



GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Annual Report 2014

April 2015

Section I Important Notice, Table of Contents and Paraphrase

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

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

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

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as below: Based on the total capital of 3,007,865,439 stocks of the Company, all directors were distributed a cash dividend of RMB 30 (tax included) per 10 stocks. By way of capitalization from public reserve funds, bonus stocks were issued to all shareholders in the ratio of 10 stocks for every 10 stocks.

Table of Contents

| | |
|---|-----|
| Section I Important Notice, Table of Contents and Paraphrase | 1 |
| Section II Company Profile | 4 |
| Section III Summary of Accounting Data and Financial Indices..... | 5 |
| Section IV Report of the Board of Directors..... | 6 |
| Section V Important Events | 46 |
| Section VI Changes in Stock Capital & Information of Shareholders..... | 47 |
| Section VII Directors, Supervisors, Senior Management Personnel and Employees | 51 |
| Section VIII Corporate Governance..... | 63 |
| Section IX Internal Control..... | 68 |
| Section X Financial Report | 72 |
| Section XI Index of documents..... | 209 |

Paraphrase

| Items | Means | Contents |
|--|-------|--|
| Company, the Company, GREE ELECTRIC APPLIANCES or GREE | Means | GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI |
| GREE GROUP | Means | ZHUHAI GREE GROUP CORP. |
| Finance Company | Means | Zhuhai Gree Group Finance Company Limited |
| Jinghai Guaranteed | Means | Hebei Jinghai Guaranteed Investment Co., Ltd. |
| CSRC | Means | China Securities Regulatory Commission |
| Guangdong Securities Regulatory Bureau | Means | Guangdong Regulatory Bureau of CSRC |
| Report Period | Means | the period from 1 January 2014 to 31 December 2014 |

Section II Company Profile

1. Company information

| | | | |
|---------------------------------------|---|---------------------------------------|--|
| Stock Abbreviation | GREE ELECTRIC APPLIANCES | Stock Code | 000651 |
| Stock Exchange | Shenzhen Stock Exchange | | |
| Name in Chinese | 珠海格力电器股份有限公司 | Name Abbreviation in Chinese | 格力电器 |
| Name in Foreign Language | GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI | Name Abbreviation in foreign language | GREE |
| Legal Representative | Dong Mingzhu | | |
| Registered Address and Office Address | Jinji West Road, Qianshan, Zhuhai City, Guangdong Province | Post Code | 519070 |
| Website | http://www.gree.com.cn | Email | gree0651@cn.gree.com |

2. Contacts and contact information

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

3. Information disclosure and place of the report

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

4. Alteration of registration

| Registration description | Registration date | Registration place | Registration number of corporate business license | Tax registration number | Organization code |
|---------------------------------|-------------------|--|---|-------------------------|-------------------|
| Initial | 13 December 1989 | Zhuhai Municipal Administration of Industry and Commerce of Guangdong Province | 4400001008614 | 440401192548256 | 19254825-6 |
| At the end of the Report Period | 20 June 2012 | | 440000000040686 | 440401192548256 | 19254825-6 |

5. Accounting firm engaged by the Company

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

Section III Summary of Accounting Data and Financial Indices

1. Main accounting data and financial indices:

| Item | 2014 | 2013 | Increase/ Decrease over the previous year | 2012 |
|--|--------------------|--------------------|--|--------------------|
| Operating Revenue (Yuan) | 137,750,358,395.70 | 118,627,948,208.59 | 16.12% | 99,316,196,265.19 |
| Net profit attributable to shareholders of listed Company (Yuan) | 14,155,167,229.36 | 10,870,068,311.47 | 30.22% | 7,379,666,345.09 |
| Net profit attributable to shareholders of listed Company less non-recurring gains and losses (Yuan) | 14,144,950,462.04 | 8,907,238,576.98 | 58.80% | 6,995,208,275.30 |
| Net cash flow generated from operating activities (Yuan) | 18,939,165,507.73 | 12,969,837,129.83 | 46.02% | 18,408,746,271.56 |
| Basic earnings per share (Yuan per Share) | 4.71 | 3.61 | 30.47% | 2.47 |
| Diluted earnings per share (Yuan per Share) | 4.71 | 3.61 | 30.47% | 2.47 |
| Weighted average return on net assets (%) | 35.23% | 35.77% | -0.54% | 31.38% |
| Item | At the end of 2014 | At the end of 2013 | Increase/ Decrease over the previous year | At the end of 2012 |
| Total asset (Yuan) | 156,230,948,479.88 | 133,719,278,987.40 | 16.84% | 107,605,180,156.61 |
| Net asset attributable to shareholders of listed Company (Yuan) | 44,152,654,824.68 | 34,489,886,750.23 | 28.02% | 26,637,820,793.77 |

2. Non-recurring gains and losses and the amount thereof

Unit: RMB

| Item | Amount of 2014 | Amount of 2013 | Amount of 2012 |
|---|-----------------|------------------|----------------|
| Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part) | -13,604,321.23 | -1,760,280.69 | -12,332,978.15 |
| Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies) | 681,875,856.67 | 660,482,277.34 | 252,844,637.88 |
| Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company | -653,382,850.98 | 1,705,045,054.92 | 217,676,678.03 |
| Non-operating incomes and expenditures other than the above items | -5,068,130.68 | -29,808,150.26 | