403,705,443.29 | 9,145,185,476.94 |

Legal representative: Mr. Fang Hongbo Person in charge of accounting: Mr. Zhang Zhaofeng Accounting Department leader: Zhong Fangliu

2. PARENT COMPANY BALANCE SHEET

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012-12-31 | 2011-12-31 |
|--------------------------------------|------------------|------------------|
| Current Assets: | | |
| Monetary fund | 922,427,475.16 | 1,550,043,784.36 |
| Trading financial assets | 1,003,870.00 | 2,668,300.00 |
| Notes receivable | 1,630,477,941.72 | 1,764,588,946.47 |
| Accounts receivable | 315,755,445.34 | 707,158,935.38 |
| Prepayment | 56,491,157.88 | 338,046,007.02 |
| Interest receivable | | |
| Dividend receivable | | |
| Other Receivables | 14,097,542.06 | 11,930,349.24 |
| Inventory | 595,440,128.45 | 449,255,444.14 |
| Non-current assets due within 1 year | | |
| Other current assets | 510,244,753.07 | 75,984,449.98 |
| Subtotal of current assets | 4,045,938,313.68 | 4,899,676,216.59 |
| Non-current Assets | | |
| Sellable financial asset | 286,944.00 | 284,592.00 |
| Expired investment in possess | | |
| Long-term receivables | | |
| Long-term equity investment | 1,669,439,929.87 | 1,669,582,930.82 |
| Investment real estate | 5,049,500.73 | 5,242,947.48 |
| Fixed assets | 599,765,994.35 | 630,160,566.16 |

| | | |
|---|------------------|------------------|
| Construction in progress | | |
| Construction materials | | |
| Disposal of fixed assets | | |
| Capitalized biological assets | | |
| Oil-gas assets | | |
| Intangible assets | 106,918,898.60 | 109,720,754.23 |
| Development expenditure | | |
| Good will | | |
| Long-term deferred expenses | 26,516,523.53 | 46,948,131.13 |
| Deferred tax assets | 65,508,358.77 | 61,626,184.39 |
| Other non-current assets | | |
| Subtotal of non-current assets | 2,473,486,149.85 | 2,523,566,106.21 |
| Total assets | 6,519,424,463.53 | 7,423,242,322.80 |
| Current Liabilities: | | |
| Short-term loans | | |
| Financial liabilities | | |
| Notes payable | 557,839,790.34 | 1,046,275,176.33 |
| Accounts payable | 1,340,509,488.90 | 1,923,823,612.54 |
| Advances from the customers | 540,385,145.87 | 385,922,579.96 |
| Employees' wage payable | 38,376,269.86 | 42,610,721.50 |
| Taxes payable | 15,517,733.11 | 54,075,370.51 |
| Interests payable | | |
| Dividends payable | 3,710,206.21 | 2,838,070.21 |
| Other payables | 130,963,937.18 | 192,113,998.82 |
| Non-current liabilities due within 1 year | | |
| Other current liabilities | | |
| Subtotal of current liabilities | 2,627,302,571.47 | 3,647,659,529.87 |
| Non-current Liabilities: | | |
| Long-term loans | | |
| Debentures payable | | |
| Long-term payables | | |
| Specific purpose account payable | | |
| Contingent liabilities | | 1,199,402.08 |
| Deferred tax liabilities | 178,577.10 | 427,888.80 |
| Other non-current liabilities | 600,000.00 | 1,200,000.00 |
| Subtotal of non-current liabilities | 778,577.10 | 2,827,290.88 |
| Total liabilities | 2,628,081,148.57 | 3,650,486,820.75 |
| Shareholders' Equity | | |
| Share capital | 632,487,764.00 | 632,487,764.00 |
| Capital surplus | 1,291,461,368.94 | 1,258,209,369.74 |
| Less: Treasury Stock | | |
| Reserve fund | | |
| Surplus Reserves | 257,967,105.03 | 236,783,768.38 |
| General risk provision | | |

| | | |
|---|------------------|------------------|
| Undistributed profit | 1,709,427,076.99 | 1,645,274,599.93 |
| Foreign exchange difference | | |
| Owners' equity attributable to parent company | 3,891,343,314.96 | 3,772,755,502.05 |
| Minority interest | | |
| Total shareholders' equity | 3,891,343,314.96 | 3,772,755,502.05 |
| Total liabilities & shareholders' equity | 6,519,424,463.53 | 7,423,242,322.80 |

Legal representative: Mr. Fang Hongbo Person in charge of accounting: Mr. Zhang Zhaofeng Accounting Department leader: Zhong Fangliu

3. CONSOLIDATED INCOME STATEMENT

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012 | 2011 |
|---|------------------|-------------------|
| I. Total Sales | 6,899,863,926.81 | 10,975,621,704.52 |
| Including: Sales | 6,899,863,926.81 | 10,975,621,704.52 |
| Interests income | | |
| Insurance fee earned | | |
| Premium charges and commission income | | |
| II. Total Cost | 6,547,962,736.57 | 10,456,237,668.38 |
| Including: Cost of goods sold | 5,339,914,557.98 | 9,153,133,555.97 |
| Interests expenses | | |
| Handling charges and commission expenses | | |
| Insurance discharge payment | | |
| Net claim amount paid | | |
| Net insurance policy reserves provided | | |
| Insurance policy dividend paid | | |
| Reinsurance expenses | | |
| Taxes and associate charges | 30,481,840.17 | 22,435,896.13 |
| Selling and distribution expenses | 840,560,482.53 | 894,035,414.82 |
| Administrative expenses | 331,386,860.96 | 373,315,207.86 |
| Financial expenses | -3,052,363.24 | -1,018,277.92 |
| Impairment loss | 8,671,358.17 | 14,335,871.52 |
| Add: gain/(loss) from change in fair value ("-" means loss) | -3,067,710.00 | -3,486,333.32 |
| Investment income ("-" means loss) | 55,622,690.40 | 77,371,574.28 |
| Including: income from investment on affiliated enterprise and joint enterprise | -143,000.95 | -298,934.03 |
| Foreign exchange difference ("-" means loss) | | |
| III. Business profit ("-" means loss) | 404,456,170.64 | 593,269,277.10 |
| Plus: non-operation income | 52,003,988.56 | 97,259,519.24 |
| Less: non-operation expense | 10,888,538.79 | 20,155,696.08 |
| Including: loss from non-current asset disposal | 5,461,998.05 | 8,207,434.68 |
| IV. Total profit ("-" means loss) | 445,571,620.41 | 670,373,100.26 |
| Less: Tax expense | 66,735,452.95 | 131,808,348.70 |

| | | |
|--|----------------|----------------|
| V. Net profit (“-” means loss) | 378,836,167.46 | 538,564,751.56 |
| Attributable to parent company | 338,387,680.99 | 453,327,963.81 |
| Minority interest | 40,448,486.47 | 85,236,787.75 |
| VI. Earnings per share | | |
| (I) basic earnings per share | 0.54 | 0.72 |
| (II) diluted earnings per share | 0.54 | 0.72 |
| VII. Other misc. incomes | -74,569.77 | -1,630,603.53 |
| VIII. Total of misc. incomes | 378,761,597.69 | 536,934,148.03 |
| Attributable to owners of parent company | 338,313,111.22 | 451,697,360.28 |
| Minority interest | 40,448,486.47 | 85,236,787.75 |

Legal representative: Mr. Fang Hongbo Person in charge of accounting: Mr. Zhang Zhaofeng Accounting Department leader: Zhong Fangliu

4. PARENT COMPANY INCOME STATEMENT

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012 | 2011 |
|---|------------------|------------------|
| I. Total Sales | 4,472,527,414.69 | 6,854,882,051.89 |
| less: Cost of goods sold | 3,374,118,170.00 | 5,890,472,346.59 |
| Taxes and associate charges | 23,755,294.31 | 8,037,392.47 |
| Selling and distribution expenses | 608,958,098.56 | 512,846,788.60 |
| Administrative expenses | 207,303,445.99 | 207,670,588.92 |
| Financial expenses | -4,465,928.87 | -11,871,223.38 |
| Impairment loss | 78,550,923.12 | -55,746,896.41 |
| Add: gain/(loss) from change in fair value (“-” means loss) | -1,664,430.00 | 2,668,300.00 |
| Investment income (“-” means loss) | 42,078,035.42 | 105,563,654.64 |
| Including: income from investment on affiliated enterprise and joint enterprise | -143,000.95 | -298,934.03 |
| Foreign exchange difference (“-” means loss) | | |
| II. Business profit (“-” means loss) | 224,721,017.00 | 411,705,009.74 |
| Plus: non-operation income | 29,384,659.07 | 42,844,735.25 |
| Less: non-operation expense | 7,117,850.45 | 13,828,704.19 |
| Including: loss from non-current asset disposal | 2,425,340.62 | 3,553,005.36 |
| III. Total profit (“-” means loss) | 246,987,825.62 | 440,721,040.80 |
| Less: Tax expense | 35,154,459.11 | 75,278,052.45 |
| IV. Net profit (“-” means loss) | 211,833,366.51 | 365,442,988.35 |
| V. Earnings per share | | |
| (I) basic earnings per share | 0.33 | 0.58 |
| (II) diluted earnings per share | 0.33 | 0.58 |
| VI. Other misc. incomes | 1,999.20 | -23,990.40 |
| VII. Total of misc. incomes | 211,835,365.71 | 365,418,997.95 |

Legal representative: Mr. Fang Hongbo Person in charge of accounting: Mr. Zhang Zhaofeng Accounting Department leader: Zhong Fangliu

5. CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012 | 2011 |
|--|-------------------|-------------------|
| I. Cash flow from business operation | | |
| Cash received from sales of products and providing of services | 6,857,898,811.46 | 10,215,551,444.35 |
| Tax returned | 176,923,799.52 | 252,601,590.14 |
| Other cash received from business operation | 48,968,092.61 | 116,680,308.66 |
| Sub-total of cash inflow from business activities | 7,083,790,703.59 | 10,584,833,343.15 |
| Cash paid for purchasing of merchandise and services | 4,827,830,777.79 | 8,409,341,382.33 |
| Cash paid to staff or paid for staff | 515,778,563.34 | 550,374,769.21 |
| Taxes paid | 347,521,146.71 | 339,233,527.88 |
| Other cash paid for business activities | 1,047,902,517.60 | 1,043,352,354.66 |
| Sub-total of cash outflow from business activities | 6,739,033,005.44 | 10,342,302,034.08 |
| Net cash flow from business operation | 344,757,698.15 | 242,531,309.07 |
| II. Cash flow generated by investment | | |
| Cash received from investment retrieving | 10,539,392,774.02 | 127,200,000.00 |
| Cash received as investment gains | 7,124,030.24 | 32,363,941.40 |
| Net cash received from disposal of fixed assets, intangible assets, and other long-term assets | 8,960,865.26 | 20,230,813.20 |
| Net cash received from disposal of subsidiaries or other operational units | | 34,472,210.51 |
| Other investment-related cash received | | 1,579,033.10 |
| Sub-total of cash inflow due to investment activities | 10,555,477,669.52 | 215,845,998.21 |
| Cash paid for construction of fixed assets, intangible assets and other long-term assets | 91,407,867.77 | 215,268,857.20 |
| Cash paid as investment | 11,662,691,112.91 | |
| Net cash received from subsidiaries and other operational units | | |
| Other cash paid for investment activities | | |
| Sub-total of cash outflow due to investment activities | 11,754,098,980.68 | 215,268,857.20 |
| Net cash flow generated by investment | -1,198,621,311.16 | 577,141.01 |
| III. Cash flow generated by financing | | |
| Cash received as investment | | |
| Cash received as loans | | 83,597,256.84 |
| Other financing-related cash received | | |
| Sub-total of cash inflow from financing activities | | 83,597,256.84 |
| Cash to repay debts | 6,961,486.36 | 85,675,125.36 |
| Cash paid as dividend, profit, or interests | 125,625,417.23 | 78,793,860.79 |

| | | |
|---|------------------|------------------|
| Other cash paid for financing activities | | |
| Sub-total of cash outflow due to financing activities | 132,586,903.59 | 164,468,986.15 |
| Net cash flow generated by financing | -132,586,903.59 | -80,871,729.31 |
| IV. Influence of exchange rate alternation on cash and cash equivalents | -76,568.97 | -1,606,613.13 |
| V. Net increase of cash and cash equivalents | -986,527,085.57 | 160,630,107.64 |
| Plus: Balance of cash and cash equivalents at the beginning of term | 2,279,653,302.57 | 2,119,023,194.93 |
| VI. Balance of cash and cash equivalents at the end of term | 1,293,126,217.00 | 2,279,653,302.57 |

Legal representative: Mr. Fang Hongbo Person in charge of accounting: Mr. Zhang Zhaofeng Accounting Department leader: Zhong Fangliu

6. PARENT COMPANY STATEMENT OF CASH FLOWS

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Item | 2012 | 2011 |
|--|------------------|------------------|
| I. Cash flow from business operation | | |
| Cash received from sales of products and providing of services | 4,657,331,213.12 | 5,186,177,716.98 |
| Tax returned | 34,588,385.08 | 163,013,824.31 |
| Other cash received from business operation | 24,755,557.75 | 43,914,713.92 |
| Sub-total of cash inflow from business activities | 4,716,675,155.95 | 5,393,106,255.21 |
| Cash paid for purchasing of merchandise and services | 3,430,866,856.14 | 4,396,502,795.26 |
| Cash paid to staff or paid for staff | 287,402,832.30 | 289,916,717.81 |
| Taxes paid | 267,304,047.74 | 184,654,545.34 |
| Other cash paid for business activities | 760,878,755.82 | 565,901,960.48 |
| Sub-total of cash outflow from business activities | 4,746,452,492.00 | 5,436,976,018.89 |
| Net cash flow from business operation | -29,777,336.05 | -43,869,763.68 |
| II. Cash flow generated by investment | | |
| Cash received from investment retrieving | 7,891,747,719.04 | 127,200,000.00 |
| Cash received as investment gains | 4,654,930.24 | 55,635,551.40 |
| Net cash received from disposal of fixed assets, intangible assets, and other long-term assets | 6,463,250.69 | 18,215,403.07 |
| Net cash received from disposal of subsidiaries or other operational units | | 75,000,000.00 |
| Other investment-related cash received | | |
| Sub-total of cash inflow due to investment activities | 7,902,865,899.97 | 276,050,954.47 |
| Cash paid for construction of fixed assets, intangible assets and other long-term assets | 27,553,240.00 | -19,471,447.52 |
| Cash paid as investment | 8,344,181,612.91 | |
| Net cash received from subsidiaries and other operational units | | 200,000,000.00 |

| | | |
|---|------------------|------------------|
| Other cash paid for investment activities | | |
| Sub-total of cash outflow due to investment activities | 8,371,734,852.91 | 180,528,552.48 |
| Net cash flow generated by investment | -468,868,952.94 | 95,522,401.99 |
| III. Cash flow generated by financing | | |
| Cash received as investment | | |
| Cash received as loans | | 76,635,770.48 |
| Other financing-related cash received | | |
| Sub-total of cash inflow from financing activities | | 76,635,770.48 |
| Cash to repay debts | | 85,675,125.36 |
| Cash paid as dividend, profit, or interests | 125,625,417.23 | 63,079,860.79 |
| Other cash paid for financing activities | | |
| Sub-total of cash outflow due to financing activities | 125,625,417.23 | 148,754,986.15 |
| Net cash flow generated by financing | -125,625,417.23 | -72,119,215.67 |
| IV. Influence of exchange rate alternation on cash and cash equivalents | | |
| V. Net increase of cash and cash equivalents | -624,271,706.22 | -20,466,577.36 |
| Plus: Balance of cash and cash equivalents at the beginning of term | 1,472,529,354.18 | 1,492,995,931.54 |
| VI. Balance of cash and cash equivalents at the end of term | 848,257,647.96 | 1,472,529,354.18 |

Legal

Person in charge

Accounting

representative: Mr. Fang Hongbo

of accounting: Mr. Zhang Zhaofeng

Department leader: Zhong Fangliu

7. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| Items | Year 2012 | | | | | | | | | |
|---|---------------------------------------|------------------|----------------------|------------------|-----------------|-----------------------|----------------------|---------------|-----------------|----------------------------|
| | Equity attributable to parent company | | | | | | | | Minority equity | Total shareholders' equity |
| | Capital paid in (or share capital) | Capital reserve | Less: Treasury stock | Special reserves | Surplus reserve | Common risk provision | Undistributed profit | Others | | |
| I. Balance at the end of last accounting period | 632,487,764.00 | 1,096,157,314.51 | | | 249,433,912.28 | | 1,465,610,508.78 | -2,544,562.12 | 523,884,093.79 | 3,965,029,031.24 |
| Add: 1. Changes of accounting policy | | | | | | | | | | |
| 2. Correction of errors in previous period | | | | | | | | | | |
| 3. Others | | | | | | | | | | |
| II. Balance at the beginning of current year | 632,487,764.00 | 1,096,157,314.51 | | | 249,433,912.28 | | 1,465,610,508.78 | -2,544,562.12 | 523,884,093.79 | 3,965,029,031.24 |
| III. Changed in the current year ("-"for decrease) | | 33,251,999.20 | | | 21,183,336.65 | | 190,706,791.54 | -76,568.97 | 40,448,486.47 | 285,514,044.89 |
| (I).Net profit | | | | | | | 338,387,680.99 | | 40,448,486.47 | 378,836,167.46 |
| (II).Other misc. income | | 1,999.20 | | | | | | -76,568.97 | | -74,569.77 |
| Subtotal of (I) and (II) | | 1,999.20 | | | | | 338,387,680.99 | -76,568.97 | 40,448,486.47 | 378,761,597.69 |
| (III). Capital contributed by the shareholders | | 33,250,000.00 | | | | | | | | 33,250,000.00 |
| 1.New increase of capital from shareholders in current year | | | | | | | | | | |
| 2.Amount of share payment accounted into shareholders' equity | | 33,250,000.00 | | | | | | | | 33,250,000.00 |
| 3. others | | | | | | | | | | |
| (IV). Profit distribution | | | | | 21,183,336.65 | | -147,680,889.45 | | | -126,497,552.80 |
| 1. Providing of surplus reserves | | | | | 21,183,336.65 | | -21,183,336.65 | | | |

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| | | | | | | | | | | |
|--|----------------|------------------|--|--|----------------|--|------------------|---------------|----------------|------------------|
| 2. Commonrisk provision | | | | | | | | | | |
| 3.Allotment to the owners (or shareholders) | | | | | | | -126,497,552.80 | | | -126,497,552.80 |
| 4. Others | | | | | | | | | | |
| (V)Internal transferring of owners' equity | | | | | | | | | | |
| 1. Capitalizing of capital reserves (or to capital shares) | | | | | | | | | | |
| 2.Capitalizing of surplus reserves (or to capital shares) | | | | | | | | | | |
| 3. Surplus reserve make up losses | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| (VI)Special reserves | | | | | | | | | | |
| 1.Provided this year | | | | | | | | | | |
| 2.Used this year | | | | | | | | | | |
| (VII)Others | | | | | | | | | | |
| IV.Balance at the end of this term | 632,487,764.00 | 1,129,409,313.71 | | | 270,617,248.93 | | 1,656,317,300.32 | -2,621,131.09 | 564,332,580.26 | 4,250,543,076.13 |

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Zhang Zhaofeng

Accounting Department leader:Zhong Fangliu

| Items | Year 2011 | | | | | | | | | |
|--|---------------------------------------|------------------|----------------------|------------------|-----------------|-----------------------|----------------------|-------------|-----------------|----------------------------|
| | Equity attributable to parent company | | | | | | | | Minority equity | Total shareholders' equity |
| | Capital paid in (or share capital) | Capital reserve | Less: Treasury stock | Special reserves | Surplus reserve | Common risk provision | Undistributed profit | Others | | |
| I . Balance at the end of last accounting period | 632,487,764.00 | 1,099,965,927.10 | | | 212,889,613.44 | | 1,112,075,620.21 | -937,948.99 | 454,361,306.04 | 3,510,842,281.80 |
| Add: 1. Changes of accounting policy | | | | | | | | | | |

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| | | | | | | | | | | |
|---|----------------|------------------|--|--|----------------|--|------------------|---------------|----------------|------------------|
| 2. Correction of errors in previous period | | | | | | | | | | |
| 3.Others | | | | | | | | | | |
| II. Balance at the beginning of current year | 632,487,764.00 | 1,099,965,927.10 | | | 212,889,613.44 | | 1,112,075,620.21 | -937,948.99 | 454,361,306.04 | 3,510,842,281.80 |
| III. Changed in the current year ("-"for decrease) | | -3,808,612.59 | | | 36,544,298.84 | | 353,534,888.57 | -1,606,613.13 | 69,522,787.75 | 454,186,749.44 |
| (I).Net profit | | | | | | | 453,327,963.81 | | 85,236,787.75 | 538,564,751.56 |
| (II).Other misc. income | | -23,990.40 | | | | | | -1,606,613.13 | | -1,630,603.53 |
| Subtotal of (I) and (II) | | -23,990.40 | | | | | 453,327,963.81 | -1,606,613.13 | 85,236,787.75 | 536,934,148.03 |
| (III). Capital contributed by the shareholders | | -3,784,622.19 | | | | | | | -15,714,000.00 | -19,498,622.19 |
| 1.New increase of capital from shareholders in current year | | | | | | | | | | |
| 2.Amount of share payment accounted into shareholders' equity | | | | | | | | | | |
| 3. others | | -3,784,622.19 | | | | | | | -15,714,000.00 | -19,498,622.19 |
| (IV). Profit distribution | | | | | 36,544,298.84 | | -99,793,075.24 | | | -63,248,776.40 |
| 1.Providing of surplus reserves | | | | | 36,544,298.84 | | -36,544,298.84 | | | |
| 2. Common risk provision | | | | | | | | | | |
| 3.Allotment to the owners (or shareholders) | | | | | | | -63,248,776.40 | | | -63,248,776.40 |
| 4. Others | | | | | | | | | | |
| (V)Internal transferring of owners' equity | | | | | | | | | | |
| 1. Capitalizing of capital reserves (or to capital shares) | | | | | | | | | | |
| 2.Capitalizing of surplus reserves (or to capital shares) | | | | | | | | | | |
| 3. Surplus reserve make up losses | | | | | | | | | | |

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| | | | | | | | | | | |
|------------------------------------|----------------|------------------|--|--|----------------|--|------------------|---------------|----------------|------------------|
| 4. Others | | | | | | | | | | |
| (VI)Special reserves | | | | | | | | | | |
| 1.Provided this year | | | | | | | | | | |
| 2.Used this year | | | | | | | | | | |
| (VII)Others | | | | | | | | | | |
| IV.Balance at the end of this term | 632,487,764.00 | 1,096,157,314.51 | | | 249,433,912.28 | | 1,465,610,508.78 | -2,544,562.12 | 523,884,093.79 | 3,965,029,031.24 |

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Zhang Zhaofeng

Accounting Department leader:Zhong Fangliu

8. PARENT STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by:WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

| Items | Year 2012 | | | | | | |
|--|------------------------------------|------------------|----------------------|------------------|-----------------|----------------------|-------------------------------|
| | Capital paid in (or share capital) | Capital reserve | Less: Treasury stock | Special reserves | Surplus reserve | Undistributed profit | Total of shareholders' equity |
| I . Balance at the end of last accounting period | 632,487,764.00 | 1,258,209,369.74 | | | 236,783,768.38 | 1,645,274,599.93 | 3,772,755,502.05 |
| Add: 1. Changes of accounting policy | | | | | | | |
| 2. Correction of errors in previous period | | | | | | | |
| 3.Others | | | | | | | |
| II. Balance at the beginning of current year | 632,487,764.00 | 1,258,209,369.74 | | | 236,783,768.38 | 1,645,274,599.93 | 3,772,755,502.05 |
| III. Changed in the current year ("-"for decrease) | | 33,251,999.20 | | | 21,183,336.65 | 64,152,477.06 | 118,587,812.91 |
| (I).Net profit | | | | | | 211,833,366.51 | 211,833,366.51 |
| (II).Other misc. income | | 1,999.20 | | | | | 1,999.20 |

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| | | | | | | | |
|---|----------------|------------------|--|--|----------------|------------------|------------------|
| Subtotal of (I) and (II) | | 1,999.20 | | | | 211,833,366.51 | 211,835,365.71 |
| (III). Capital contributed by the shareholders | | 33,250,000.00 | | | | | 33,250,000.00 |
| 1.New increase of capital from shareholders in current year | | | | | | | |
| 2.Amount of share payment accounted into shareholders' equity | | 33,250,000.00 | | | | | 33,250,000.00 |
| 3. others | | | | | | | |
| (IV). Profit distribution | | | | | 21,183,336.65 | -147,680,889.45 | -126,497,552.80 |
| 1. Providing of surplus reserves | | | | | 21,183,336.65 | -21,183,336.65 | |
| 2. Common risk provision | | | | | | | |
| 3.Allotment to the owners (or shareholders) | | | | | | -126,497,552.80 | -126,497,552.80 |
| 4. Others | | | | | | | |
| (V)Internal transferring of owners' equity | | | | | | | |
| 1. Capitalizing of capital reserves (or to capital shares) | | | | | | | |
| 2.Capitalizing of surplus reserves (or to capital shares) | | | | | | | |
| 3. Surplus reserve make up losses | | | | | | | |
| 4. Others | | | | | | | |
| (VI)Special reserves | | | | | | | |
| 1.Provided this year | | | | | | | |
| 2.Used this year | | | | | | | |
| (VII)Others | | | | | | | |
| IV.Balance at the end of this term | 632,487,764.00 | 1,291,461,368.94 | | | 257,967,105.03 | 1,709,427,076.99 | 3,891,343,314.96 |

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Zhang Zhaofeng

Accounting Department leader:Zhong Fangliu

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| Items | Year 2011 | | | | | | |
|---|--|------------------|-------------------------|---------------------|-----------------|-------------------------|-------------------------------------|
| | Capital paid in (or share capital) | Capital reserve | Less: Treasury stock | Special reserves | Surplus reserve | Undistributed profit | Total of shareholders' equity |
| I . Balance at the end of last accounting period | 632,487,764.00 | 1,258,233,360.14 | | | 200,239,469.54 | 1,379,624,686.82 | 3,470,585,280.50 |
| Add: 1. Changes of accounting policy | | | | | | | |
| 2. Correction of errors in previous period | | | | | | | |
| 3.Others | | | | | | | |
| II. Balance at the beginning of current year | 632,487,764.00 | 1,258,233,360.14 | | | 200,239,469.54 | 1,379,624,686.82 | 3,470,585,280.50 |
| III. Changed in the current year ("- "for decrease) | | -23,990.40 | | | 36,544,298.84 | 265,649,913.11 | 302,170,221.55 |
| (I).Net profit | | | | | | 365,442,988.35 | 365,442,988.35 |
| (II).Other misc. income | | -23,990.40 | | | | | -23,990.40 |
| Subtotal of (I) and (II) | | -23,990.40 | | | | 365,442,988.35 | 365,418,997.95 |
| (III). Capital contributed by the shareholders | | | | | | | |
| 1.New increase of capital from shareholders in current year | | | | | | | |
| 2.Amount of share payment accounted into shareholders' equity | | | | | | | |
| 3. others | | | | | | | |
| (IV). Profit distribution | | | | | 36,544,298.84 | -99,793,075.24 | -63,248,776.40 |
| 1. Providing of surplusreserves | | | | | 36,544,298.84 | -36,544,298.84 | |
| 2. Common riskprovision | | | | | | | |
| 3.Allotment to the owners (or shareholders) | | | | | | -63,248,776.40 | -63,248,776.40 |
| 4. Others | | | | | | | |
| (V)Internal transferring of owners' equity | | | | | | | |

Notes to the Financial Statements Wuxi Little Swan Company Ltd. Year 2012

| | | | | | | | |
|--|----------------|------------------|--|--|----------------|------------------|------------------|
| 1. Capitalizing of capital reserves (or to capital shares) | | | | | | | |
| 2. Capitalizing of surplus reserves (or to capital shares) | | | | | | | |
| 3. Surplus reserve make up losses | | | | | | | |
| 4. Others | | | | | | | |
| (VI) Special reserves | | | | | | | |
| 1. Provided this year | | | | | | | |
| 2. Used this year | | | | | | | |
| (VII) Others | | | | | | | |
| IV. Balance at the end of this term | 632,487,764.00 | 1,258,209,369.74 | | | 236,783,768.38 | 1,645,274,599.93 | 3,772,755,502.05 |

Legal representative: Mr. Fang Hongbo

Person in charge of accounting: Mr. Zhang Zhaofeng

Accounting Department leader: Zhong Fangliu

Note III Corporate information

Wuxi Little Swan Company Ltd. (hereinafter referred to as “the Company”) was formerly a state-collectively-owned enterprises founded in 1958 in Jiangsu Province of the People’s Republic of China (the “PRC”). It was reorganized into a joint stock limited company in 1993 and registered in Wuxi, Jiangsu. The company and its subsidiaries are collectively referred to as the Group.

According to the fourth Session of the Sixth Board meeting and the first extraordinary general meeting of shareholders in 2010, having approved by China Securities Regulatory Commission (SFC license [2010] 1577), the company launched directional add-issuance of 84,832,004 A shares to buy 69.47% of the shares of Hefei Royalstar Washing Machine Manufacture Co., Ltd. from its shareholder Midea Electric Appliances Co., Ltd. Par value per share is RMB 1, and the issue price is RMB8.63 per share. This add-issuance increased the company’s share capital by RMB 84,832,004.

As of December 31st of 2012, registered capital of the company is CNY 632,487,764, among which the restricted exchange-traded A shares are 221,151,735 shares, accounting for 34.96% of the whole shares; the unrestricted exchange-traded A shares are 2,203,00,157 shares, accounting for 34.83% ; the restricted exchange-traded B shares are 30,851,714 shares, accounting for 4.88%; and the unrestricted exchange-traded B shares are 160,184,158 shares, accounting for 25.33% of the whole shares.

1. Company profile

Registered Address: No. 18 Changjiang South Road, National High-tech Industrial Development Zone, Wuxi

Office Address: No. 18, Changjiang South Road, Wuxi, Jiangsu Province

Form of Business Organization: Share-holding Company

2. Operations and business scope of the Company

Business scope: manufacture and sales of household appliances and accessories, fittings and industrial ceramic. Export business of “Little Swan” products and technologies; import and export business of raw and accessory materials, mechanical equipment and technologies necessary for operation and production; development of foreign joint venture and cooperative production and business that “process raw materials on clients’ demands, assemble parts for the clients and process according to the clients’ samples; or engages in compensation trade”. Technical service for household appliances; contracting foreign engineering in mechanical industry and domestic engineering in international bidding; export of equipment and materials necessary for the said foreign engineering; dispatching the labors necessary for the said foreign engineering to overseas.

3. Name of the parent company

Parent company: GD MIDEA HOLDING CO.,LTD.

Ultimate controller: Mr. He Xiangjian

4. Authorization and date of issuing the financial statements

The financial statements were approved and authorized for issue by the board of directors on the date of March 6th, 2013.

Note IV Summary of Main Accounting Policies and Accounting Estimate

1. Preparation basis of the financial statements

The company recognizes and measures transactions occurred according to Chinese Accounting Standards – Basic standard and other related accounting standards, prepares the financial statements based on accrual accounting and the underlying assumption of going concern.

2. Statement of compliance with Enterprise accounting standards

The financial statements of the company comply with the requirements of Accounting Standards; the company's financial position, operating results, cash flows and other relevant information are truly and completely disclosed in the financial statements.

3. Accounting period

The company's accounting year is from 1st January to 31st December for each calendar year.

4. Recording currency

The recording currency of the company is Renminbi

5. Accounting processing method of business combination under common control and not under common control

(1) The business combinations which are under common control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. However, the handling fees, commissions and other expenses for the issuance of equity securities or bonds for the business combination shall be recorded into the amount of initial measurement of the equity securities or the bonds.

(2) The business combinations which are not under common control

The acquirer shall recognize the initial cost of combination under the following principles:

a) The cost of a business combination which are not under common control is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

b) The acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; if the combination costs are less than the fair value of the identifiable net assets obtained from acquiree, the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities obtained from the acquiree as well as the combination costs; and then after the reexamination, the result is still the same, the difference shall be recorded in the profit and loss of the current period.

6. Preparation method of consolidated financial statements

(1) Determination of consolidation scope

The combination scope of the consolidated financial statement will be determined on the basis of the control.

The consolidated financial statements will be subject to the No. 33 Enterprise Accounting Standards –Consolidated Financial Statement that was issued in February 2006. In preparing the consolidated financial statements, all key accounts and transactions between the company and subcompanies, subcompanies and subcompanies will be offset. The net assets of merged subcompanies that are attributable to the minority of shareholder equities will be separately listed in the shareholder equities of consolidated financial statements.

In case the accounting policies and accounting periods of subcompanies differ from those of parent company, the financial statements of subcompanies will be adjusted.

7. Cash and cash equivalent

For the purposes of the cash flow statement, cash refers to all cash in hand and all deposits which are readily available for payment. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translations

All foreign currency transactions during the period have been translated in to RMB at the spot exchange rate of the transaction date. The foreign currency conversions and any transactions involved foreign currency conversions have been translated in to RMB at the actually used exchange rate during the transaction process.

On the balance sheet date, the company treats the foreign currency monetary items and foreign currency non-monetary items according to the following provisions:

(1)The foreign currency monetary assets and liabilities items have been translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalized as part of fixed assets' costs.

(2) A foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed; the foreign currency non-monetary items measured at their fair values have been translated at the spot exchange rate on the balance sheet date, the exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in changes in fair value gains and losses of the current period.

The asset and liability items in the balance sheet about the overseas businesses of the company have been translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items have been translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statement have been translated at an exchange rate which is approximate to the spot exchange rate of the transaction date. The differences arising from the translation of foreign currency financial statements in compliance with the aforesaid items have been presented separately under the owner's equities of the balance sheets. Foreign currency cash flows and the cash flows of foreign subsidiaries have been translated at an exchange rate which is approximate to the spot exchange rate at the time when the cash flows incurred. The differences arising from fluctuations in exchange have been presented separately in the statement of cash flows.

9. Financial instruments

(1) Classification and measurement of financial assets and financial liabilities

Based on the investment purpose and economic essence, the company classifies the financial assets into the following four categories:

- a) transactional financial assets, which are measured at fair value with variations of fair value accounted into current income account;
- b) financial assets available for sale, which are measured at fair value with the variations accounted into shareholders' equity;
- c) account receivables measured at the post-amortization costs; and
- d) held-to-maturity investments, which are also measured at the costs.

The company has divided its financial liabilities into one category measured at fair value with variations accounted into current profit and loss and another category measured at the post-amortization costs.

(2) Recognition of the fair value of financial assets and liabilities.

When there is an active market for the financial instrument, the quoted prices for the financial assets the company holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices for the financial assets the company plans to acquire or the financial liabilities it has assumed shall be the available charge.

When there isn't any active market, fair value will be recognized by evaluation techniques. Evaluation techniques include referencing to the prices adopted in latest voluntary transaction between parties with full understanding of the situation, referencing to the current

fair value of other substantially similar financial instruments and other evaluation techniques.

(3) Recognition and measurement of finance asset transferring

The term "transfer of a financial asset" refers to the company's (the transferor's) transferring or delivering a financial asset to a party other than the issuer of the financial asset (the transferee). Transfer of a financial asset could be the whole asset or part of it. It includes the following two cases:

- a) The company transfers the right to another party for receiving the cash flow of the financial asset; and;
- b) The company transfers the financial asset to another party, but maintains the right to receive the cash flow of the financial asset and undertakes the obligation to pay the cash flow it receives to the final recipient.

Where the company has transferred nearly all of the risks and rewards related to the ownership of the financial asset or part of this asset to the transferee, it shall stop recognizing the financial asset or part of this asset. The difference arising from the sum of consideration received from the transfer and the book value of this asset should be accounted into the profit and loss. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

(4) Impairment testing on financial assets, providing of impairment provision

At balance sheet date, the Company performs testing on the book value of financial assets other than those measured by fair value and changes accounted into current income account.

10. Accounts Receivable

(1) Individually significant accounts receivable on which the bad debt provisions are provided individually

| | |
|--|---|
| Standards of the individually significant accounts receivable | The accounts receivable whose individual amount accounts for over 10% (including 10%) of accounts receivable balance at the end of this period or amount of the individual account receivable which is greater than RMB 10 millions (and including 10 millions); Standards of the individually significant other receivable: the other receivable whose individual amount accounts for over 10% (including 10%) of other receivables balance at the end of this period or amount of the individual other receivable which is greater than RMB 5 millions (and including 5 millions). |
| Providing method for bad debt provisions of individually significant receivables | For the individually significant receivables, the impairment test is carried on individually; the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. |

(2) Accounts receivable on which the bad debt provisions are provided by combinations

| Combinations | Providing method for bad debt provisions of | Basis for recognition of Combination |
|--------------|---|--------------------------------------|
|--------------|---|--------------------------------------|

| | | |
|---|--|--|
| | accountants receivables by combinations | |
| Combination 1: Accountants receivable categorized according to their age | Aging methods | For the receivables which are not individually significant, as well as the individually tested receivables which the test has not recognize any impairment loss, the company categorizes them according to their age and provides the bad debt reserve for these receivables in different proportions to the closing balance of each category. |
| Combination 2 : Accounts receivables in the scope of combination statements | When the test has not recognize any impairment loss, the company does not provide bad debt provision for receivables of subsidiaries in the combination scope. | Accountant receivables of subsidiaries in the combination scope |

For combinations which bad debt provisions of accountant receivables are provided by aging method:

| Aging | Provision rate for Accounts Receivable (%) | Provision rate for Other Receivables (%) |
|----------------|--|--|
| Within 1 year | 5 | 5 |
| From 1-2 years | 10 | 10 |
| From 2-3 years | 20 | 20 |
| From 3-5 years | 60 | 60 |
| Over 5 years | 100 | 100 |

(3) Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually

| | |
|---|--|
| Reasons for providing the bad debt provisions individually for receivables which are not individually significant | The receivables are not individually significant, but are assessed at high risk level through credit risk combination. Confirmation of credit risk characteristics' combination: the receivables which are involved in pending lawsuits or dissolution of the debtor company, and the receivables with the age of over 3years (excluding the individually significant receivables). |
| Providing method for bad debt provisions | For the receivables which are not individually significant, but which are assessed at high risk level through credit risk combination, the impairment test is carried on individually, the company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. |

11. Inventories

(1) Categorizing of inventories

Inventories are those under the Company's possession for the purpose of selling, in the process of production, or materials and goods used in production process or providing of services, including materials purchased, raw materials, low-value consumables, products in process, semi-finished goods, stock merchandises (finished goods) and consigned goods.

(2) Pricing of delivering inventory

Inventories are measured at cost when procured, including purchase cost, processing cost, and other costs. Actual costs are recognized at weight average when delivered.

(3) Recognition of inventory realizable value and providing of impairment provision

On the balance sheet date, inventories are accounted depending on which is lower between the cost and the net realisable value. At overall verification of inventories at the end of year, when the net realisable value is lower than the cost, provisions for impairment of inventories shall be drawn. Provisions for impairment of inventories shall be accounted according to the difference between the cost of individual inventory items and the net realisable value. Including: for inventories such as finished products or materials which will be directly sold, in the normal operation, the realizable net value will be the balance of estimated selling price less sales expenses and relative taxations; for those inventories need further processing, in the normal operation, the realizable net value will be the balance of estimated sales price less costs to make it finished, less estimated sales expenses, and less relative taxation. At the balance sheet day, inventories with contract prices will be determined for realizable value separately from those without contract prices.

Where certain items of inventory have similar purposes or end uses and relate to the same product line produced and marketed in the same geographical area, and therefore cannot be practicably evaluated separately from other items in that product line, costs and net realisable values of those items may be determined on an aggregate basis. For large quantity and low value items of inventories, cost and net realisable value are determined based on categories of inventories.

(4) Inventory system

The Company uses perpetual inventory system. Inventories are checked periodically and the gains and losses from inventory checking are accounted into current gain/loss account.

(5) Amortizing of low-value consumables and packaging materials

Low-value consumables and packaging materials are amortized on on-off amortization basis at using.

12. Long-term share equity investment

(1) Recognition of initial investment costs

Investments of the Company in subsidiaries are valued at investment costs. For long-term share equity investment

formed by shareholding and merger please see Note II(V). Retrospective or retrieved investments are adjusted to the cost of long term equity investment.

For long-term equity investment of the Company with or without common control or major influence on the investee, and there is no quotation in an active market, and the fair value is not reliably measured, values are on initial investment costs.

(2) Subsequent measurement and recognition of gain/loss

The Company uses cost basis in subsequent measurement of investment in subsidiaries, and adjusted on equity basis when preparing the consolidated financial statement. Except for the announced cash dividend or profit included in the practical cost or price when the investment was made, the investment gains are recognized at the announced cash dividend or profit distribution.

Subsequent measurement of long-term equity investment in investees under common control or significant influence is on equity basis. When the initial investment cost is larger than the share of fair value of net asset, the initial cost of long-term equity investment shall not be adjusted. When the initial investment cost is lower than the share of fair value of net asset, the balance share be accounted into current gain/loss, and the long-term investment cost shall be adjusted meanwhile.

After obtaining of the long-term equity investment, the investment gain/loss is recognized according to the share of the net gain/loss realized by the invested company, and the book value of the long-term equity investment shall be adjusted accordingly. The share of profit distributions or cash dividends announced by the invested company is used to reduce the book value of the long-term equity investment.

If the Company has no common control or significant influence on the investee, also there is no quotation in an active market, and the fair value of the long-term investment is not able to be reliably measured, the subsequent measurement shall be on cost basis.

(3) Basis of recognizing common control and significant influence

Common control is the mutual control of investors over an economic action basing on a contract, only effective when it is agreed by all of the investors who have the share of control on the financial and business control power. When the investors hold common control over the investee, the investee is regarded as their affiliate.

Significant influences mean an entity has the power to participate in the decision making of another, but cannot dominate individually or jointly with other parties. When the investor may significantly influence the investee, the investee is regarded as the affiliate.

(4) Impairment examination and providing of impairment provision

At the balance sheet day, if evidence showing that impairment occurred on the long-term equity investment, the recoverable amount shall be decided by the higher one of net amount of fair value less disposal fees and the current value of predicted future cash flow. When the recoverable amount of the long-term equity investment is lower than the book value, the book value will be reduced down to the recoverable amount, the reduced amount is recognized as asset impairment loss and counted into current gain/loss account, asset impairment provision shall

be provided accordingly.

Once the long-term equity investment impairment loss is recognized, it will not be written back in following fiscal terms, excluding sellable financial assets, whose impairment provision can be written back through equity accounts.

13. Investment real estate

Investment real estate is measured according to the initial cost. Cost of real estate purchased from outside includes purchasing price, tax, and other expenses directly related to the real estate; cost of real estate constructed by the Company itself is composed of the essential costs to make the real estate usable. Investment properties invested by investors are booked at the value according to the investment contract, whereas when the contract value is not fairly acceptable, it will be booked at the fair value.

The Company employs the cost mode to calculate the investment properties and adopts straight-line method in depreciation and amortization of investment properties, among which, period of depreciation for the buildings is 20 years (the lower one of Statutory useful life and estimated useful life), and period of amortization for land is 50 years (Statutory useful life).

Providing of impairment provisions for investment properties is in accordance with impairment providing of fixed assets.

14. Fixed assets

(1) Conditions for fixed asset recognition

Fixed assets are defined as the tangible assets which are held for the purpose of producing goods, providing services, leasing or for operation & management, and have more than one year of service life.

Other than the fixed assets which have already been provided depreciations in full but still in use, the Company provides depreciations upon all of the fixed assets. Straight-line method is adopted by the Company in depreciation.

(2) Categories, useful life, predicted salvage value, and annual depreciation rate of fixed assets are as the followings:

| Categories | Useful life | Salvage value | Annual depreciation ratio |
|-------------------------|-------------|---------------|---------------------------|
| Plant & buildings | 30-40 years | 5% | 2.38-3.17% |
| Machinery equipment | 10-18 years | 5% | 5.28-9.50% |
| Electric equipment | 3-8 years | 5% | 11.88-31.67% |
| Transportation vehicles | 4-12 years | 5% | 7.92-23.75% |
| Others | 5-8 years | 5% | 11.88-19% |

(3) Impairment testing and impairment provisions

At the balance sheet day, fixed assets are accounted at the lower one of book value and retrievable value. If the retrievable value is lower than the book value, the book value will be deducted to the retrievable value, and the deducted amount will be recorded as asset impairment loss into current income account, and impairment provision

shall be provided accordingly. Once the impairment loss was recognized, it will not be written back in coming fiscal terms.

It suggests that a fix asset may be impaired if there are any of the following indications and retrievable value of this asset needs to be calculated for impairment testing:

a) during the period, a fix asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use during the current period;

b) evidence is available of obsolescence or physical damage of an asset;

c) significant changes with an adverse effect on the predicted usage mode of the fixed assets have taken place. The asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date, which will cause negative effect on the Company.

d) significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;

e) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used by the company in calculating an asset's present value by predicted future cash flows, and decrease the asset's recoverable amount materially;

f) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from fixed assets or the operating profit (or loss) realized by fixed assets is lower (higher) than the expected amount, etc.; and

g) Other evidence indicates that fixed assets may be impaired.

(4) Recognition and measurement of fixed assets acquired under finance lease

The Company identifies a lease of asset as finance lease when it satisfies the following one or several conditions:

① The Company gains ownership of the asset at the end of the lease period.

② The lease contains a bargain purchase option to buy the equipment at less than fair market value, thus it could be predicted that the Company will exercise this option.

③ Even though the Company will not gain ownership of the asset, the life of the lease is 75% or greater of the asset's useful life.

④ The present value of lease payments is greater than 90% of the asset's fair value on the date of lease.

⑤ The asset for lease is special and it can only be used by the Company unless it is extensively modified.

A fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease.

The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the shorter one of the useful life of the leased asset and the lease term.

15. Construction in process

(1) Measurement of construction in process

Constructions in process are measured at the actual cost. For the constructions in process conducted by the Company itself, the actual cost consists of essential costs of carrying on the construction till it reaches usable status.

(2) Standards and timing for construction in process transferring into fixed assets

Cost of fixed asset which has already become usable but not settled yet, is recognized according to estimated value or the actual construction cost, and depreciations share be provided from the next month. Upon completion of settlement, the original estimated value shall be adjusted according to the actual cost.

(3) Basis of recognizing impairment and providing of impairment provision.

At the balance sheet day, the Company performs overall testing on constructions in process and evaluates the retrievable value if evidence shows impairment occurred on the constructions. If the retrievable value is lower than the book value, the book value will be deducted to the retrievable value, and the deducted amount will be recorded as asset impairment loss into current income account, and impairment provision shall be provided accordingly. Once the impairment loss was recognized, it will not be written back in coming fiscal terms.

16. Borrowing expenses

(1) Capitalization of borrowing costs

Borrowing expenses include the interest of loans incurred, amortization of discounts or premiums and ancillary costs, as well as foreign currency exchange differences from foreign currency loans.

The costs of borrowings designated for acquisition or construction of qualifying assets should be capitalized as part of the cost of the

assets. Assets satisfying the conditions of capitalization are referring to the fixed assets, investment properties, and inventories that need one year or more than one year's construction or production process to reach the usable or sellable status. Borrowing expenses incurred for these assets should be accounted into costs of these assets. The other borrowing expenses should be accounted into current gains and losses when incurred.

Borrowing expenses start to be capitalized when all of the followings are satisfied:

- ① The capital expenditures have incurred;
- ② The borrowing costs have incurred;
- ③ The acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced.

(2) Capitalization period of borrowing costs

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs should be recognized directly in profit or loss during the current period.

Capitalization of borrowing costs ceases when the qualifying asset being acquired or constructed is substantially ready for its intended use. Subsequent borrowing costs should be expensed off during the period in which they are incurred.

(3) Time period of suspending capitalization

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

(4) Calculation method of capitalization for borrowing costs

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring or constructing a qualifying asset.

17. Intangible assets**(1) Recognition of intangible assets:**

The intangible assets refer to the land-use right, patent, non-patent technology and software.

Intangible assets are initially measured by their costs. Intangible assets purchased are booked at the actual cost to purchase and relative expenses.

Intangible assets inputted by investors are booked at the contract or agreement price, but if the contract or agreement price is not fairly acceptable, it will be booked at fair value.

In case the non-currency asset exchange is characteristic of commercial substance and the fair values of received or delivered assets can be reliably calculated, the book values of received intangible assets in the non-currency asset exchange will normally be determined based on the fair values of delivered assets, except that the accurate evidences indicate that the fair values of received assets are more reliable. In case any non-currency asset exchange does not meet the above conditions, the book values of delivered assets and the payable taxes will be deemed as the costs of received intangible assets. No profit and loss will be confirmed.

In case the intangible assets are obtained by the liability restructure to write off the liabilities of debtors, their book values will be determined based on the fair values of this intangible asset.

Expenditures incurred during the research phase of an internal project shall be recognized as expenses in the period in which they are incurred. Expenditures incurred during the development phase of an internal project shall be recognized as an intangible asset if, and only if, the Company can demonstrate all of the following:

- ① The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② Its intention to complete the intangible asset and use or sell it;
- ③ The method that the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Its ability to measure reliably the expenditure attributable to the intangible asset during its development.
- ⑥ The use of the intangible products cycle more than 1 year.

(2) Usage life and amortization of intangible assets:

| Items | Expected Useful Life | Amortization Method |
|---------------------------|------------------------------------|----------------------|
| The land-use rights | Beneficial years | Straight-line method |
| The non-patent technology | Contract years or beneficial years | Straight-line method |

(3) Impairment provisions of intangible assets:

Intangible assets without certain useful life are not amortized. They will be reconsidered in each accounting period, if strong evidence showing that the useful life became limited, then it will be estimated, and amortized on straight basis.

On the balance sheet date, the Company measures intangible assets according to the lower of book value and retrievable value, intangible asset impairment provisions shall be provided at the difference of retrievable value lower than the book value, and the corresponding impairment loss shall be recorded to current income account. Once intangible asset impairment losses are recognized, they will not be written back in successive fiscal periods.

- ① It has been replaced by other new technologies, and significantly decreased its ability to create economic interests for the Company;
- ② The price fell sharply in current period, and is not expected to increase in its remaining amortization period;
- ③ Over the time limit of legal protection, but still has some use-value;
- ④ Other facts that prove the assets actually impaired.

18. Long-term deferred expenses

The Company recognizes all expenses which have occurred during the period but shall be amortized beyond one year, such as improvement expenditures of operating leased fixed assets, as long-term deferred expenses. The Company amortizes long-term deferred expenses by straight-line method according to relevant beneficial periods or its usage life, long-term deferred expenses are amortized in five years if its beneficial periods or usage life can't be estimated.

19. Expected liabilities

(1) Recognition of expected liabilities

When responsibilities occurred in connection to contingent issues, and all of the following conditions are satisfied, they are recognized as expected liability in the balance sheet:

- ① This responsibility is a current responsibility undertaken by the Company;
- ② Execution of this responsibility may cause financial benefit outflow from the Company;
- ③ Amount of the liability can be reliably measured.

(2) Measurement of expected liabilities

Expected liabilities are initially measured at the best estimation on the expenses to exercise the current responsibility, and the Company shall give considerations to the relative risks, uncertainty, and periodic value of currency. When the periodic value of currency is with major influence, then the best estimation will be determined at the discount of future cash outflow. The book value of expected liability is revised at balance sheet day, and adjustment will be made to reflect current best estimation.

20. Share-based payments and equity instruments

(1) Categories of share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(2) The measures for the confirmation of the fair value of the equity instruments

The fair value of the equity instruments shall be confirmed in accordance with Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments.

(3) The measures for the confirmation of the best estimate of the number of the equity instruments about the exercisable right

Within the vesting period, at each balance sheet date, the company makes a best estimate according to the after information about number of exercisable employees and revises the estimated number of the equity instruments about the exercisable right. At the vesting date, the final estimated number of the equity instruments about the exercisable right should be conformed to the actual number about the exercisable right

21. Revenues

(1) Sales of goods

When all of the following conditions are satisfied, the sales of goods are recognized as sales income according to the contract amount received or receivable from the buyer:

- ① Main risks and rewards attached to the ownership of the goods have been transferred to the buyer;
- ② No succeeding power of administration or effective control is reserved which are usually attached to ownership;
- ③ Amount received can be reliably measured;
- ④ Related financial benefit may inflow to the Company;
- ⑤ Relative costs, occurred or will occur, can be reliably measured;
- ⑥ When collection of contract payment is by differed way, and practically with financing characters, sales income shall be recognized at the fair value of the receivable contract amount.

(2) Providing of labor service

Labor service started and completed in a same fiscal year is recognized as income at completion. If they are not in the same year, then use the estimation on percentage basis when it is possible. When the labor cost occurred is expectable to be covered, the labor service income is recognized at the cost already occurred, and recorded to labor cost as well. When the labor cost occurred is not expectable to be covered, the cost will be recorded to current gain/loss account without recognizing as labor service income.

(3) Demising of asset using rights

Income is recognized when the financial benefit in connection with the demising of asset using right was received and the amount can be reliably measured.

22. Government grant

The income approach for government grants, to retrieve expense or loss of the Company in further period, the government grants are recognized as deferred income, and shall be recorded in profit and loss when that expense or loss occurred. To retrieve expense or loss of the Company in current period, the government grants shall be recorded directly in current profit and loss. If related assets were disposed before using period ended, undistributed deferred income shall be shift to current profit and loss at once.

The Capital approach for government grants, the grant is recognized as deferred income when it is acquired. Since the related assets achieve its intended using status, the deferred income is amortized and recognized in profit and loss during asset's using period.

23. Differed income tax assets/ differed income tax liabilities

Based on the differences between the book values of assets and liabilities and taxation basis (for the items that have not been

confirmed as the assets and liabilities, if their taxation basis may be determined in accordance with the taxation provisions, the difference between such taxation basis and their book values will be applied), the deferred income tax assets or deferred income tax liabilities will be confirmed at the applicable tax rate during the expected periods of returning such assets or settling such liabilities.

The Company will confirm the deferred income tax assets generated by the deductible temporary difference within the limit of taxable income amount that may be obtained and used to deduct such difference. On the preparation date of balance sheet, if enough evidences prove that the taxable income amounts that maybe probably obtained in the future periods may be used to deduct the deductible temporary differences, they will be confirmed as the deferred income tax assets that have not been confirmed in the previous accounting periods.

On the preparation date of balance sheet, the Company will recheck the book values of deferred income tax assets. If the taxable income amounts cannot be obtained in the future periods to be used to deduct the benefits of deferred income tax assets, the Company will reduce the book values of deferred income tax assets. If there is great possibility to obtain enough taxable income amounts, the reduced amounts may be reversed.

24. Hedging Accounting

The term "hedging" refers to one or more hedging instruments which are designated by the company for avoiding the risks of foreign exchange, interest rate, commodity price, stock price, credit and etc., and which is expected to make the changes in fair value or cash flow of hedging instrument(s) to offset all or part of the changes in the fair value or cash flow of the hedged item.

The term "hedging instrument" shall refer to a derivative instrument which is designated by the company for hedging and by which it is expected that changes in its fair value or cash flow can offset the changes in fair value or cash flow of the hedged item. For a hedging of foreign exchange risk, a non-derivative financial asset or non-derivative financial liability may be used as a hedging instrument.

The "hedged items" refer to items which make the company faced with changes in fair value or cash flow and are designated as the hedged objectives.

For a hedging which satisfies all the following conditions, the company will deal with it through the hedging accounting method.

- (1) At the commencement of the hedging, the company shall specify the hedging relationship formally and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging.
- (2) The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by the company at the very beginning.
- (3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the company faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.
- (4) The effectiveness of hedging can be reliably measured.
- (5) The hedging is highly effective in the accounting period in which the hedging relationship is designated.

25. Change of main accounting policies and estimations

- (1) Change of accounting policies

No change of accounting policies occurred in the year.

- (2) Change of accounting estimations

No change of accounting estimations occurred in the year.

26. Correction of previous accounting faults

No correction of previous accounting faults occurred in the report term.

Note V. Taxation

1. Operation tax and rate

| Items | Tax basis | tax rate |
|------------------------------------|----------------------------------|-------------|
| VAT | Deducting value added input tax. | 17% |
| Business tax | Operating revenue | 5% |
| Urban maintenance and construction | Payable circulating tax amount | 7% |
| Educational fee | Payable circulating tax amount | 5% |
| Corporate income tax | Payable income tax amount | 25%or15% |
| Flood Control Security Fund | Operating revenue | 0.1%or0.06% |
| Levee fee | Payable circulating tax amount | 2% |

2. Notes

In November of 2008, Hefei Royalstar Washing Machine Manufacture Co., Ltd. was filed as the high technology qualification with the number GR200834000011. In March of 2009, the Company and Wuxi Little Swan GE Co., Ltd were also filed as the high technology qualification, and the qualification number are GR200932000077 and GR200932000078. Wuxi Filin Electronics Co., Ltd. was qualified In May of 2009 and the qualification number is GR200932000397. Little Swan (Jingzhou) SanJin Electric Co., Ltd. was qualified in Nov of 2011 with the qualification number GR201142000211.

Term of validity for this qualification is three years. The company and its subsidiaries Hefei Royalstar Washing Machine Manufacture Co., Ltd., Wuxi Little Swan GE Co., Ltd and Wuxi Filin Electronics Co., Ltd. have passed the review when the qualification expired. The company obtained the re-examination certificate with the number of GF201232000096 in June 2012; Royalstar Washing Machine Manufacture Co., Ltd. obtained its re-examination certificate with the number of GF201134000043 in October 2011; Wuxi Little Swan GE Co., Ltd. obtained its re-examination certificate with the number of GF201232000077 in May of 2012, and Wuxi Filin Electronics Co., Ltd. obtained its qualification with the re-examination certificate GF GF201232000673 in August of 2012.

According to document guoshuifa (2008) 111 issued by National Tax Bureau, and guoshuihan[2008]985, the Company and its four subsidiaries, Hefei Royalstar Washing Machine Manufacture Co., Ltd., Wuxi Little Swan GE Co., Ltd, Wuxi Filin Electronics Co., Ltd and Little Swan (Jing Zhou) Electronic Appliances Co., Ltd., were approved to enjoy income tax rate 15%.

NOTE VI: Business Combination and Consolidated Financial Statements**1. Subsidiaries**

(1) The subsidiaries obtained through establishment or investment

Unit: RMB(0'000)

| Subsidiaries | Categori es | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investm ents to the subsidi aries | Shareho lding ratio (%) | The proporti on of voting rights (%) | Included in consolidat ed statements | Minorit y Interest | Deductibl e minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|--|-----------------------------|--------------|--------------------|-----------------------|--|--------------------|---|----------------------------------|--|--|--------------------------|--|--|
| Wuxi Little Swan General Electric Appliances Co., Ltd. | Holding subsidi aries | Wuxi | Productio n | 2,800.00 | Manufacture and sale of washing machine and dryers | 1,960.00 | | 70.00 | 70.00 | Yes | 3,948.12 | | |
| Wuxi Little Swan Driving & Control Development Technology Co., Ltd. | Holding subsidi aries | Wuxi | R&D | 500 | Development & research of Driving & Control | 450.00 | | 97.30 | 100.00 | Yes | 31.45 | | |

| Subsidiaries | Categories | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investments to the subsidiaries | Shareholding ratio (%) | The proportion of voting rights (%) | Included in consolidated statements | Minority Interest | Deductible minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|--|----------------------|-----------|-----------------|--------------------|--|-----------------|---|------------------------|-------------------------------------|-------------------------------------|-------------------|------------------------------|---|
| Wuxi Filin Electronics Co., Ltd. | Holding subsidiaries | Wuxi | Production | USD362.46 | Manufacture and sales of computer control components for washing machine | 1,962.00 | | 73.00 | 73.00 | Yes | 6,138.69 | | |
| Wuxi Little Swan Washing Machine Co., Ltd. | Holding subsidiaries | Wuxi | Production | 4967.95 | Manufacture and sale of commercial washing machine, dryers and spare parts | 3,725.96 | | 99.91 | 99.91 | Yes | - | | -3,803.95 |

| Subsidiaries | Categori es | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investm ents to the subsidi aries | Shareho lding ratio (%) | The proporti on of voting rights (%) | Included in consolidat ed statements | Minorit y Interest | Deductibl e minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|---|-----------------------------|--------------|--------------------|-----------------------|--|--------------------|---|----------------------------------|--|--|--------------------------|--|--|
| Wuxi Meitian Refrigerator Market Co., Ltd. | Holding subsidi aries | Wuxi | Trading | USD400 | Sales of refrigerator | 2,484.00 | | 75 | 75 | Yes | - | | -2,846.97 |
| Jiangsu Little Swan Marketing and Sales Co., Ltd. | Holding subsidi aries | Wuxi | Trading | 41,950.00 | Sales of household electrical appliances | 41,755.00 | | 99.63 | 99.63 | Yes | - | | -6,559.13 |
| Wuxi Little Swan Import & Export Co., Ltd | Holding subsidi aries | Wuxi | Import & Export | 6,500.00 | Import & export of electric machine products | 5,750.00 | | 88.46 | 88.46 | Yes | | | -1,485.64 |

| Subsidiaries | Categori es | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investm ents to the subsidi aries | Shareho lding ratio (%) | The proporti on of voting rights (%) | Included in consolidat ed statements | Minorit y Interest | Deductibl e minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|--|------------------------------------|---------------|--------------------|-----------------------|--|--------------------|---|----------------------------------|--|--|--------------------------|--|--|
| P.T. Little Swan Prima Industries | Holding subsidi aries | Malay sia | Trading | USD100 | Manufacture of washing machine and air conditioners | 422.47 | | 51.00 | 51.00 | No | | | |
| Little Swan International (Singapore) Co., Ltd. | Wholly- owned subsidi ary | Singa pore | Investmen t | USD500 | Investment | USD500 | | 100.00 | 100.00 | Yes | | | |
| Tianjin Little Swan Washing Machine Co., Ltd. | Wholly- owned subsidi ary | Tianji n | Produ ction | 20,000 | Manufacture of washing machine | 20,000 | | 100.00 | 100.00 | Yes | | | |

(2) The subsidiaries obtained through business combination under common control

| Subsidiaries | Categories | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investment to the subsidiaries | The proportion of holding shares (%) | The proportion of voting rights (%) | Included in consolidated statements | Minority Interest | Deductible minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|---|-------------------------|-----------|-----------------|--------------------|---------------------------------|-----------------|--|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------------------|---|
| Little Swan (Jing Zhou) Sanjin Electronic Appliances Co., td. | Wholly-owned subsidiary | Jingzhou | Production | 1,107.02 | Manufacture of washing machines | 1,186.94 | | 100.00 | 100.00 | Yes | - | | |
| Hefei Royalstar Washing Machine Manufacture Co., Ltd. | Holding subsidiaries | Hefei | Production | USD13,552 | Manufacture of washing machines | 83,096.23 | | 69.47 | 69.47 | Yes | 46,102.04 | | |
| Hefei Midea Washing Machine Manufacture Co., | Holding subsidiaries | Hefei | Production | 2,000.00 | Manufacture of washing | 2,000.00 | | 90.00 | 90.00 | Yes | 206.47 | | |

| Subsidiaries | Categories | Reg. Add. | Business nature | Registered capital | Business scope | Paid-in capital | Other essential investment to the subsidiaries | The proportion of holding shares (%) | The proportion of voting rights (%) | Included in consolidated statements | Minority Interest | Deductible minority interest | Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders |
|--------------|------------|-----------|-----------------|--------------------|----------------|-----------------|--|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------------------|---|
| Ltd. | | | | | machines | | | | | | | | |

2. Changing of consolidation scope

a. L.S.M. Corporation (M) SDN BHD has been stopped operation for years; the full impairment of provisions for the company has been accrued and it has been excluded in the consolidated scope for years;

3. The companies which are included or excluded from consolidation scope of the current period

None

4. Business combination under common control occurred in the current period

None

5. Business combination not under common control occurred in the current period

None

Note VII: Notes to the items of consolidated financial statements (Unit: RMB yuan)**1. Monetary fund**

(1) Items analysis

Unit: yuan

| Items | Closing year | | | Opening year | | |
|----------------------|-------------------|---------------|-------------------------|-------------------|---------------|-------------------------|
| | Original currency | Exchange rate | Translated to RMB | Original currency | Exchange rate | Translated to RMB |
| Cash: | | | 169,620.72 | | | 184,735.57 |
| RMB | | | 169,620.72 | | | 184,735.57 |
| Bank savings: | | | 1,292,956,596.28 | | | 1,880,762,967.00 |
| RMB | | | 1,139,055,658.75 | | | 1,651,624,526.87 |
| USD | 22,185,864.08 | 6.2855 | 139,449,248.67 | 34,251,584.61 | 6.3009 | 215,815,809.48 |
| EUR | 587,330.39 | 8.3176 | 4,885,179.25 | 1,632,175.27 | 8.1625 | 13,322,630.65 |
| JPY | 130,960,172.00 | 0.073049 | 9,566,509.61 | | | |
| Other monetary funds | | | 111,164,877.65 | | | 534,502,648.67 |
| RMB | | | 111,164,877.65 | | | 532,881,216.33 |
| USD | | | | 257,333.45 | 6.3009 | 1,621,432.34 |
| Total | | | 1,404,291,094.65 | | | 2,415,450,351.24 |

2. Trading financial assets

Unit: yuan

| Items | Closing balance | Opening balance |
|---|---------------------|---------------------|
| Derivative financial assets - Forward foreign exchange contract | 1,224,590.00 | 4,292,300.00 |
| Total | 1,224,590.00 | 4,292,300.00 |

3. Notes receivable**(1) Categories of notes receivable**

Unit: yuan

| Categories | Closing balance | Opening balance |
|-----------------|-------------------------|-------------------------|
| Bank acceptance | 2,262,814,443.87 | 2,757,923,958.94 |
| Total | 2,262,814,443.87 | 2,757,923,958.94 |

(2) List of top five notes that have been endorsed to any other party by the Company but are not mature

Unit: yuan

| Drawer | Date of issue | Maturity date | Amount |
|--|---------------|---------------|----------------------|
| Nanjing Purchasing center of Suning Appliance Co.,Ltd, | 2012-11-12 | 2013-05-12 | 16,665,901.41 |
| Nanjing Purchasing center of Suning Appliance Co.,Ltd, | 2012-11-09 | 2013-05-09 | 10,000,000.00 |
| Changsha Tongcheng Holding Co.,Ltd | 2012-09-28 | 2013-03-26 | 8,000,000.00 |
| Nanjing Purchasing center of Suning Appliance Co.,Ltd, | 2012-10-26 | 2013-04-26 | 7,811,491.91 |
| Suzhou Suning Appliance Co.,Ltd, | 2012-08-15 | 2013-02-15 | 7,647,524.40 |
| Total | | | 50,124,917.72 |

4. Accounts receivable**(1) Accounts receivable is categorized as:**

Unit: yuan

| Category | Closing balance | | | | Opening balance | | | |
|--|-----------------|-----|-----------|-----|-----------------|-----|-----------|-----|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Individually significant accounts receivable on which the bad debt | | | | | | | | |

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------------|------------|----------------------|-------------|-----------------------|------------|----------------------|-------------|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| provisions are provided individually | | | | | | | | |
| Accounts receivable on which the bad debt provisions are provided by combinations | | | | | | | | |
| Combination 1: according to account age | 761,867,357.16 | 99.87 | 39,668,452.50 | 5.21 | 979,012,513.46 | 99.88 | 50,073,451.81 | 5.11 |
| Combination 2: according to accounts in the scope of combination statements | | | | | | | | |
| Subtotal | 761,867,357.16 | 99.87 | 39,668,452.50 | 5.21 | 979,012,513.46 | 99.88 | 50,073,451.81 | 5.11 |
| Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually | 1,005,623.68 | 0.13 | 1,005,623.68 | 100 | 1,201,107.52 | 0.12 | 751,107.72 | 62.53 |
| Total | 762,872,980.84 | 100 | 40,674,076.18 | 5.33 | 980,213,620.98 | 100 | 50,824,559.53 | 5.19 |

There were no individually significant accounts receivable on which the bad debt provisions are provided individually in the reporting period.

Individually significant accounts receivable on which the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Accounts receivable on which the bad debt provisions are provided by combinations according to age

Applicable Not Applicable

Aging analysis for combination according to account age:

Unit: yuan

| Aging | Closing balance | | | Opening balance | | |
|---------------|-----------------------|------------|----------------------|-----------------------|------------|----------------------|
| | Balance | | Bad debts | Balance | | Bad debts |
| | Amount | (%) | | Amount | (%) | |
| Within 1 year | 752,659,402.92 | 98.79 | 37,632,970.15 | 960,988,170.25 | 98.16 | 48,049,408.52 |
| 1-2 years | 409,218.54 | 0.05 | 40,921.85 | 17,498,321.16 | 1.79 | 1,749,832.12 |
| 2-3 years | 8,376,218.80 | 1.10 | 1,675,243.76 | 103,505.15 | 0.01 | 20,701.03 |
| 3-5 years | 258,000.40 | 0.04 | 154,800.24 | 422,516.90 | 0.04 | 253,510.14 |
| Over 5 years | 164,516.50 | 0.02 | 164,516.50 | — | — | — |
| Total | 761,867,357.16 | 100 | 39,668,452.50 | 979,012,513.46 | 100 | 50,073,451.81 |

Accounts receivable on which the bad debt provisions are provided by combinations according to balance percentage method

Applicable Not Applicable

Accounts receivable on which the bad debt provisions are provided by combinations with other methods

Applicable Not Applicable

Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually

Unit: yuan

| Items | Balance | Bad debts | (%) | Reason |
|--|---------------------|---------------------|-----|---------------|
| Wuxi Shengchao petrochemical metallurgical equipment accessories factory | 861,084.02 | 861,084.02 | 100 | Uncollectable |
| Panasonic Home Appliances Refrigerator(Wuxi) Co.,Ltd. | 76,255.55 | 76,255.55 | 100 | Uncollectable |
| Yanfeng Visteon Automotive Tooling Co., Ltd. | 21,342.86 | 21,342.86 | 100 | Uncollectable |
| Shanghai Ruking Electronic Science & Technology Co., Ltd. | 15,564.15 | 15,564.15 | 100 | Uncollectable |
| Fujitsu General (Shanghai) Co., Ltd. | 13,768.98 | 13,768.98 | 100 | Uncollectable |
| WELCO TECHNOLOGY (SUZHOU) LIMITED (WTSZ) | 12,146.16 | 12,146.16 | 100 | Uncollectable |
| Yanfeng Visteon Betung Automotive Instrumentation Co., Ltd. | 5,461.96 | 5,461.96 | 100 | Uncollectable |
| Total | 1,005,623.68 | 1,005,623.68 | -- | -- |

(2) Accounts receivables written off in current period:

Unit:yuan

| Name | Nature of receivables | Time of written off | Amount written off | Reason of written-off | Accounts receivable caused by related transactions |
|--|-----------------------|---------------------|--------------------|-----------------------|--|
| MABE Mexico S de RL de CV | Goods payment | Oct. 2012 | 1,535.09 | Uncollectable | No |
| Logistics Department of People's Liberation Army | Goods payment | Jun. 2012 | 30,640.00 | Uncollectable | No |
| Total | | | 32,175.09 | | |

(3) There was no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) The information list for the top 5 customers:

Unit:yuan

| Names | Relationship | Amount | Aging | Proportion to total accounts Receivable (%) |
|-------------------------------------|--------------|----------------|---------------|---|
| Midea (Singapore) Trading Co., Ltd. | Retailer | 226,480,645.57 | Within 1 year | 29.69 |

| | | | | |
|--|----------|-----------------------|---------------|--------------|
| Purchasing centre of Suning Appliance Co., Ltd. | Retailer | 127,383,504.74 | Within 1 year | 16.70 |
| UNIVERSAL Egypt | Retailer | 44,619,195.39 | Within 1 year | 5.85 |
| TOSHIBA INTERNATIONAL PROCUREMENT HONG KONG LTD. | Retailer | 41,775,010.50 | Within 1 year | 5.47 |
| Yunnan Midea Refrigeration Production Sales Co., Ltd | Retailer | 32,010,836.22 | Within 1 year | 4.20 |
| Total | | 472,269,192.42 | | 61.91 |

(5) Details of accounts receivables from related parties

Unit: yuan

| Names | Relationship | Amount | Proportion to total accounts Receivable (%) |
|---|--|-----------------------|---|
| Midea (Singapore) Trading Co., Ltd. | Under control of holding stockholders of the company | 226,480,645.57 | 29.69 |
| PT. Midea Planet Indonesia | Under control of holding stockholders of the company | 9,162,679.13 | 1.20 |
| MIDEA SCOTT & ENGLISH SDN BHD | Under control of holding stockholders of the company | 12,244,315.71 | 1.61 |
| Hefei Hualing Co., Ltd. | Under control of holding stockholders of the company | 461,954.29 | 0.06 |
| MIDEA ITALIA S.R.L. | Under control of holding stockholders of the company | 706,673.25 | 0.09 |
| Little Swan (Jing Zhou) Electronic Appliances Co., Ltd. | Under control of holding stockholders of the company | 55,579.28 | 0.01 |
| Hefei Royalstar Refrigerator Co., Ltd. | Under control of holding stockholders of the company | 31,541.57 | — |
| Hefei Midea Royalstar Refrigerator Co., Ltd. | Under control of holding stockholders of the company | 12,005.81 | — |
| Total | | 249,155,394.61 | 32.66 |

5. Other receivables

(1) category analysis:

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------|-----|-----------|-----|-----------------|-----|-----------|-----|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Individually significant other receivables on which the bad debt provisions are provided individually | | | | | | | | |

| Category | Closing balance | | | | Opening balance | | | |
|--|----------------------|------------|---------------------|--------------|----------------------|------------|---------------------|--------------|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Other receivables on which the bad debt provisions are provided by combinations | | | | | | | | |
| Combination 1: according to account age | 21,500,115.42 | 98.98 | 4,515,597.93 | 21.00 | 18,288,490.78 | 98.81 | 2,740,043.28 | 14.98 |
| Combination 2: according to accounts in the scope of combination statements | | | | | | | | |
| Subtotal | 21,500,115.42 | 98.98 | 4,515,597.93 | 21.00 | 18,288,490.78 | 98.81 | 2,740,043.28 | 14.98 |
| Other receivables which are not individually significant, but still the bad debt provisions are provided individually | 221,066.34 | 1.02 | 221,066.34 | 100 | 221,066.34 | 1.19 | 221,066.34 | 100 |
| Total | 21,721,181.76 | 100 | 4,736,664.27 | 21.81 | 18,509,557.12 | 100 | 2,961,109.62 | 16.00 |

Categories of other receivables

There were no individually significant other receivables on which the bad debt provisions are provided individually in the reporting period.

Individually significant other receivables on which the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Other receivables on which the bad debt provisions are provided by combinations according to age

Applicable Not Applicable

Aging analysis for combination according to account age:

Unit yuan

| Aging | Closing balance | | | Opening balance | | |
|---------------|----------------------|------------|---------------------|----------------------|------------|---------------------|
| | Balance | | Bad debts | Balance | | Bad debts |
| | Amount | (%) | | Amount | (%) | |
| Within 1 year | 12,717,942.28 | 59.15 | 635,897.12 | 12,046,610.07 | 65.87 | 606,818.71 |
| 1-2 years | 782,868.30 | 3.64 | 78,286.83 | 2,968,361.21 | 16.23 | 292,347.92 |
| 2-3 years | 2,638,772.31 | 12.27 | 527,754.46 | 336,837.63 | 1.84 | 67,367.53 |
| 3-5 years | 5,217,182.53 | 24.27 | 3,130,309.52 | 2,907,931.87 | 15.90 | 1,744,759.12 |
| Over 5 years | 143,350.00 | 0.67 | 143,350.00 | 28,750.00 | 0.16 | 28,750.00 |
| Total | 21,500,115.42 | 100 | 4,515,597.93 | 18,288,490.78 | 100 | 2,740,043.28 |

Other receivables on which the bad debt provisions are provided by combinations according to balance percentage method

Applicable Not Applicable

Other receivables on which the bad debt provisions are provided by combinations with other methods

Applicable Not Applicable

Other receivables which are not individually significant, but still the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Other receivables which are not individually significant, but still the bad debt provisions are provided individually

Unit: yuan

| Items | Balance | Bad debts | (%) | Reason |
|--|-------------------|-------------------|------------|------------|
| Qingdao Bi Qin Electrical Co., Ltd. | 126,359.50 | 126,359.50 | 100 | Uncollecta |
| Wuxi Jitong electrical and Mechanical Technology Development Co., Ltd. | 40,780.00 | 40,780.00 | 100 | Uncollecta |
| Wuxi Dongcheng Plastic & Metal Co. , Ltd. | 30,100.06 | 30,100.06 | 100 | Uncollecta |
| Emerson Appliance Technology (Shenzhen) Co., Ltd. | 15,586.02 | 15,586.02 | 100 | Uncollecta |
| Wuxi Xishan Hengfeng Paper Co., Ltd. | 2,287.00 | 2,287.00 | 100 | Uncollecta |
| Wuxi Peng Pengde auto parts Co. , Ltd. | 2,136.10 | 2,136.10 | 100 | Uncollecta |
| Wuxi Ruilong Printing Co., Ltd. | 2,000.00 | 2,000.00 | 100 | Uncollecta |
| Wuxi Second Plastic Factory Co. , Ltd. | 1,074.66 | 1,074.66 | 100 | Uncollecta |
| Taizhou Yongsheng Color Printing Packaging Co. , Ltd. | 500.00 | 500.00 | 100 | Uncollecta |
| Wuxi Wanji Washing Machine Parts Co. , Ltd. | 243.00 | 243.00 | 100 | Uncollecta |
| Total | 221,066.34 | 221,066.34 | 100 | — |

(2) Other receivables written off in current period:

Unit:yuan

| Name | Nature of receivables | Time of written off | Amount written off | Reason of written-off | Other receivables caused by related transactions |
|---|-----------------------|---------------------|--------------------|-----------------------|--|
| Changzhou Dika Ben Electrical Co., Ltd. | Other receivables | Oct. 2012 | 126,000.00 | Uncollectible | No |
| Total | | | 126,000.00 | | |

(3) There were no account receivables due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) The information list for the top 5 customers:

Unit:yuan

| Names | Relationship | Amount | Aging | Proportion to total accounts Receivable (%) |
|---|-----------------------|--------------|-----------|---|
| Hefei High-tech Industrial Development Zone, the National Treasury payment center | Government department | 1,000,000.00 | 2-3 years | 4.60 |

| | | | | |
|--|-------------------------|---------------------|---------------|--------------|
| Wuxi China Resources Gas Co., Ltd. | Cooperation partner | 784,300.30 | Within 1 year | 3.61 |
| Huang Qingqing | Employee of the company | 633,000.00 | Within 1 year | 2.91 |
| Hefei Labor and Social Security Bureau | Government department | 529,500.00 | 2-3 years | 2.44 |
| Liu Jufeng | Employee of the company | 399,000.00 | Within 1 year | 1.84 |
| Total | -- | 3,345,800.30 | -- | 15.40 |

6. Advances to the supplier

(1) Aging analysis:

Unit: yuan

| Aging structure | Closing balance | | Opening balance | |
|-----------------|----------------------|----------------|-----------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 88,507,679.47 | 91.07 | 240,224,053.71 | 96.07 |
| 1-2 years | 8,131,834.74 | 8.37 | 9,071,326.54 | 3.63 |
| 2-3 years | 548,920.00 | 0.56 | 756,600.00 | 0.30 |
| Over 3 years | — | — | — | — |
| Total | 97,188,434.21 | 100 | 250,051,980.25 | 100 |

The advances to the supplier aging over one year is mainly the advances to supplier for projects and equipments.

(2) Details of the prepayments of the top 5 suppliers are as follows.

| Name | Relationship | Amount | Aging | Reason of outstanding |
|---|---------------------|----------------------|---------------|-------------------------------|
| Sales Branch of PETRO CHINA COMPANY LIMITED in East China | Supplier | 22,998,950.00 | Within 1 year | Advance payment for materials |
| Beijing Zhongtian Riyue Advertising Co., Ltd. | Advertising company | 17,591,093.00 | Within 2 year | Services not provided |
| Yanshan Sales Branch of SINOPEC | Supplier | 8,741,702.28 | Within 1 year | Advance payment for materials |
| R Sumitomo Chemical Asia Pte Ltd | Supplier | 8,484,565.85 | Within 1 year | Advance payment for materials |
| Basell Co., Ltd. | Supplier | 6,406,870.93 | Within 1 year | Advance payment for materials |
| Total | | 64,223,182.06 | | |

(3) There was no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

7. Inventory**(1) Category**

Unit:yuan

| Items | Closing balance | | | Opening balance | | |
|-------------------------|-----------------------|----------------------|-----------------------|------------------------------------|----------------------|-----------------------------------|
| | Balance | Bad debts | Net book value | Balance | Bad debts | Net book value |
| Raw materials | 51,824,769.90 | 717,694.85 | 51,107,075.05 | 68,401,547.11 | 4,846,662.22 | 63,554,884.89 |
| Product in process | 10,576,555.01 | — | 10,576,555.01 | 22,713,702.97 | 763,423.76 | 21,950,279.21 |
| Finished goods in stock | 916,584,493.31 | 25,520,262.69 | 891,064,230.62 | 746,889,129.82 | 22,993,564.94 | 723,895,564.88 |
| Total | 978,985,818.22 | 26,237,957.54 | 952,747,860.68 | 838,004,379.9¹ 0 | 28,603,650.92 | 809,400,728.98¹ |

(2) Change of inventory impairment provisions

Unit:yuan

| Category | Opening balance | Provided in current year | Decreased this year | | Closing balance |
|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | | | Written back | Written off | |
| Raw materials | 4,846,662.22 | 147,252.44 | — | 4,276,219.81 | 717,694.85 |
| Product in process | 763,423.76 | — | — | 763,423.76 | — |
| Finished goods in stock | 22,993,564.94 | 10,741,142.54 | — | 8,214,444.79 | 25,520,262.69 |
| Total | 28,603,650.92 | 10,888,394.98 | — | 13,254,088.36 | 26,237,957.54 |

8. Other current asset

Unit:yuan

| Items | Closing balance | Opening balance |
|-------------------------|-------------------------|-----------------------|
| Bank financial products | 1,171,940,000.00 | — |
| Deferred expenses-Molds | 29,231,819.72 | 112,052,669.26 |
| Total | 1,201,171,819.72 | 112,052,669.26 |

9. Sellable financial assets**(1) Category**

Unit:yuan

| Categories | Closing balance | Opening balance |
|--|-------------------|-------------------|
| Sellable equity instrument investment | | |
| Wuhan Huaxin Hi-Tech Co. , Ltd. (400038) | 286,944.00 | 284,592.00 |
| Total | 286,944.00 | 284,592.00 |

10. Co-operative & Joint-operative subsidiaries investments

Unit:yuan

| Invested party | The company's share proportion (%) | The company's voting rights (%) | Total assets at the end of year | Total liabilities at the end of year | Total net assets at the end of year | Total operating revenue of current year | Net profit of current year |
|---|------------------------------------|---------------------------------|---------------------------------|--------------------------------------|-------------------------------------|---|----------------------------|
| Joint – operative | | | | | | | |
| Guangzhou Antaida Material Distribution Co. | 20 | 20 | 20,500,662.69 | 4,071,408.69 | 16,429,254.00 | 8,819,651.49 | -715,004.75 |

11. Long-term equity investment

(1) List of long-term equity investment

| Company | Method | Amount of Initial investment | Opening balance | Increase/ Decrease | Closing balance | Proportion s of sharehold ing (%) | Proportions of voting rights (%) | Note for difference between proportion s of voting rights and sharehold ing ratio | Provision for impairment | Impair ment provid ed in curren t year | Cash dividends in current year |
|--|--------|------------------------------|---------------------|--------------------|---------------------|-----------------------------------|----------------------------------|---|--------------------------|--|--------------------------------|
| Guangzhou Antaida Material Distribution Co. | Equity | 2,000,000.00 | 3,428,851.75 | -143,000.95 | 3,285,850.80 | 20 | 20 | | — | — | — |
| P.T. Little Swan Prima Industries (Malaysia) | Cost | 4,224,744.00 | — | — | — | 51 | 51 | | 4,224,744.00 | — | — |
| Hengtai Insurance Brokers Ltd. | Cost | 1,000,000.00 | 1,000,000.00 | — | 1,000,000.00 | 3.33 | 3.33 | | — | — | 55,000.00 |
| Suzhou People's Shopping Centre (150000 shares) | Cost | 150,000.00 | 150,000.00 | — | 150,000.00 | — | — | | — | — | 40,000.00 |
| Bank of Jiangsu (2202564 shares) | Cost | 1,100,000.00 | 1,210,000.00 | — | 1,210,000.00 | — | — | | — | — | 246,810.24 |
| Inner Mongolia Baotou Department Store Co., Ltd. | Cost | 50,000.00 | 50,000.00 | — | 50,000.00 | — | — | | — | — | — |
| Total | | 8,524,744.00 | 5,838,851.75 | -143,000.95 | 5,695,850.80 | | | | 4,224,744.00 | | 341,810.24 |

12. Investment Real Estate

(1) Investment property measured at cost

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|-------------|----------|-----------------|
| 1. Total of Cost | 6,948,011.11 | — | — | 6,948,011.11 |
| Property and buildings | 6,948,011.11 | — | — | 6,948,011.11 |
| 2. Total of deprivation and amortization | 1,705,063.63 | 193,446.75 | — | 1,898,510.38 |
| Property and buildings | 1,705,063.63 | 193,446.75 | — | 1,898,510.38 |
| 3. Total of net book value | 5,242,947.48 | -193,446.75 | — | 5,049,500.73 |
| Property and buildings | 5,242,947.48 | -193,446.75 | — | 5,049,500.73 |
| 4. Total of carrying amount: | 5,242,947.48 | -193,446.75 | — | 5,049,500.73 |
| Property and buildings | 5,242,947.48 | -193,446.75 | — | 5,049,500.73 |

Unit: yuan

| | Amonut |
|---|------------|
| Depreciation and amortization accrued in current year | 193,446.75 |

13. Fixed assets

(1) Details:

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance | |
|-------------------------------------|------------------|---------------|-------------------------|------------------|-----------------|
| 1. Total of Cost: | 1,773,575,819.51 | 52,027,706.37 | 54,412,026.29 | 1,771,191,499.59 | |
| Among which: Property and buildings | 815,492,151.98 | 18,328,909.78 | 1,375,071.38 | 832,445,990.38 | |
| Machineries | 845,108,028.64 | 24,100,931.82 | 47,076,443.75 | 822,132,516.71 | |
| Vehicles | 24,790,333.56 | 2,707,749.33 | 1,119,573.07 | 26,378,509.82 | |
| Electronic and other equipment | 88,185,305.33 | 6,890,115.44 | 4,840,938.09 | 90,234,482.68 | |
| | Opening balance | Increase | Accrued in current year | Decrease | Closing balance |
| 2. Total of depreciation : | 382,756,933.70 | — | 118,223,455.54 | 43,392,411.98 | 457,587,977.26 |
| Among which: Property and buildings | 84,359,978.23 | — | 30,379,678.98 | 217,974.39 | 114,521,682.82 |
| Machineries | 246,699,298.80 | — | 68,809,379.55 | 38,927,899.96 | 276,580,778.39 |
| Vehicles | 8,232,096.48 | — | 4,580,824.85 | 713,071.13 | 12,099,850.20 |
| Electronic and other equipment | 43,465,560.19 | — | 14,453,572.16 | 3,533,466.50 | 54,385,665.85 |

| | Opening balance | -- | Closing balance |
|--|------------------|----|------------------|
| 3. Total of the net book value: | 1,390,818,885.81 | -- | 1,313,603,522.33 |
| Among which: Property and buildings | 731,132,173.75 | -- | 717,924,307.56 |
| Machineries | 598,408,729.84 | -- | 545,551,738.32 |
| Vehicles | 16,558,237.08 | -- | 14,278,659.62 |
| Electronic and other equipment | 44,719,745.14 | -- | 35,848,816.83 |
| 4. Total of provisions for impairment loss | 25,486,225.48 | -- | 16,304,996.02 |
| Among which: Property and buildings | 14,229,192.09 | -- | 15,098,707.55 |
| Machineries | 8,017,255.21 | -- | 776,585.55 |
| Vehicles | 400,745.05 | -- | 24,351.50 |
| Electronic and other equipment | 2,839,033.13 | -- | 405,351.42 |
| 5. Total of carrying amount: | 1,365,332,660.33 | -- | 1,297,298,526.31 |
| Among which: Property and buildings | 716,902,981.66 | -- | 702,825,600.01 |
| Machineries | 590,391,474.63 | -- | 544,775,152.77 |
| Vehicles | 16,157,492.03 | -- | 14,254,308.12 |
| Electronic and other equipment | 41,880,712.01 | -- | 35,443,465.41 |

Depreciation of the current period is RMB 118,223,455.54.

The original carrying amount of fixed assets transferred from construction-in-progress during current period is RMB2,883,924.42.

14. Construction in progress

(1) Details:

| Items | Closing balance | | | Opening balance | | |
|--|---------------------|----------------------|-----------------|-----------------|----------------------|-----------------|
| | Amount | Impairment provision | Carrying amount | Amount | Impairment provision | Carrying amount |
| Spinning washing machine Plant Foundation Project in Tianjin | 5,533,291.00 | 5,533,291.00 | — | — | — | — |
| Total | 5,533,291.00 | 5,533,291.00 | — | — | — | — |

(2) Changes of main construction in process:

Unit: yuan

| Project | Budget | Opening balance | Increased this year | Transferred to fixed asset this year | Proportion of current investment in the construction to the budget | Construction progress | Other decreased this year | Aggregate amount of interest capitalized | Incl. Amount of interest capitalization | Capitalization ratio of current period (%) | Capital source | Closing balance |
|--|--------------|-----------------|---------------------|--------------------------------------|--|-----------------------|---------------------------|--|---|--|----------------|-----------------|
| Spinning washing machine Plant Foundation Project in Tianjin | 7,617,600.00 | — | 5,533,291.00 | — | — | 72.64 | 100% | — | — | — | Self-raised | 5,533,291.00 |
| Total | 7,617,600.00 | — | 5,533,291.00 | — | — | | | — | — | — | | 5,533,291.00 |

(3) Impairment provision for construction in progress

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance | Reason for providing impairment provisions |
|--|-----------------|--------------|----------|-----------------|---|
| Spinning washing machine Plant Foundation Project in Tianjin | — | 5,533,291.00 | — | 5,533,291.00 | The land and buildings on the ground have been returned to local government at the price of the original land grant after the balance sheet date. |
| Total | — | 5,533,291.00 | — | 5,533,291.00 | |

(4) Details of construction progress

| Item | Construction progress | Note |
|--|-----------------------|--|
| Spinning washing machine Plant Foundation Project in Tianjin | Almost finished | Construction of Tianjin industrial Park has been suspended |

15. Intangible assets**(1) Details of intangible assets**

Unit: yuan

| Project | Opening balance | Increased this year | Decreased this year | Closing balance |
|--|-----------------|---------------------|---------------------|-----------------|
| 1. Total of intangible assets Cost | 347,534,249.75 | 3,716,499.75 | 4,043,414.08 | 347,207,335.42 |
| Land use right | 343,859,928.19 | 3,716,499.75 | 4,043,414.08 | 343,533,013.86 |
| Non-patented technology | 1,992,000.00 | — | — | 1,992,000.00 |
| Software | 1,682,321.56 | — | — | 1,682,321.56 |
| 2. Total of amortization : | 30,674,233.67 | 7,679,470.84 | 326,914.33 | 38,026,790.18 |
| Land use right | 27,720,807.36 | 7,256,527.52 | 326,914.33 | 34,650,420.55 |
| Non-patented technology | 1,842,600.00 | 149,400.00 | — | 1,992,000.00 |
| Software | 1,110,826.31 | 273,543.32 | — | 1,384,369.63 |
| 3. Total of the net book value: | 316,860,016.08 | -3,962,971.09 | 3,716,499.75 | 309,180,545.24 |
| Land use right | 316,139,120.83 | -3,540,027.77 | 3,716,499.75 | 308,882,593.31 |
| Non-patented technology | 149,400.00 | -149,400.00 | — | — |
| Software | 571,495.25 | -273,543.32 | — | 297,951.93 |
| 4. Total of provisions for impairment loss | — | 466,425.80 | — | 466,425.80 |
| Land use right | — | 466,425.80 | — | 466,425.80 |
| Non-patented technology | — | — | — | — |
| Software | — | — | — | — |
| 5. Total of carrying amount: | 316,860,016.08 | -4,429,396.89 | 3,716,499.75 | 308,714,119.44 |
| Land use right | 316,139,120.83 | -4,006,453.57 | 3,716,499.75 | 308,416,167.51 |
| Non-patented technology | 149,400.00 | -149,400.00 | — | — |
| Software | 571,495.25 | -273,543.32 | — | 297,951.93 |

Amortization of the current period is RMB 7,679,470.84

16. Long-term deferred expenses

Unit: yuan

| Project | Opening balance | Increased this year | Amortization | Other decrease | Closing balance | Reasons for other decrease |
|--------------------------|-----------------|---------------------|---------------|----------------|-----------------|--|
| Moldings | 46,671,803.43 | 7,070,940.35 | 29,770,367.98 | 215,669.51 | 23,756,706.29 | Transferred in to other current assets |
| IT consulting fee | 4,762,160.26 | 933,368.88 | 2,478,173.20 | — | 3,217,355.94 | |
| Expenditure on leasehold | 1,320,894.74 | — | 565,039.10 | — | 755,855.64 | |

| | | | | | | |
|--------------|---------------|--------------|---------------|------------|---------------|--|
| improvements | | | | | | |
| Total | 52,754,858.43 | 8,004,309.23 | 32,813,580.28 | 215,669.51 | 27,729,917.87 | |

17. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities are listed before offset

Confirmed deferred tax assets and deferred tax liabilities

Unit: yuan

| Project | Closing balance | Opening balance |
|---|-----------------------|-----------------------|
| Deferred tax assets | | |
| Asset impairment provision | 10,841,379.05 | 13,848,685.40 |
| Payroll and dismissal expenses | 6,335,180.75 | 7,208,346.05 |
| Accrued expenses | 69,848,344.20 | 75,474,152.06 |
| Internal unrealized profits | 9,669,597.27 | 3,653,800.80 |
| Provisions for foreseeable liabilities | 2,106,204.21 | 3,022,895.56 |
| Deferred revenue (government subsidies) | 190,770.00 | 236,730.00 |
| Investment differences | 1,317,443.38 | 1,317,443.38 |
| Total | 100,308,918.86 | 104,762,053.25 |
| Deferred tax liabilities | | |
| Valuation of trading financial instruments | 183,688.50 | 643,845.00 |
| Changes in fair value of sellable financial assets which are accounted into capital surplus | 27,996.60 | 27,643.80 |
| Total | 211,685.10 | 671,488.80 |

Unconfirmed deferred tax assets

Unit: yuan

| Items | Closing balance | Opening balance |
|----------------------------------|----------------------|----------------------|
| Deductible temporary differences | 21,677,550.56 | 15,607,860.90 |
| Deductible loss | 56,550,772.09 | 83,451,798.64 |
| Total | 78,228,322.65 | 99,059,659.54 |

Details of taxable differences and deductible differences

Unit: yuan

| Items | Amount of temporary difference | |
|--|--------------------------------|-----------------------|
| | Closing balance | Opening balance |
| Taxable differences | | |
| Valuation of trading financial instruments | 1,224,590.00 | 4,292,300.00 |
| Changes in fair value of sellable financial assets | 186,644.00 | 184,292.00 |
| Subtotal | 1,411,234.00 | 4,476,592.00 |
| Deductible differences | | |
| Asset impairment provision | 72,244,281.49 | 92,267,684.65 |
| Payroll and dismissal expenses | 42,234,538.30 | 48,055,640.35 |
| Accrued expenses | 465,655,628.05 | 503,161,013.70 |
| Internal unrealized profits | 64,463,981.81 | 24,358,671.97 |
| Foreseeable liabilities | 14,041,361.41 | 20,152,637.08 |
| Deferred revenue (government subsidies) | 1,271,800.00 | 1,578,200.00 |
| Investment differences | 8,782,955.88 | 8,782,955.88 |
| Subtotal | 668,694,546.94 | 698,356,803.63 |

18. Provisions for impairment loss

Unit: yuan

| Item | Opening balance | Increased this year | Decreased this year | | Closing balance |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | | | Written back | Written off | |
| 1. Provision for bad debts | 53,785,669.15 | 1,999,315.01 | 10,216,068.62 | 158,175.09 | 45,410,740.45 |
| 2. Provision for impairment of inventories | 28,603,650.92 | 10,888,394.98 | — | 13,254,088.36 | 26,237,957.54 |
| 3. Provision for impairment of long-term equity investments | 4,224,744.00 | — | — | — | 4,224,744.00 |
| 4. Total provision for impairment of fixed assets | 25,486,225.48 | — | — | 9,181,229.46 | 16,304,996.02 |
| 5. Provision for impairment of construction in process | — | 5,533,291.00 | — | — | 5,533,291.00 |
| 6. Provision for impairment of intangible assets | — | 466,425.80 | — | — | 466,425.80 |
| Total | 112,100,289.55 | 18,887,426.79 | 10,216,068.62 | 22,593,492.91 | 98,178,154.81 |

19. Short-term loans**(1) Categories of Short-term loans:**

| Category | Closing balance | Opening balance |
|--------------|-----------------|---------------------|
| Pledge loan | — | 6,961,486.36 |
| Total | — | 6,961,486.36 |

The pledge loan at the opening balance is RMB 6,961,486.36, which is pledged by the company's cash deposit of RMB 7,090,000.00.

20. Notes payable

| Category | Closing balance | Opening balance |
|-----------------|-------------------------|-------------------------|
| Bank acceptance | 1,003,090,693.95 | 1,539,319,483.44 |
| Total | 1,003,090,693.95 | 1,539,319,483.44 |

The amount due in the next accounting period of RMB1,003,090,693.95 .

21. Accounts payable**(1) Details of accounts payable**

| Aging(year) | Closing balance | Opening balance |
|---------------|-------------------------|-------------------------|
| Within 1 year | 2,044,635,160.07 | 2,732,569,705.52 |
| 1 -2 years | 47,405,124.51 | 39,885,209.61 |
| 2-3 years | 9,750,315.03 | 18,043,425.86 |
| 3-5 years | 15,836,998.95 | 17,016,288.79 |
| Over 5 years | 12,351,984.74 | 7,973,541.60 |
| Total | 2,129,979,583.30 | 2,815,488,171.38 |

(2) Details of payables related to the shareholders holding over 5 percent stocks:

There were no accounts payable due to shareholders with more than 5% (including 5%) of the voting shares of the Company.

(3) Note for the accounts payable with the age of over one year

The amount of accounts payable with the age of over one year at the balance sheet date is RMB 85.34 million. The long term accounts payable are mainly composed by unpaid equipment and material amount dues.

22. Advance from customers**(1) Aging analysis:**

| Items | Closing balance | Opening balance |
|---------------|-----------------------|-----------------------|
| Within 1 year | 770,534,048.23 | 457,067,857.84 |
| 1-2 years | 7,213,629.28 | 2,418,192.18 |
| 2-3 years | 1,928,106.72 | 8,345,151.20 |
| 3-5 years | 12,450,147.61 | 7,470,342.54 |
| Over 5 years | 12,315,711.00 | 10,452,506.04 |
| Total | 804,441,642.84 | 485,754,049.80 |

(2) Details of advance related to the shareholders holding over 5 percent stocks:

There was no advance from customers due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(3) Note for the advance from customers with the age of over one year

The amount of advance from customers with the age of over one year at the balance sheet date is RMB 33.91 million. The long-term advance from customers are mainly composed by the pending accounts received.

23. Employees' wage payable

Unit: yuan

| Items | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| 1. Wage, bonus, allowance and subsidies | 59,019,889.96 | 378,556,948.48 | 379,440,324.02 | 58,136,514.42 |
| 2. Employee welfare | 3,865,587.77 | 41,201,638.46 | 40,844,708.39 | 4,222,517.84 |
| 3. Social insurance | 10,514,172.97 | 56,068,393.53 | 58,785,294.48 | 7,797,272.02 |
| 4. Housing fund | 5,347,178.36 | 17,179,726.32 | 16,364,989.44 | 6,161,915.24 |
| 5. Trade union and education | 3,941,653.63 | 6,192,249.42 | 6,324,009.27 | 3,809,893.78 |
| 6. Compensations for cancellation of the labor relationship with employees | 52,792,171.57 | 7,064,937.54 | 14,082,559.32 | 45,774,549.79 |
| Total | 135,480,654.26 | 506,263,893.75 | 515,841,884.92 | 125,902,663.09 |

At the balance sheet date, the total amount of trade union and education are RMB3,809,893.78, amount of compensations for cancellation of the labor relationship with employees is RMB 45,774,549.79. There is no non-monetary welfare benefits payable at the balance sheet date.

The accrued wages payable at the end of current period has been completely paid in January of 2013.

24. Tax payable

Unit: yuan

| Items | Closing balance | Opening balance |
|--|----------------------|---------------------|
| VAT | -59,759,954.01 | -75,048,177.29 |
| Business tax | 1,930,713.13 | 2,013,293.60 |
| Enterprise income tax | 38,520,975.00 | 63,401,496.70 |
| Personal income tax | 1,541,484.10 | 281,459.64 |
| Urban maintenance and construction tax | 131,494.23 | 1,998,223.92 |
| Property tax | 1,376,460.23 | 1,897,977.50 |
| Land using tax | 350,261.21 | 1,959,774.34 |
| Stamp tax | 498,728.40 | 721,059.67 |
| Education surtax | 106,658.87 | 1,372,998.32 |
| Household electrical appliances recycling fund | 9,612,869.00 | — |
| Other taxes | 1,869,261.43 | 2,865,776.81 |
| Total | -3,821,048.41 | 1,463,883.21 |

25. Dividends payable

Unit: yuan

| Names | Closing balance | Opening balance | Reason of unpaid over 1 year |
|---|-----------------|-----------------|------------------------------|
| Other corporate shareholders of restricted shares | 3,710,206.21 | 2,838,070.21 | Unable to pay |

26. Other payables

(1) Aging analysis of other payables

Unit: yuan

| Item | Closing balance | Opening balance |
|--------------|-----------------|-----------------|
| Within 1year | 39,791,570.09 | 128,170,235.14 |
| 1 -2years | 17,330,598.41 | 22,787,614.91 |
| 2-3years | 5,188,603.80 | 8,593,080.06 |
| 3-5years | 7,999,362.70 | 2,291,622.53 |
| Over 5years | 1,416,217.37 | 3,562,718.52 |

| | | |
|--------------|----------------------|-----------------------|
| Total | 71,726,352.37 | 165,405,271.16 |
|--------------|----------------------|-----------------------|

(2) List of other payables due to shareholders with more than 5% (including 5%) of the voting shares of the Company.

Unit: yuan

| Name | Closing balance | Opening balance |
|----------------------------|------------------------|------------------------|
| GD Midea Holding Co., Ltd. | — | 390,636.00 |
| Total | — | 390,636.00 |

(3) Note for other payables aging more than one year

Other payables ageing more than one year were mainly composed of suspended temporary receipts and unpaid payables.

(4) **Details of other payables in large amount**

The other payables in large amount are temporary deposits

27. Estimated liabilities

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|------------------------|---------------------|---------------------|------------------------|
| Quality guarantee payables | 18,953,235.00 | 2,242,048.57 | 7,153,922.16 | 14,041,361.41 |
| Compensation for suppliers' inventory loss | 1,199,402.08 | 334,452.02 | 1,533,854.10 | — |
| Total | 20,152,637.08 | 2,576,500.59 | 8,687,776.26 | 14,041,361.41 |

The washing machines produced by subsidiary of the company, Wuxi Little Swan General Electric Co., Ltd., are mainly sold to the United States and other foreign markets. Overseas sale of these washing machines involves the two kinds of risks: 1) The insurance company may only afford an insufficient compensation when the quality problems take place, and 2) there is a risk of liability for damages when the failure rate is higher than FCR stipulated in the contract with General Electric Company. As of December 31, 2012, the company has estimated a risk loss of RMB 14,041,400 for the sold products.

28. Specific purpose account payable

Unit: yuan

| Item | Closing balance | Opening balance |
|-------------------------|------------------------|------------------------|
| relocation compensation | 2,607,427.30 | — |
| Total | 2,607,427.30 | — |

Specific purpose account payable at the balance sheet date was the relocation compensation gained by the company's share-holding subsidiary Wuxi Filin Electronics Co., Ltd. from the resettlement office of Wuxi New District Xinan Street. They conducted a land exchange due to the need of urban planning and the resettlement office offered a compensation for original buildings on the ground.

29. Other non-current liabilities

Unit: yuan

| Item | Closing balance | Opening balance |
|--|---------------------|---------------------|
| Funding for innovation capacity of the National Enterprise Technology Center | 600,000.00 | 1,200,000.00 |
| Subsidies for substation's improvement | 327,800.00 | 378,200.00 |
| Provincial financial fund for guidance of modern service industry development | 344,000.00 | 396,800.00 |
| Municipal "international scientific and technological cooperation projects" fund | — | 300,000.00 |
| Provincial technology trading fund | — | 500,000.00 |
| Support fund for service outsourcing of growing enterprise | — | 750,000.00 |
| Wuxi New District Administrative Committee Finance Bureau funds | — | 3,096,250.00 |
| Total | 1,271,800.00 | 6,621,250.00 |

30. Share capital

Unit: yuan

| | Opening balance | Increase/Decrease (+/-) | | | | | Closing balance |
|--------------|-----------------|-------------------------|--------------|---|--------|----------|-----------------|
| | | Issuing new shares | Bonus shares | Shares transferred from capital surplus | Others | Subtotal | |
| Total shares | 632,487,764.00 | | | | | | 632,487,764.00 |

31. Capital surplus

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|------------------|----------|----------|------------------|
| Share premium | 1,055,182,718.57 | — | — | 1,055,182,718.57 |
| Capital surplus of the original system transferred in | 39,179,385.00 | — | — | 39,179,385.00 |
| Loss/profit from change of fair | 156,648.20 | 1,999.20 | — | 158,647.40 |

| | | | | |
|--------------------------------|-------------------------|----------------------|----------|-------------------------|
| value | | | | |
| Provision of equity investment | 1,638,562.74 | — | — | 1,638,562.74 |
| Share payment | — | 33,250,000.00 | — | 33,250,000.00 |
| Total | 1,096,157,314.51 | 33,251,999.20 | — | 1,129,409,313.71 |

Of the increase of capital surplus during this year, RMB1,999.20 was caused by gain from change of fair value of sellable financial assets, RMB33,250,000 was caused by the share payment Midea Group implemented to senior management of the company in current year.

Details of share payment: During the reporting period, Midea Group Co., Ltd. implemented an equity incentive plan to the senior management of the Group and its subsidiaries. Under the plan, Midea Holding Co., Ltd. transferred its share of property of Ningbo Meisheng equity investment partnership enterprise (limited partnership) to the related employees. Ningbo Meisheng equity investment partnership enterprise held 3%, 30million shares, of the stock of Midea Group Co., Ltd. in total.

On Nov.22th 2012, Midea Holding Co., Ltd. signed the agreement for the transfer of the share of the property with members of senior management of the company, including Chai Xinjian, Yin Bitong, Fu Wei, and Mao Zhiliang. According to this agreement, Midea Holding Co., Ltd.transferred its 6.3333% share of property of Ningbo Meisheng equity investment partnership enterprise (limited partnership) to senior management of the company.

32. Surplus reserves

Unit: yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|---------------|-----------------------|----------------------|----------|-----------------------|
| Legal reserve | 249,433,912.28 | 21,183,336.65 | — | 270,617,248.93 |
| Total | 249,433,912.28 | 21,183,336.65 | — | 270,617,248.93 |

33. Retained earnings

| Item | Amounts | Extraction or allocation proportion |
|---|------------------|-------------------------------------|
| Before adjustment Retained earnings at the end of last year | 1,465,610,508.78 | -- |
| Adjusted retained earnings at the beginning of the year | 1,465,610,508.78 | -- |

| | | |
|--|-------------------------|-----------|
| Plus: Net profit attributable to parent company transferred in | 338,387,680.99 | -- |
| Less: Appropriation of statutory surplus reserve | 21,183,336.65 | 10% |
| Common share dividend payable | 126,497,552.80 | -- |
| Retained earnings at the end of the year | 1,656,317,300.32 | -- |

34. Operational turnover and costs

(1) Operational turnover and costs

Unit: yuan

| Items | Occurred this year | Occurred last year |
|------------------------|--------------------|--------------------|
| Main business income | 6,163,266,557.05 | 9,649,015,514.68 |
| Other operating income | 736,597,369.76 | 1,326,606,189.84 |
| Operation cost | 5,339,914,557.98 | 9,153,133,555.97 |

(2) Main operation (Categorize by industries)

Unit: yuan

| Name of industry | Occurred this year | | Occurred last year | |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Household appliances manufacture | 6,163,266,557.05 | 4,717,192,015.96 | 9,635,208,564.70 | 7,939,708,858.05 |
| Others | — | — | 13,806,949.98 | 13,083,309.20 |
| Total | 6,163,266,557.05 | 4,717,192,015.96 | 9,649,015,514.68 | 7,952,792,167.25 |

(3) Main operation (Categorize by products)

Unit: yuan

| Name of products | Occurred this year | | Occurred last year | |
|------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Washing machines | 6,163,266,557.05 | 4,717,192,015.96 | 9,635,208,564.70 | 7,939,708,858.05 |
| Other goods | — | — | 13,806,949.98 | 13,083,309.20 |
| Total | 6,163,266,557.05 | 4,717,192,015.96 | 9,649,015,514.68 | 7,952,792,167.25 |

(4) Main operation (Categorize by regions)

Unit: yuan

| Name of regions | Occurred this year | | Occurred last year | |
|-----------------|--------------------|----------------|--------------------|----------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |

| | | | | |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Homeland | 4,131,737,749.77 | 2,785,735,439.42 | 7,408,801,707.32 | 5,742,172,092.36 |
| Other countries | 2,031,528,807.28 | 1,931,456,576.54 | 2,240,213,807.36 | 2,210,620,074.89 |
| Total | 6,163,266,557.05 | 4,717,192,015.96 | 9,649,015,514.68 | 7,952,792,167.25 |

(5) Turnover from top 5 clients:

Unit: yuan

| Name of customers | Main business income | Proportion to the whole operational turnover of the company (%) |
|--|-------------------------|---|
| Midea (Singapore) Trading Co., Ltd. | 1,088,619,499.50 | 15.78 |
| Nanjing Purchasing center of Suning Appliance Co.,Ltd, | 442,122,911.45 | 6.41 |
| Guizhou Midea Refrigeration Production Sales Co., Ltd. | 137,786,041.24 | 2.00 |
| UNIVERSAL, Egypt | 169,855,382.47 | 2.46 |
| TOSHIBAINTERNATIONALPR | 139,778,173.16 | 2.02 |
| Total | 1,978,162,007.82 | 28.67 |

35. Business tax and surcharge

Unit: yuan

| Items | Occurred this year | Occurred last year | Tax base |
|---------------------------------------|----------------------|----------------------|-----------------|
| Business tax | 452,161.83 | 117,960.51 | Taxable revenue |
| City maintenance and construction tax | 17,517,312.77 | 13,306,679.39 | Turnover tax |
| Education surtax | 12,512,365.57 | 8,669,567.88 | Turnover tax |
| Local fee | — | 341,688.35 | |
| Total | 30,481,840.17 | 22,435,896.13 | |

36. Selling expenses

Unit: yuan

| Items | Occurred this year | Occurred last year |
|--------------------------------|--------------------|--------------------|
| Employee payment | 69,087,909.41 | 21,015,238.07 |
| Shipping and handling expenses | 263,884,652.66 | 355,888,060.17 |
| Travelling expenses | 20,242,094.64 | 2,522,396.07 |
| Leasing expenses | 98,471,959.31 | 86,789,426.13 |
| Installation cost | 27,793,165.10 | 600,100.00 |
| Spare and accessory parts | 21,319,907.16 | 7,153,661.80 |
| Maintenance costs | 48,393,831.50 | 39,149,693.69 |
| Advertising & promotion fees | 233,637,297.55 | 316,652,673.48 |

| | | |
|--------------|-----------------------|-----------------------|
| Others | 57,729,665.20 | 64,264,165.41 |
| Total | 840,560,482.53 | 894,035,414.82 |

37. G&A expenses

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---------------------------|-----------------------|-----------------------|
| Employee payment | 131,782,669.30 | 158,798,455.96 |
| Depreciation | 20,799,637.77 | 19,582,542.23 |
| Water & electricity fees | 10,401,122.69 | 5,927,036.22 |
| Quality loss | 13,804,451.22 | 10,660,149.60 |
| Property tax | 7,827,164.54 | 8,240,607.90 |
| Product certification fee | 9,277,378.04 | 8,704,416.60 |
| Share payment | 33,250,000.00 | — |
| Others | 104,244,437.40 | 161,401,999.35 |
| Total | 331,386,860.96 | 373,315,207.86 |

38. Financial expenses

Unit: yuan

| Items | Occurred this year | Occurred last year |
|-------------------|----------------------|----------------------|
| Interest expenses | 8,783,561.97 | 10,987,739.43 |
| Interest income | -24,171,770.04 | 47,083,684.49 |
| Exchange losses | 9,292,368.64 | 31,172,114.97 |
| Commission charge | 3,043,476.19 | 3,905,552.17 |
| Total | -3,052,363.24 | -1,018,277.92 |

39. Gains from changes in fair values

Unit: yuan

| Item | Occurred this year | Occurred last year |
|--------------------------|----------------------|----------------------|
| Trading financial assets | -3,067,710.00 | -3,486,333.32 |
| Total | -3,067,710.00 | -3,486,333.32 |

40. Investment income

(1) Details of investment income

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---|----------------------|----------------------|
| Long-term equity investment gains on cost basis –cash dividends from non-subsiaries | 341,810.24 | 55,000.00 |
| Long-term equity investment gains on equity basis | -143,000.95 | -298,934.03 |
| Gains from disposal of long-term equity investment | — | 45,306,566.91 |
| Investment gains from holding of trading financial assets, etc. | 6,782,220.00 | 32,308,941.40 |
| Other | 48,641,661.11 | — |
| Total | 55,622,690.40 | 77,371,574.28 |

(2) Long-term equity investment gains on cost basis

Unit: yuan

| Name of Investee | Occurred this year | Occurred last year |
|-------------------------------------|--------------------|--------------------|
| Hengtai Insurance Brokers Co., Ltd. | 55,000.00 | 25,000.00 |
| Suzhou People's Shopping Centre | 40,000.00 | 30,000.00 |
| Bank of Jiangsu | 246,810.24 | — |
| Total | 341,810.24 | 55,000.00 |

(3) Long-term equity investment gains on equity basis

Unit: yuan

| Name of Investee | Occurred this year | Occurred last year |
|---|--------------------|--------------------|
| Guangzhou Antaida Material Distribution Co., Ltd. | -143,000.95 | -298,934.03 |
| Total | -143,000.95 | -298,934.03 |

41. Impairment provisions of assets

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---------------------------------------|---------------------|----------------------|
| 1.Bad debt losses | -8,216,753.61 | 2,183,677.24 |
| 2.Inventory impairment | 10,888,394.98 | 4,695,209.21 |
| 3.Fixed assets impairment | — | 7,456,985.07 |
| 4.Construction in progress impairment | 5,533,291.00 | — |
| 5.Intangible assets impairment | 466,425.80 | — |
| Total | 8,671,358.17 | 14,335,871.52 |

42. Non-operating income

(1) Details of non-operating income

Unit: yuan

| Items | Occurred this year | Occurred last year | Amount accounted into non-recurring gain and loss in current year |
|---|----------------------|----------------------|---|
| Gains from disposal of noncurrent assets | 10,850,074.46 | 16,501,957.10 | 10,850,074.46 |
| Inclusive of: Gains from disposal of fixed assets | 10,850,074.46 | 16,501,957.10 | 10,850,074.46 |
| Gains from debt restructuring | 9,544,766.77 | 10,188,474.84 | 9,007,539.11 |
| Gains from governmental subsidy | 8,112,282.45 | 7,038,247.99 | 8,112,282.45 |
| Penalty income | 23,335,697.60 | 61,717,786.34 | 23,335,697.60 |
| Other | 161,167.28 | 1,813,052.97 | 698,394.94 |
| Total | 52,003,988.56 | 97,259,519.24 | 52,003,988.56 |

(2) Details of gains from government subsidies:

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---|--------------------|--------------------|
| Science & Technology Development Scheme Bursary | 5,494,857.82 | — |
| VAT refund upon collection | 2,814,198.28 | 11,558,589.14 |
| Workers resettlement funds | 2,705,680.00 | 945,814.00 |
| Service Farming Out Operation Special Fund | 4,912,850.00 | — |
| Business Development Special Fund | 1,694,300.00 | — |
| Support funds of foreign economy and trade | 1,080,000.00 | 370,100.00 |
| Foreign Trade Zone Development Subsidy | 640,000.00 | — |
| Cargos Development Rewards | 531,060.00 | — |
| Compensation for Demolition | 514,349.70 | — |
| Provincial 'Science & Technology for Trades Project' | 500,000.00 | — |
| New Product Government Subsidy | 480,200.00 | — |
| Subsidies for export credit insurance premiums | 353,200.00 | 706,323.00 |
| Citywide 'International Science & Technology Cooperation Scheme' Fund | 300,000.00 | — |
| Fund for International Famous Brands Development in Jiangsu Province | 200,000.00 | — |

| | | |
|--|----------------------|----------------------|
| Financial Department Third Generation Commission | 177,824.08 | — |
| Foreign Capital Import Rewards | 150,000.00 | — |
| Patent fund from Science and Technology Bureau | 135,400.00 | 259,500.00 |
| Subsidies for special guide of modern service industry | 52,800.00 | 753,200.00 |
| Return of land grand fee | — | 19,545,100.00 |
| Awards for growth maintenance of key enterprises | — | 14,487,000.00 |
| Hefei investment tax Rewards | — | 9,901,000.00 |
| Science and technology award funds | — | 1,800,000.00 |
| New District Administrative Committee Fund grants | — | 584,400.00 |
| Others | 598,977.72 | 806,760.20 |
| Total | 23,335,697.60 | 61,717,786.34 |

43. Non-operating expenses

Unit: yuan

| Items | Occurred this year | Occurred last year | Amount accounted into non-recurring gain and loss in current year |
|--|----------------------|----------------------|---|
| Loss from disposal of noncurrent assets | 5,461,998.05 | 8,207,434.68 | 5,461,998.05 |
| Inclusive of: Loss from disposal of fixed assets | 3,704,732.89 | 8,207,434.68 | 3,693,668.22 |
| Donations expenses | 80,000.00 | 150,000.00 | 80,000.00 |
| Penalties paid | 169,742.93 | 248,359.75 | 169,742.93 |
| Compensation expenses | 319,999.99 | 2,939,257.29 | 319,999.99 |
| Local fees (Flood control fund, etc.) | 3,782,120.97 | 7,311,295.35 | — |
| Others | 1,074,676.85 | 1,299,349.01 | 1,074,676.85 |
| Total | 10,888,538.79 | 20,155,696.08 | 7,106,417.82 |

44. Income tax expenses

Unit: yuan

| Items | Occurred this year | Occurred last year |
|--|----------------------|-----------------------|
| Income tax calculated according to the law and regulations in current period | 62,742,475.06 | 115,320,194.65 |
| Adjustment of differed income tax | 3,992,977.89 | 16,488,154.05 |
| Total | 66,735,452.95 | 131,808,348.70 |

45. Rate of return on common stockholders' equity (ROE), primary earnings per share, and diluted earnings per share

| Items | No. | Current Year | Previous Year |
|--|--|----------------|----------------|
| Net profit attributable to common shareholders of the Company | 1 | 338,387,680.99 | 453,327,963.81 |
| Non-recurring gain/loss attributable to the net profit of common shareholders of the parent company after deducting of income tax influences | 2 | -3,591,074.37 | 88,969,743.80 |
| Net profit attributable to common share holders of the Company after deducting of non-recurring gain/loss | 3=1-2 | 341,978,755.36 | 364,358,220.01 |
| Total of shares at beginning of year | 4 | 632,487,764.00 | 632,487,764.00 |
| Amount of shares increased by capitalizing of common reserves or share dividend | 5 | - | - |
| Amount of shares increased by issuing of new shares or transforming of debt to shares | 6 | - | - |
| Number of months from the next month of new share issuing or converting of debt to shares to the end of report term | 7 | - | - |
| Amount of shares decreased by repurchasing of shares in the report term | 8 | - | - |
| Number of months from the next month of share decreasing to the end of report term | 9 | - | - |
| Amount of shares reduced in the report term | 10 | - | - |
| Number of months in the report term | 11 | 12 | 12 |
| Weighted average of common shares issued outside (I) | $12=4+5+6\times7+11-8\times9\div11-10$ | 632,487,764.00 | 632,487,764.00 |
| Weighted average of common shares issued outside adjusted for combination under common control (II) | 13 | 632,487,764.00 | 632,487,764.00 |
| Basic earnings per share (I) | 14=1÷12 | 0.54 | 0.72 |
| Basic earnings per share (II) | 15=3÷13 | 0.54 | 0.58 |
| Diluting potential common share interests recognized as expenses | 16 | - | - |
| Income tax rate | 17 | 15% | 15% |
| Transformation fees | 18 | - | - |

| Items | No. | Current Year | Previous Year |
|---|---|--------------|---------------|
| Amount of shares increased by transforming or exercising of company bond, subscription certificate, or share option | 19 | - | - |
| Diluted earnings per share (I) | $20=[1+(16-18)\times(1-17)]\div(12+19)$ | 0.54 | 0.72 |
| Diluted earnings per share (II) | $21=[3+(16-18)\times(1-17)]\div(13+19)$ | 0.54 | 0.58 |

46. Other misc. incomes

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---|--------------------|----------------------|
| 1. Gains (losses) from sellable financial assets | 2,352.00 | -28,224.00 |
| Less: Income tax influence of sellable financial assets | 352.80 | -4,233.60 |
| Sub-total | 1,999.20 | -23,990.40 |
| 2. Difference from translating of foreign currency financial statements | -76,568.97 | -1,606,613.13 |
| Sub-total | -76,568.97 | -1,606,613.13 |
| Total | -74,569.77 | -1,630,603.53 |

47. Notes to the Cash Flow Statement

(1) Other cash inflow related to operation

Unit: yuan

| Items | Amount |
|---|----------------------|
| Interest income | 24,171,770.04 |
| Government Subsidies | 15,172,049.32 |
| Revenue from fines | 8,112,282.45 |
| Other non-operating-related cash income | 1,511,990.80 |
| Total | 48,968,092.61 |

(2) Other cash paid related to operation

Unit: yuan

| Items | Amount |
|--|-------------------------|
| Sales expense | 805,404,415.09 |
| Administrative expense | 131,286,025.35 |
| The amount of fee expenditures in financial expenses | 3,043,476.19 |
| Fund transfer | 96,890,543.43 |
| Others | 11,278,057.54 |
| Total | 1,047,902,517.60 |

48. Appendix of Cash Flow Statement

(1) Appendix of cash flow statement

Unit: yuan

| Items | Closing balance | Opening balance |
|---|-----------------------|-----------------------|
| 1.Net profit adjusted to cash flow of operation: | | |
| Net profit | 378,836,167.46 | 538,564,751.56 |
| Plus: Asset impairment provision | 8,671,358.17 | 14,335,871.52 |
| Fixed asset depreciation, gas and petrol depreciation, production goods depreciation | 118,416,902.29 | 101,674,248.09 |
| Amortizing of intangible assets | 7,679,470.84 | 6,920,205.54 |
| Amortizing of long-term expenses | 32,813,580.28 | 34,041,049.28 |
| Loss from disposal of fixed assets, intangible assets, and other long-term assets (“-“ for gains) | -7,145,341.57 | -8,294,522.42 |
| Loss from fixed asset discard | — | — |
| Loss from fluctuation of fair value | 3,067,710.00 | 3,486,333.32 |
| Financial expenses | — | — |
| Investment loss (“-“ for gains) | -55,622,690.40 | -77,371,574.28 |
| Decrease of deferred income tax asset (“-“ for increase) | 4,453,134.39 | 17,011,104.05 |
| Increase of deferred income tax liabilities (“-“ for decrease) | -460,156.50 | -522,950.00 |
| Decrease of inventory (“-“ for increase) | -154,235,526.68 | 237,385,810.71 |
| Decrease of operational receivable items (“-“ for increase) | 937,501,960.31 | -1,121,381,670.27 |
| Increase of operational payable items (“-“ for decrease) | -962,468,870.44 | 496,682,651.97 |
| Others | 33,250,000.00 | — |

| | | |
|---|------------------------|-----------------------|
| Net cash flow generated by business operation | 344,757,698.15 | 242,531,309.07 |
| 2. Investment and financing activities not involving in cash flow | | |
| Liabilities converted to capital | — | — |
| Convertible bond expire within 1 year | — | — |
| Fixed assets acquired under finance leases | — | — |
| 3. Change of cash and cash equivalents | | |
| Balance of cash at end of year | 1,293,126,217.00 | 2,279,653,302.57 |
| Less: Balance of cash at beginning of year | 2,279,653,302.57 | 2,119,023,194.93 |
| Plus: Balance of cash equivalents at end of term | — | — |
| Less: Balance of cash equivalents at beginning of term | — | — |
| Net increase of cash and cash equivalents | -986,527,085.57 | 160,630,107.64 |

(2) Details of acquisition or disposal of subsidiaries or other business entities in current year

Unit: yuan

| Supplementary information | Occurred this year | Occurred last year |
|---|--------------------|--------------------|
| 1. Details of acquisition of subsidiaries or other business entities: | — | — |
| 2. Details of acquisition of disposal or other business entities: | — | — |
| 3. Net cash inflows of disposal of subsidiaries and other business | | 34,472,210.51 |

(3) Component of cash and cash equivalents

Unit: yuan

| Items | Closing balance | Opening balance |
|--|-------------------------|-------------------------|
| 1. Cash | 1,293,126,217.00 | 2,279,653,302.57 |
| Inclusive of: cash in treasury | 169,620.72 | 184,735.57 |
| Cash in bank | 1,292,956,596.28 | 1,880,762,967.00 |
| Other monetary funds | — | 398,705,600.00 |
| 2. Balance of cash and cash equivalents at the end of term | 1,293,126,217.00 | 2,279,653,302.57 |

49. Notes of the Changes in owner's equity

Unit: yuan

| Items | Amount |
|---|---------------|
| Component of Capital surplus- other misc. incomes: | |
| Change of fair value of sellable financial assets | 1,999.20 |
| Amount of share payment accounted into shareholders' equity | |
| Wuxi Little Swan Company Ltd. | 33,250,000.00 |
| Component of others: | |
| Conversion difference of foreign currency statements of Little Swan International (Singapore) Co., Ltd. | -76,568.97 |

NOTE VIII: Relationship and Related party transactions**1. Details of the parent party:**

Unit: yuan

| Name of the parent company | Relationship | Enterprise Nature | Registered place | Corporate representative | Business Nature | Registered Capital | Proportions of parent company's shareholding to the company (%) | Proportions of parent company's voting right to the company (%) | Ultimate controller of the company | Organization Code |
|----------------------------|----------------|---------------------|-------------------|--------------------------|--|--------------------|---|---|------------------------------------|-------------------|
| GD MIDEA HOLDING CO.,LTD. | Parent Company | Joint stock company | Foshan, Guangdong | Fang Hongbo | Manufacture and sales of commercial air conditioners, refrigerators, washing-machines and compressors, after-sale service of productions | 3,384,350,000.00 | 40.08 | 40.08 | He Xiangjian | 19033709-2 |

2. Subsidiaries of the company

Unit: yuan

| Name of the subsidiaries | Categories | Form of business organization | Registered place | Corporate representative | Business Nature | Registered Capital | Proportion of the company's shareholding to the subsidiary (%) | Proportion of the company's voting right to the subsidiary (%) | Organization Code |
|---|-------------------------|-------------------------------|------------------|--------------------------|-------------------|--------------------|--|--|-------------------|
| Wuxi Little Swan General Electric Appliances Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Manufacture | 28,000,000.00 | 70.00 | 70.00 | 76355342-0 |
| Wuxi Little Swan Driving & Control Development Technology Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | R&D | 5,000,000.00 | 97.30 | 100.00 | 79538539-6 |
| Wuxi Filin Electronics Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Manufacture | USD 3,624,600.00 | 73.00 | 73.00 | 74815875-6 |
| Wuxi Little Swan Washing Machine Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Manufacture | 49,679,500.00 | 99.91 | 99.91 | 60792331-1 |
| Wuxi Meitian Refrigerator Market Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Sale | USD 4,000,000.00 | 75.00 | 75.00 | 71490141-7 |
| Jiangsu Little Swan Marketing and Sales Co., Ltd. | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Sale | 419,500,000.00 | 99.63 | 99.63 | 73330538-9 |
| Wuxi Little Swan Import & Export Co., Ltd | Holding subsidiaries | Limited Company | Wuxi | Chai Xinjian | Import and export | 65,000,000.00 | 88.46 | 88.46 | 13600714-8 |
| P.T. Little Swan Prima Industries | Wholly-owned subsidiary | Limited Company | Malaysia | | Sale | USD 1,000,000.00 | 51.00 | 51.00 | |
| Little Swan International (Singapore) Co., Ltd. | subsidiary | Limited Company | Singapore | | Investment | USD 5,000,000.00 | 100 | 100 | |
| Tianjin Little Swan Washing Machine Co., Ltd. | Wholly-owned subsidiary | Limited Company | Tianjin | Fang Hongbo | Manufacture | 200,000,000.00 | 100 | 100 | 57230359-2 |
| Little Swan (Jing Zhou) Electronic Appliances Co., Ltd. | subsidiary | Limited Company | Jianzhou | Chai Xinjian | Manufacture | 11,070,200.00 | 100 | 100 | 72614223-5 |
| Hefei Royalstar Washing Machine Manufacture Co., Ltd. | Holding subsidiaries | Limited Company | Hefei | Fang Hongbo | Manufacture | USD 135,520,000.00 | 69.47 | 69.47 | 14906761-7 |
| Hefei Midea Washing Machine Manufacture Co., Ltd. | Holding subsidiaries | Limited Company | Hefei | Fang Hongbo | Manufacture | 20,000,000.00 | 90 | 90 | 67423819-7 |

3. Associated enterprise of the company

Unit: yuan

| Name of Investee | Form of business organization | Registered place | Corporate representative | Business Nature | Registered Capital | Proportions of the company's shareholding to the investee (%) | Proportions of the company's voting right to the investee(%) | Relationship | Organization Code |
|---|-------------------------------|------------------|--------------------------|-----------------|--------------------|---|--|--------------|-------------------|
| I. Associated enterprise | | | | | | | | | |
| Guangzhou Antaida Material Distribution Co., Ltd. | Limited Company | Guangzhou | Ye Weilong | logistics | 10,000,000 | 20 | 20 | Associated | 72993557-2 |

4. Other related parties of the company

| Name of other related parties | Relationship | Organization Code |
|---|---|-------------------|
| GD MIDEA HOLDING CO.,LTD. | Holding shareholder of the company | 19033709-2 |
| Little Swan (Jing Zhou) Electronic Appliances Co., Ltd. | Under control of holding stockholders of the company | 70696333-5 |
| Midea (Singapore) Trading Co., Ltd. | Under control of holding stockholders of the company | |
| Hefei Midea Materials Supply Co., Ltd. | Under control of holding stockholders of the company | 55183611-1 |
| Hefei Midea Royalstar Refrigerator Co., Ltd. | Under control of holding stockholders of the company | 14906759-6 |
| Hefei Hualing Co., Ltd | Under control of holding stockholders of the company | 61031550-1 |
| Guangdong Midea Heating Equipment Co., Ltd | Under control of holding stockholders of the company | 78115339-1 |
| MIDEA EUROPE GMBH | Under control of holding stockholders of the company | |
| PT. Midea Planet Indonesia | Under control of holding stockholders of the company | |
| MIDEA SCOTT & ENGLISH SDN BHD | Under control of holding stockholders of the company | |
| MIDEA ITALIA S.R.L. | Under control of holding stockholders of the company | |
| Midea Electric Espana, S.L. | Under control of holding stockholders of the company | |
| Hefei Century molding Development Co., Ltd. | Under control of the company's ultimate controlling shareholder's direct relative | 66293360-0 |
| Hefei Huitong New Materials Co., Ltd | Under control of the company's ultimate controlling shareholder's direct relative | 67759766-2 |
| Zhongshan Midea Environmental electrical engineering products Installation Services Co., Ltd. | Under control of holding stockholders of the company | 68445743-0 |

| | | |
|--|--|------------|
| Wuhu Century Technology Co., Ltd. | Under control of holding stockholders of the company | 75096265-5 |
| Wuhu Andhra Logistics Co., Ltd. | Under control of holding stockholders of the company | 71992943-5 |
| Ninbo Andhra Logistics Co., Ltd. | Under control of holding stockholders of the company | 57051088-9 |
| Jiangsu Midea Chunhua Electric Appliance Co., Ltd. | Under control of holding stockholders of the company | 13479435-2 |
| Huai'an Welling Motor Manufacturing Co., Ltd. | Under control of holding stockholders of the company | 75968160-6 |
| Guangdong GANEY Precision Machinery Co., Ltd | Under control of holding stockholders of the company | 72111191-5 |

5. Related Party Transactions

(1) Purchase of goods, services received from the related-party

Unit: yuan

| Name of company | Transaction Type | Pricing method and decision procedure of related party transactions | Occurred this year | | Occurred last year | |
|---|--------------------------------|---|-----------------------|--|-------------------------|--|
| | | | Amount | Proportion to amount of the transaction category (%) | Amount | Proportion to amount of the transaction category (%) |
| GD MIDEA HOLDING CO.,LTD. | Trustee fee of projects | Market price | 36,672.84 | — | 426,558.61 | — |
| Wuhu Andhra Logistics Co., Ltd. | Logistics service | Market price | 224,378.68 | 0.01 | 48,983,203.44 | 0.54 |
| Ninbo Andhra Logistics Co., Ltd. | Logistics service | Market price | 60,504,801.61 | 1.20 | | |
| Hefei Midea Materials Supply Co., Ltd. | Materials purchase | Market price | 344,004,324.75 | 6.80 | 457,366,437.05 | 5.00 |
| Hefei Century molding Development Co., Ltd. | Materials purchase | Market price | 80,541,848.99 | 1.59 | 198,596,885.62 | 2.17 |
| Huai'an Welling Motor Manufacturing Co., Ltd. | Electric engines and materials | Market price | 363,677,042.18 | 7.18 | 668,615,292.57 | 7.30 |
| Hefei Huitong New Materials Co., Ltd | Materials purchase | Market price | 81,120,196.78 | 1.60 | 139,640,481.39 | 1.53 |
| Hefei Hualing Co., Ltd | Materials purchase | Market price | 70,316.47 | — | — | — |
| Total | | | 930,179,582.30 | 18.38 | 1,513,628,858.68 | 16.54 |

(2) Sale of goods, services provided to the related-party

Unit: yuan

| Name of company | Transaction Type | Pricing method and decision procedure of related party transactions | Occurred this year | | Occurred last year | |
|--|--|---|-------------------------|--|-------------------------|--|
| | | | Amount | Proportion to amount of the transaction category (%) | Amount | Proportion to amount of the transaction category (%) |
| MIDEA ITALIA S.R.L | Sale of wash machines | Market price | — | — | 3,743,138.01 | 0.03 |
| MIDEA EUROPE GMBH | Sale of wash machines | Market price | — | — | 8,816,013.32 | 0.08 |
| MIDEA SCOTT & ENGLISH SDN BHD | Sale of wash machines | Market price | 26,471,058.09 | 0.38 | 12,699,462.28 | 0.12 |
| Midea Electric Espana, S.L. | Sale of wash machines | Market price | — | — | 2,371,230.02 | 0.02 |
| PT. Midea Planet Indonesia | Sale of wash machines | Market price | 16,077,304.14 | 0.23 | 16,366,812.49 | 0.15 |
| Hefei Huitong New Materials Co., Ltd | Sale of materials | Market price | 22,947,393.15 | 0.33 | 71,124,816.23 | 0.65 |
| Hefei Century molding Development Co., Ltd. | Sale of materials | Market price | 59,308,524.14 | 0.86 | 142,807,312.33 | 1.30 |
| Hefei Hualing Co., Ltd | Sale of materials | Market price | 9,446,882.46 | 0.14 | 43,359,555.18 | 0.40 |
| Hefei Midea Royalstar Refrigerator Co., Ltd. | Sale of refrigerators | Market price | — | — | 48,689.51 | — |
| Hefei Royalstar Refrigerator Co., Ltd. | Sale of electric products | Market price | 2,599,345.67 | 0.04 | 2,236,161.66 | 0.02 |
| Hefei Midea Heating Equipment Co., Ltd | Sale of electric products | Market price | — | — | 2,576,011.81 | 0.02 |
| Guangdong Meizhi Precision Manufacturing Co., Ltd. | Sale of wash machines | Market price | — | — | 23,170.41 | — |
| Huai'an Welling Motor Manufacturing Co., Ltd. | Sale of materials | Market price | — | — | 5,432.19 | — |
| Midea (Singapore) Trading Co., Ltd. | Sale of materials and washing machines | Market price | 1,088,619,499.50 | 15.78 | 1,132,586,137.66 | 10.32 |
| Guangdong Midea Heating Equipment Co., Ltd. | Sale of materials | Market price | 848.16 | — | — | — |
| Guangdong Midea Heating Equipment Co., Ltd. | Sale of equipments | Market price | 383,283.04 | — | — | — |
| Total | | | 1,225,854,138.35 | 17.76 | 1,438,763,943.10 | 13.11 |

(3) Guarantees among related parties

Unit: yuan

| Guarantor | Guaranteed party | Amount of guarantee | From | To | Guarantee fulfilled |
|-------------------------------|---|-----------------------|------------|------------|---------------------|
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co., Ltd. | 34,660,000.00 | 2012-7-17 | 2013-1-17 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 101,114,233.85 | 2012-07-25 | 2013-01-25 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 86,624,200.00 | 2012-08-22 | 2013-02-22 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 43,130,000.00 | 2012-08-27 | 2013-02-22 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 2,850,000.00 | 2012-09-28 | 2013-03-28 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 97,525,340.87 | 2012-10-31 | 2013-04-30 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 28,946,457.30 | 2012-11-28 | 2013-05-28 | No |
| Wuxi Little Swan Company Ltd. | Hefei Royalstar Washing Machine Manufacture Co. | 51,580,737.56 | 2012-11-28 | 2013-05-28 | No |
| Total | | 446,430,969.58 | | | |

6. Amount due to/from related parties

(1) Amount due from related parties

Unit: yuan

| Items | Related party | Closing balance | | Opening balance | |
|---------------------|---|-----------------------|----------------------|-----------------------|----------------------|
| | | Balance | Bad debts | Balance | Bad debts |
| Accounts receivable | Midea (Singapore) Trading Co., Ltd. | 226,480,645.57 | 11,324,830.37 | 336,640,501.81 | 16,832,025.09 |
| Accounts receivable | PT. Midea Planet Indonesia | 9,162,679.13 | 458,133.96 | 14,234,767.83 | 711,738.40 |
| Accounts receivable | MIDEA SCOTT & ENGLISH SDN BHD | 12,244,315.71 | 612,215.79 | 8,957,356.60 | 447,867.84 |
| Accounts receivable | Hefei Hualing Co., Ltd | 461,954.29 | 25,921.50 | 5,451,575.78 | 272,578.79 |
| Accounts receivable | Midea Electric Espana, S.L. | — | — | 2,397,592.23 | 119,879.61 |
| Accounts receivable | Guangdong Midea Heating Equipment Co., Ltd | 383,283.04 | 19,164.15 | 1,013,933.83 | 50,696.69 |
| Accounts receivable | MIDEA ITALIA S.R.L. | 706,673.25 | 70,667.33 | 706,673.25 | 35,333.66 |
| Accounts receivable | Little Swan (Jing Zhou) Electronic Appliances Co., Ltd. | 55,579.28 | 2,778.96 | 245,238.66 | 12,261.93 |
| Accounts receivable | Hefei Royalstar Refrigerator Co., Ltd. | 31,541.57 | 1,577.08 | 206,182.52 | 10,309.13 |
| Accounts receivable | Jiangsu Midea Chunhua Electric Appliance Co., Ltd. | — | — | 100,000.00 | 5,000.00 |
| Accounts receivable | Hefei Midea Royalstar Refrigerator Co., Ltd. | 12,005.81 | 1,200.58 | 12,005.81 | 600.29 |
| | Total | 249,538,677.65 | 12,516,489.72 | 369,965,828.32 | 18,498,291.43 |

(2) Amount due to related parties

Unit: yuan

| Items | Related party | Closing balance | Opening balance |
|------------------------------------|---|----------------------|-----------------------|
| Accounts payable | Huai'an Welling Motor Manufacturing Co., Ltd. | 40,022,965.01 | 66,518,916.19 |
| Accounts payable | Hefei Midea Materials Supply Co., Ltd. | 7,956,562.94 | 26,951,123.97 |
| Accounts payable | Hefei Century molding Development Co., Ltd. | 15,932,705.63 | 16,807,415.87 |
| Accounts payable | Wuhu Century Technology Co., Ltd. | — | 3,553,500.18 |
| Accounts payable | Hefei Huitong New Materials Co., Ltd. | 1,420,794.54 | 2,061,078.86 |
| Accounts payable | Wuhu Andhra Logistics Co., Ltd. | 784,905.06 | 681,649.55 |
| Accounts payable | Ninbo Andhra Logistics Co., Ltd. | 331,939.49 | — |
| Accounts payable | Zhongshan Midea Environmental electrical engineering products Installation Services Co., Ltd. | 137,032.00 | 228,417.39 |
| Accounts payable | Guangdong GANEY Precision Machinery Co., Ltd. | 85,200.00 | 112,100.00 |
| | Total | 66,672,104.67 | 116,914,202.01 |
| Advances from the customers | MIDEA SCOTT & ENGLISH SDN BHD | — | 27,139.93 |
| | Total | — | 27,139.93 |
| Other payables | GD MIDEA HOLDING CO.,LTD. | 390,636.00 | 390,636.00 |
| | Total | 390,636.00 | 390,636.00 |

Note IX、Share payment**1、Details of share payment**

During the reporting period, Midea Group Co., Ltd. implemented an equity incentive plan to the senior management of the Group and its subsidiaries. Under the plan, Midea Holding Co., Ltd. transferred its share of property of Ningbo Meisheng equity investment partnership enterprise (limited partnership) to the related employees. Ningbo Meisheng equity investment partnership enterprise held 3%, 30million shares, of the stock of Midea Group Co., Ltd. in total.

On Nov.22th 2012, Midea Holding Co., Ltd. signed the agreement for the transfer of the share of the property with members of senior management of the company, including Chai Xinjian, Yin Bitong, Fu Wei, and Mao Zhiliang. According to this agreement, Midea Holding Co., Ltd.transferred its 6.3333% share of property of Ningbo Meisheng equity investment

partnership enterprise (limited partnership) to senior management of the company.

2、Details of equity-settled share-based payment

Unit: yuan

| | |
|--|---|
| The measures for the confirmation of the fair value of the equity instruments | Adjustment on the basis of market price |
| The measures for the confirmation of the best estimate of the number of the equity instruments about the exercisable right | — |
| Reasons for the significant variance between estimate in the current period and estimate in the prior period | — |
| Accumulative amount of equity-settled share-based payment in the capital reserve | 33,250,000.00 |
| The total confirmed amount based on the equity-settled share-based payments | 33,250,000.00 |

3、Services obtained by share payment

Unit: yuan

| | |
|--|---------------|
| Total amount of employee service obtained by share payment | 33,250,000.00 |
|--|---------------|

Note X: Contingent events

1. Contingent liability related to providing debt guarantee for other companies

(1) Considering the company's subsidiaries' fund demand for production and operation as well as the business development, the company provided guaranteed transactions for banker's acceptance bill of Hefei Royalstar Washing Machine Manufacture Co., Ltd. Details of guarantee amount are: RMB 446.431 million

(2) The subsidiary Hefei Royalstar Washing Machine Manufacture Co., Ltd. has already provided the amount of cash deposit RMB3,466,000 for the bank acceptance from Swan Lake Branch of Huishang Bank.

(3) The company provided the amount of cash deposit RMB14,980,229.20 for the bank acceptance from Wuxi Branch of Bank of China Co., Ltd

(4) The company provided the amount of cash deposit RMB7,224,721.75 for the bank acceptance from Wuxi Branch of

China construction bank corporation.

Note XI: Commitment issues

As of December 31, 2012, no significant commitment issues should be disclosed.

Note XII.: Events after balance sheet date

1. Allocation of Events after balance sheet date

| Item | substance | Amount of effect on the financial status and operating outcomes | Reasons that the amount of the effect can not be estimated |
|--|--|---|--|
| Spinning washing machine Plant Foundation Project in Tianjin | On Jan 10th 2013, Tianjin Little Swan Washing Machine Co., Ltd., a subsidiary of the company, signed a formal agreement with the Bureau of land management in Tianjin Airport Economic Zone. Agreement was made that all the rights and obligations under the original AF-1122 land grant contract were discharged and the land-transferring fee, RMB 80.65 million, was returned by the Bureau of land management in Tianjin Airport Economic Zone. | -5,999,716.80 | |

2. Allocation of profits after balance sheet date

The Company held the Fourth Session of the Seventh Board meeting on Mar 4th, 2013. The meeting adopted annual cash dividend distribution plan of year 2012: based on the total number of 632,487,764 shares at the end of 2012, the company will distribute cash dividend of RMB 3(including tax) for every 10 shares, the total amount of dividend will be RMB 189,746,329.20. The remained undistributed profit, which is RMB 1,519,680,747.79, will be carried forward to the next year. No capital surplus will transfer into share capital in 2012.

Unit: yuan

| | |
|---|----------------|
| The profits or dividends to be distributed | 189,746,329.20 |
| The profits or dividends declared to be distributed upon deliberation and approval under the profit distribution plan | 189,746,329.20 |

Note XIII: Other significant events

1. Assets and liabilities measured at their fair value

Unit: yuan

| Items | Opening balance | Gain/Loss from change of fair value | Accumulated change of fair value accounted into equity | Impairment accrued during current period | Closing balance |
|---|---------------------|-------------------------------------|--|--|---------------------|
| Financial assets | | | | | |
| 1. Derivative financial assets - forward foreign exchange contracts | 4,292,300.00 | -3,067,710.00 | — | — | 1,224,590.00 |
| 2. Sellable financial assets | 284,592.00 | 2,352.00 | 158,647.40 | — | 286,944.00 |
| Subtotal of financial assets | 4,576,892.00 | -3,065,358.00 | 158,647.40 | — | 1,511,534.00 |

2. Financial assets and financial liabilities by foreign currency

Unit: yuan

| Items | Opening balance | Gain/Loss from change of fair value | Accumulated change of fair value accounted into equity | Impairment accrued during current period | Closing balance |
|---|---------------------|-------------------------------------|--|--|---------------------|
| Financial assets | | | | | |
| 1. Derivative financial assets - forward foreign exchange contracts | 4,292,300.00 | -3,067,710.00 | — | — | 1,224,590.00 |
| Subtotal of financial assets | 4,292,300.00 | -3,067,710.00 | — | — | 1,224,590.00 |

3. In 2012, the company initiatively adjusted its marketing mode and terminated all agent commissions with its sales partners. The marketing mode is now transformed into 'mixed direct sales & agent' model. This simplified many middle stages and consumed a great deal of returned inventories, which is around RMB1,224.05 million. These returned inventories have been almost consumed in current year.

Note XIV: Notes to the financial statements of parent Company

1. Accounts receivable

(1) category analysis:

Unit: yuan

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------------|------------|----------------------|-------------|-----------------------|------------|----------------------|-------------|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Individually significant accounts receivable on which the bad debt provisions are provided individually | — | — | — | — | — | — | — | — |
| Accounts receivable on which the bad debt provisions are provided by combinations | | | | | | | | |
| 1. Combination according to account age | 333,592,268.24 | 99.74 | 17,836,822.90 | 5.35 | 389,054,823.78 | 53.44 | 20,278,446.25 | 5.21 |
| 2. Combination according to accounts in the scope of combination statements | — | — | — | — | 337,932,558.05 | 46.41 | — | — |
| Subtotal of combinations | 333,592,268.24 | 99.74 | 17,836,822.90 | 5.35 | 726,987,381.83 | 99.85 | 20,278,446.25 | 2.79 |
| Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually | 861,084.02 | 0.26 | 861,084.02 | 100 | 1,056,206.22 | 0.15 | 606,206.42 | 57.39 |
| Total | 334,453,352.26 | 100 | 18,697,906.92 | 5.59 | 728,043,588.05 | 100 | 20,884,652.67 | 2.87 |

Categories of accounts receivable

There were no individually significant accounts receivable on which the bad debt provisions are provided individually in the reporting period.

Individually significant accounts receivable on which the bad debt provisions are provided individually at the balance sheet date

 Applicable Not Applicable

Accounts receivable on which the bad debt provisions are provided by combinations according to age

 Applicable Not Applicable

Aging analysis for combination according to account age:

Unit: yuan

| Aging | Closing balance | | | Opening balance | | |
|---------------|-----------------------|------------|----------------------|-----------------------|------------|----------------------|
| | Balance | | Bad debts | Balance | | Bad debts |
| | Amount | (%) | | Amount | (%) | |
| Within 1 year | 325,737,081.06 | 97.65 | 16,286,854.06 | 372,738,323.66 | 95.81 | 18,636,916.18 |
| 1-2 years | 210,685.97 | 0.06 | 21,068.60 | 16,217,699.58 | 4.17 | 1,621,769.96 |
| 2-3 years | 7,644,501.21 | 2.29 | 1,528,900.24 | 98,800.54 | 0.02 | 19,760.11 |
| Total | 333,592,268.24 | 100 | 17,836,822.90 | 389,054,823.78 | 100 | 20,278,446.25 |

Accounts receivable on which the bad debt provisions are provided by combinations according to balance percentage method

Applicable Not Applicable

Accounts receivable on which the bad debt provisions are provided by combinations with other methods

Applicable Not Applicable

Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually

Unit: yuan

| Items | Balance | Bad debts | (%) | Reason |
|--|------------|------------|-----|---------------|
| Wuxi Shengchao petrochemical metallurgical equipment accessories | 861,084.02 | 861,084.02 | 100 | Uncollectable |

(2) Accounts receivables written off in current period:

Unit: yuan

| Name | Nature of receivables | Time of written off | Amount written off | Reason of written-off | Accounts receivable caused by related transactions |
|--|-----------------------|---------------------|--------------------|-----------------------|--|
| Logistics Department of People's Liberation Army | Goods payment | Jun 1th. 2012 | 30,640.00 | Uncollectible | No |
| Total | | | 30,640.00 | | |

(3) There was no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) The information list for the top 5 customers:

Unit: yuan

| Names | Relationship | Amount | Aging | Proportion to total accounts Receivable (%) |
|-------|--------------|--------|-------|---|
|-------|--------------|--------|-------|---|

| | | | | |
|--|----------|-----------------------|---------------|-------|
| Suning Purchasing center of Suning Appliance Co.,Ltd, | Retailer | 96,849,417.29 | Within 1 year | 28.96 |
| TOSHIBA INTERNATIONAL PROCUREMENT HONG KONG,LTD. | Retailer | 33,676,757.78 | Within 1 year | 10.07 |
| Midea (Singapore) Trading Co., Ltd. | Retailer | 15,852,401.04 | Within 1 year | 4.74 |
| Jilin Province Midea Refrigeration Production Sales Co., Ltd | Retailer | 12,555,015.85 | Within 1 year | 3.75 |
| Yunnan Midea Refrigeration Production Sales Co., Ltd | Retailer | 11,073,538.21 | Within 1 year | 3.31 |
| Total | | 170,007,130.17 | | 50.83 |

(5) Details of accounts receivables from related parties

Unit: yuan

| Names | Relationship | Amount | Proportion to total accounts Receivable (%) |
|-------------------------------------|--|----------------------|---|
| MIDEA ITALIA S.R.L. | Under control of holding stockholders of the company | 706,673.25 | 0.21 |
| MIDEA SCOTT & ENGLISH SDN BHD | Under control of holding stockholders of the company | 2,400,281.72 | 0.72 |
| PT. Midea Planet Indonesia | Under control of holding stockholders of the company | 5,061,504.66 | 1.51 |
| Midea (Singapore) Trading Co., Ltd. | Under control of holding stockholders of the company | 15,852,401.04 | 4.74 |
| Total | | 24,020,860.67 | 7.18 |

2. Other receivables

(1) category analysis:

Unit: yuan

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------|-------|---------------|-------|-----------------|-------|---------------|-------|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Individually significant other receivables on which the bad debt provisions are provided individually | — | — | — | — | — | — | — | — |
| Other receivables on which the bad debt provisions are provided by combinations | | | | | | | | |
| Combination 1: according to account age | 17,806,355.81 | 16.26 | 3,787,364.45 | 21.27 | 14,162,247.81 | 45.56 | 2,241,696.59 | 15.83 |
| Combination 2: according to accounts in the scope of combination statements | 91,716,023.13 | 83.74 | 91,637,472.43 | 99.91 | 16,925,787.41 | 54.44 | 16,915,989.39 | 99.94 |
| Subtotal | 109,522,378.94 | 100 | 95,424,836.88 | 87.13 | 31,088,035.22 | 100 | 19,157,685.98 | 61.62 |

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------------|------------|----------------------|--------------|----------------------|------------|----------------------|--------------|
| | Balance | | Bad debts | | Balance | | Bad debts | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Other receivables which are not individually significant, but still the bad debt provisions are provided individually | — | — | — | — | — | — | — | — |
| Total | 109,522,378.94 | 100 | 95,424,836.88 | 87.13 | 31,088,035.22 | 100 | 19,157,685.98 | 61.62 |

Categories of other receivables

There were no individually significant other receivables on which the bad debt provisions are provided individually in the reporting period.

Individually significant other receivables on which the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

Other receivables on which the bad debt provisions are provided by combinations according to age

Applicable Not Applicable

Aging analysis for combination according to account age:

Unit:yuan

| Aging | Closing balance | | | Opening balance | | |
|---------------|----------------------|------------|---------------------|----------------------|------------|---------------------|
| | Balance | | Bad debts | Balance | | Bad debts |
| | Amount | (%) | | Amount | (%) | |
| Within 1 year | 11,323,747.98 | 63.59 | 566,187.40 | 10,154,840.90 | 71.71 | 507,742.05 |
| 1-2 years | 532,175.30 | 2.99 | 53,217.53 | 1,363,979.21 | 9.63 | 136,397.92 |
| 2-3 years | 1,034,500.00 | 5.81 | 206,900.00 | — | — | — |
| 3-5 years | 4,887,182.53 | 27.45 | 2,932,309.52 | 2,614,677.70 | 18.46 | 1,568,806.62 |
| Over 5years | 28,750.00 | 0.16 | 28,750.00 | 28,750.00 | 0.20 | 28,750.00 |
| Total | 17,806,355.81 | 100 | 3,787,364.45 | 14,162,247.81 | 100 | 2,241,696.59 |

Other receivables on which the bad debt provisions are provided by combinations according to balance percentage method

Applicable Not Applicable

Other receivables on which the bad debt provisions are provided by combinations with other methods

Applicable Not Applicable

Other receivables which are not individually significant, but still the bad debt provisions are provided individually at the balance sheet date

Applicable Not Applicable

(2) Other receivables written off in current period:

Unit: yuan

| Name | Nature of receivables | Time of written off | Amount written off | Reason of written-off | Other receivables caused by related transactions |
|--|-----------------------|---------------------|--------------------|-----------------------|--|
| Changzhou Dika electro-machanical Co. Ltd. | Other receivables | Oct1th. 2012 | 126,000.00 | Uncollectible | No |
| Total | | | 126,000.00 | | |

(3) There were no account receivables due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) The information list for the top 5 customers:

Unit: yuan

| Names | Relationship | Amount | Aging | Proportion to total accounts Receivable (%) |
|--------------------------|-------------------------|---------------------|---------------|---|
| Wuxi Huarun Gas Co. Ltd. | Cooperation partner | 784,300.30 | Within 1 year | 0.72 |
| Huang Qingqing | Employee of the company | 633,000.00 | Within 1 year | 0.58 |
| Liu Jufeng | Employee of the company | 399,000.00 | Within 1 year | 0.36 |
| Jiang Huangfang | Employee of the company | 298,000.00 | Within 1 year | 0.27 |
| Xie Xinhai | Employee of the company | 298,000.00 | Within 1 year | 0.27 |
| Total | -- | 2,412,300.30 | -- | 2.20 |

(5) Other receivables due from related parties

Unit: yuan

| Names | Relationship | Amount | Proportion to total other Receivables (%) |
|---|--------------|----------------------|---|
| Wuxi Meitian Refrigerator Marketing and sale Co., Ltd. | Subsidiary | 10,968,856.34 | 10.01 |
| Wuxi Little Swan Washing Machinery Co., Ltd. | Subsidiary | 3,396,198.02 | 3.10 |
| Wuxi Little Swan General Electric Appliances Co., Ltd. | Subsidiary | 3,355.35 | — |
| Wuxi Little Swan Driving & Control Development Technology Co., Ltd. | Subsidiary | 75,195.35 | 0.07 |
| Wuxi Little Swan Import & Export Co., Ltd | Subsidiary | 445,318.04 | 0.41 |
| Jiangsu Little Swan Marketing and Sales Co., Ltd. | Subsidiary | 76,827,100.03 | 70.15 |
| Total | -- | 91,716,023.13 | 83.74 |

3. Long-term equity investment

| Company | Method | Amount of Initial investment | Opening balance | Increase/ Decrease | Closing balance | Proport ions of shareholding (%) | Proport ions of voting Rights (%) | Note for Difference between proportions of voting rights and shareholding | Provision for impairment | Impairmen t provisions increase in current year | Cash dividends in current year |
|--|--------|------------------------------|-----------------|--------------------|-----------------|----------------------------------|-----------------------------------|---|--------------------------|---|--------------------------------|
| Guangzhou Antaida Material Distribution Co., Ltd. | Equity | 2,000,000.00 | 3,428,851.75 | -143,000.95 | 3,285,850.80 | 20.00 | 20.00 | -- | -- | -- | -- |
| Wuxi Little Swan Import & Export Co., Ltd. | Cost | 57,500,000.00 | 57,500,000.00 | -- | 57,500,000.00 | 88.46 | 88.46 | -- | -- | -- | -- |
| Wuxi Little Swan Washing Machine Co., Ltd. | Cost | 37,259,587.50 | 37,259,587.50 | -- | 37,259,587.50 | 75.00 | 75.00 | -- | -- | -- | -- |
| Wuxi Meitian Refrigerator Marketing and sale Co., Ltd. | Cost | 24,840,000.00 | 24,840,000.00 | -- | 24,840,000.00 | 75.00 | 75.00 | -- | -- | -- | -- |
| Jiangsu Little Swan Marketing and Sales Co., Ltd. | Cost | 417,550,000.00 | 417,550,000.00 | -- | 417,550,000.00 | 99.54 | 99.54 | -- | -- | -- | -- |
| Wuxi Filin Electronics Co., Ltd. | Cost | 19,620,041.50 | 25,660,308.10 | -- | 25,660,308.10 | 73.00 | 73.00 | -- | -- | -- | -- |
| Wuxi Little Swan General Electric Appliances Co., Ltd. | Cost | 19,600,000.00 | 19,600,000.00 | -- | 19,600,000.00 | 70.00 | 70.00 | -- | -- | -- | -- |
| San Jin (Jing Zhou) Electrical Appliances | Cost | 11,869,431.12 | 11,869,431.12 | -- | 11,869,431.12 | 100.00 | 100.00 | -- | -- | -- | -- |

| Company | Method | Amount of Initial investment | Opening balance | Increase/ Decrease | Closing balance | Proportions of shareholding (%) | Proportions of voting Rights (%) | Note for Difference between proportions of voting rights and shareholding | Provision for impairment | Impairment provisions increase in current year | Cash dividends in current year |
|---|--------|------------------------------|-------------------------|--------------------|-------------------------|---------------------------------|----------------------------------|---|--------------------------|--|--------------------------------|
| Wuxi Little Swan Driving & Control Development Technology Co., Ltd. | Cost | 4,500,000.00 | 4,500,000.00 | -- | 4,500,000.00 | 90.00 | 90.00 | -- | -- | -- | -- |
| Little Swan International (Singapore) Co., Ltd. | Cost | 34,052,500.00 | 34,052,500.00 | -- | 34,052,500.00 | 100.00 | 100.00 | -- | -- | -- | -- |
| Hefei Royalstar Washing Machine Manufacture Co., Ltd. | Cost | 830,962,252.35 | 830,962,252.35 | -- | 830,962,252.35 | 69.47 | 69.47 | -- | -- | -- | -- |
| P.T. Little Swan Prima Industries (Malaysia) | Cost | 4,224,744.00 | - | -- | - | 51.00 | 51.00 | -- | 4,224,744.00 | -- | -- |
| Tianjin Little Swan Washing Machine Co., Ltd. | Cost | 200,000,000.00 | 200,000,000.00 | -- | 200,000,000.00 | 100.00 | 100.00 | -- | -- | -- | -- |
| Hengtai Insurance Brokers Ltd. | Cost | 1,000,000.00 | 1,000,000.00 | -- | 1,000,000.00 | 3.33 | 3.33 | -- | -- | -- | 55,000.00 |
| Suzhou People's Shopping Centre (150000 shares) | Cost | 150,000.00 | 150,000.00 | -- | 150,000.00 | - | - | -- | -- | -- | 40,000.00 |
| Bank of Jiangsu (2202564 shares) | Cost | 1,100,000.00 | 1,210,000.00 | -- | 1,210,000.00 | - | - | -- | -- | -- | 246,810.24 |
| Total | -- | 1,666,228,556.47 | 1,669,582,930.82 | -143,000.95 | 1,669,439,929.87 | -- | -- | -- | 4,224,744.00 | -- | 341,810.24 |

4.Operational turnover and costs**(1) Operational turnover and costs**

Unit: yuan

| Items | Occurred this year | Occurred last year |
|------------------------|-------------------------|-------------------------|
| Main business income | 4,074,944,500.64 | 6,157,113,735.76 |
| Other operating income | 397,582,914.05 | 697,768,316.13 |
| Total | 4,472,527,414.69 | 6,854,882,051.89 |
| Operation cost | 3,374,118,170.00 | 5,890,472,346.59 |

(2) Main operation (Categorize by industries)

Unit: yuan

| Name of industry | Occurred this year | | Occurred last year | |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Household appliances manufacture | 4,074,944,500.64 | 3,012,031,852.16 | 6,157,113,735.76 | 5,226,671,876.87 |
| Total | 4,074,944,500.64 | 3,012,031,852.16 | 6,157,113,735.76 | 5,226,671,876.87 |

(3) Main operation (Categorize by products)

Unit: yuan

| Name of products | Occurred this year | | Occurred last year | |
|------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Washing machines | 4,074,944,500.64 | 3,012,031,852.16 | 6,157,113,735.76 | 5,226,671,876.87 |
| Total | 4,074,944,500.64 | 3,012,031,852.16 | 6,157,113,735.76 | 5,226,671,876.87 |

(4) Main operation (Categorize by regions)

Unit: yuan

| Name of regions | Occurred this year | | Occurred last year | |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Homeland | 3,505,118,756.45 | 2,421,497,568.72 | 5,325,317,741.09 | 4,356,718,350.48 |
| Other countries | 569,825,744.19 | 590,534,283.44 | 831,795,994.67 | 869,953,526.39 |
| Total | 4,074,944,500.64 | 3,012,031,852.16 | 6,157,113,735.76 | 5,226,671,876.87 |

(5) Turnover from top 5 client

Unit: yuan

| Name of customers | Main business income | Proportion to the whole operational turnover of the company (%) |
|--|-----------------------|---|
| Midea (Singapore) Trading Co., Ltd. | 298,902,994.30 | 6.68 |
| Nanjing Purchasing center of Suning Appliance Co.,Ltd, | 177,839,544.90 | 3.98 |
| TOSHIBAINTERNATIONALPR | 110,714,689.20 | 2.47 |
| Guizhou Midea Refrigeration Production Sales Co., Ltd | 80,059,643.39 | 1.79 |
| Danyang Xinhumei Plastic Co., Ltd. | 49,151,282.05 | 1.10 |
| Total | 716,668,153.84 | 16.02 |

4. Investment income

(1) Details of investment income

Unit: yuan

| Items | Occurred this year | Occurred last year |
|---|----------------------|-----------------------|
| Long-term equity investment gains on cost basis –cash dividends from non-subsidiaries | 341,810.24 | 36,721,000.00 |
| Long-term equity investment gains on equity basis | -143,000.95 | -298,934.03 |
| Gains from disposal of long-term equity investment | — | 50,227,037.27 |
| Investment gains from holding of trading financial assets, etc. | 4,313,120.00 | 18,914,551.40 |
| Investment gains from holding of bank financial products | 37,566,106.13 | — |
| Total | 42,078,035.42 | 105,563,654.64 |

(2) Long-term equity investment gains on cost basis

Unit: yuan

| Name of Investee | Occurred this year | Occurred last year |
|--|--------------------|----------------------|
| Hengtai Insurance Brokers Co., Ltd. | 55,000.00 | 25,000.00 |
| Suzhou People's Shopping Centre | 40,000.00 | 30,000.00 |
| Bank of Jiangsu | 246,810.24 | — |
| Wuxi Little Swan General Electric Appliances Co., Ltd. | — | 36,666,000.00 |
| Total | 341,810.24 | 36,721,000.00 |

(3) Long-term equity investment gains on equity basis

Unit: yuan

| Name of Investee | Occurred this year | Occurred last year |
|---|--------------------|--------------------|
| Guangzhou Antaida Material Distribution Co., Ltd. | -143,000.95 | -298,934.03 |
| Total | -143,000.95 | -298,934.03 |

6. Appendix of Cash Flow Statement

| Items | Current year | Last year |
|---|-----------------------|-----------------------|
| 1. Net profit adjusted to cash flow of operation: | -- | -- |
| Net profit | 211,833,366.51 | 365,442,988.35 |
| Plus: Asset impairment provision | 78,550,923.12 | -55,746,896.41 |
| Fixed asset depreciation, gas and petrol depreciation, production goods depreciation | 49,818,195.32 | 48,555,026.50 |
| Amortizing of intangible assets | 2,801,855.63 | 2,841,779.00 |
| Amortizing of long-term expenses | 28,220,247.32 | 24,287,853.45 |
| Loss from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains) | -7,195,752.01 | -23,681,336.42 |
| Loss from fixed asset discard | | |
| Loss from fluctuation of fair value | 1,664,430.00 | -2,668,300.00 |
| Financial expenses | | |
| Investment loss ("-" for gains) | -42,078,035.42 | -105,563,654.64 |
| Decrease of deferred income tax asset ("-" for increase) | -3,882,174.38 | 12,724,230.82 |
| Increase of deferred income tax liabilities ("-" for decrease) | -249,311.70 | 400,245.00 |
| Decrease of inventory ("-" for increase) | -150,498,562.28 | 37,927,053.19 |
| Decrease of operational receivable items ("-" for increase) | 786,484,163.66 | -3,002,073,187.33 |
| Increase of operational payable items ("-" for decrease) | -1,018,496,681.82 | 2,653,684,434.81 |
| Others | 33,250,000.00 | |
| Net cash flow generated by business operation | -29,777,336.05 | -43,869,763.68 |
| 2. Investment and financing activities not involving in cash flow | -- | -- |
| Liabilities converted to capital | | |
| Convertible bond expire within 1 year | | |
| Fixed assets acquired under finance leases | | |

| | | |
|--|------------------------|-----------------------|
| 3. Change of cash and cash equivalents | -- | -- |
| Balance of cash at end of year | 848,257,647.96 | 1,472,529,354.18 |
| Less: Balance of cash at beginning of year | 1,472,529,354.18 | 1,492,995,931.54 |
| Plus: Balance of cash equivalents at end of term | | |
| Less: Balance of cash equivalents at beginning of term | | |
| Net increase of cash and cash equivalents | -624,271,706.22 | -20,466,577.36 |

Note XV: Supplementary Info.**1. Rate of return on common stockholders' equity (ROE) and primary earnings per share**

Unit: yuan

| Profit of the reporting period | Weighted Average ROE (%) | Earnings per share | |
|--|--------------------------|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to common share holders of the Company | 9.59% | 0.54 | 0.54 |
| Net profit attributable to common share holders of the Company after deducting the non-recurring gain/loss | 9.69% | 0.54 | 0.54 |

2. Explanations for abnormal changes of main accounting statements items Unit: (RMB 0'000)

| Items | This year | Last year | Increase/decrease | Change percentage % | Notes |
|--------------------------|------------|------------|-------------------|---------------------|--|
| Monetary Fund | 140,429.11 | 241,545.04 | -101,115.93 | -41.86 | Investment on bank financial products leads to decrease of idle fund of the company |
| Trading financial assets | 122.46 | 429.23 | -306.77 | -71.47 | Decrease of Foreign Exchange Forward Contract with banks in this term due to the change of exchange-rate |
| Accounts receivable | 72,219.89 | 92,938.91 | -20,719.02 | -22.29 | Change of marketing mode leads to decrease of the sale |

| Items | This year | Last year | Increase/decrease | Change percentage % | Notes |
|---------------------------------|------------|------------|-------------------|---------------------|--|
| Advances to suppliers | 9,718.84 | 25,005.20 | -15,286.36 | -61.13 | Advances to suppliers of materials and construction projects decreased in current year |
| Other current assets | 120,117.18 | 11,205.27 | 108,911.91 | 971.97 | Investment on bank financial products by idle fund in current year |
| Long-term deferred expense | 2,772.99 | 5,275.49 | -2,502.50 | -47.44 | Change of amortization of mould |
| Short-term loans | - | 696.15 | -696.15 | -100.00 | The loans were due and repaid in current year |
| Notes payable | 100,309.07 | 153,931.95 | -53,622.88 | -34.84 | Bank acceptance was due and paid |
| Accounts payable | 212,997.96 | 281,548.82 | -68,550.86 | -24.35 | Influenced by the decrease of production scale, short-term purchasing scale decreased |
| Advance from customers | 80,444.16 | 48,575.40 | 31,868.76 | 65.61 | Change of domestic marketing mode leads to increase of advance from customers |
| Tax payable | -382.10 | 146.39 | -528.49 | -361.02 | Influenced by the production and sales cycle, tax payable decreased in this term, it was mainly caused by decrease of income tax |
| Dividends payable | 371.02 | 283.81 | 87.21 | 30.73 | Dividends of 2011 for some shareholders were not paid yet. |
| Other payables | 7,172.64 | 16,540.53 | -9,367.89 | -56.64 | Temporary non-operational receipts decreased. |
| Estimated liabilities | 1,404.14 | 2,015.26 | -611.12 | -30.32 | Estimated quality guarantee payables decreased with the decrease of products sale |
| Deferred income tax liabilities | 21.17 | 67.15 | -45.98 | -68.48 | Decrease of changes in fair value of trading financial assets and sellable financial assets |

| Items | This year | Last year | Increase/decrease | Change percentage % | Notes |
|---------------------------------|------------|--------------|-------------------|---------------------|--|
| Other non-current liabilities | 127.18 | 662.13 | -534.95 | -80.79 | Government subsidies gained in previous periods were accounted into incomes according to actual related expenditures |
| Operational turnover | 689,986.39 | 1,097,562.17 | -407,575.78 | -37.13 | Sale volume decreased due to industry environment and the company's change of marketing mode |
| Operational cost | 533,991.46 | 915,313.36 | -381,321.90 | -41.66 | Operational cost decreased with the decrease of operational turnover |
| Business tax and surcharge | 3,048.18 | 2,243.59 | 804.59 | 35.86 | Influenced by production and sale period, business tax and surcharge increased with the increase of turnover tax. |
| Financial expenses | -305.24 | -101.83 | -203.41 | -199.76 | Decrease of exchange loss |
| Impairment provisions of assets | 867.14 | 1,433.59 | -566.45 | -39.51 | Impairment provisions decreased with the decrease of accounts receivable |
| Investment income | 5,562.27 | 7,737.16 | -2,174.89 | -28.11 | Investments income occurred in last year included the gain of disposal of long-term equity investment. |
| Non-operating income | 5,200.40 | 9,725.95 | -4,525.55 | -46.53 | Decrease of government subsidies |
| Non-operating expenses | 1,088.85 | 2,015.57 | -926.72 | -45.98 | Decrease of loss from disposal of fixed assets and compensation expenses |
| Income tax expenses | 6,673.55 | 13,180.83 | -6,507.29 | -49.37 | Sale volume in short term decreased leads to decrease in total profit |
| Minority interest | 4,044.85 | 8,523.68 | -4,478.83 | -52.55 | Decrease of current year profit of non wholly-owned subsidiaries compared to last year |

| Items | This year | Last year | Increase/decrease | Change percentage % | Notes |
|---------------------|------------------|------------------|--------------------------|----------------------------|---|
| Other misc. incomes | -7.46 | -163.06 | 155.60 | 95.43 | Influenced by fluctuations of exchange rate, currency translation differences from the company's subsidiary in Singapore changed. |

Section XI Documents Available for Reference

- I. Annual Report with the signature of the Chairman of the Board;
- II. Accounting statements with the signatures and seals of the Legal Representative, the Chief Financial Officer and the person in charge of the accounting work;
- III. Originals of Auditors' Reports with the seals of the Certified Public Accountants as well as the signatures and seals of the CPAs firm;
- IV. Texts of all the Company's documents ever disclosed on Securities Times and Hong Kong Ta Kung Pao in the reporting period, and the originals of the public notices.

Chairman of the Board: Fang Hongbo
Wuxi Little Swan Company Limited
6 March 2013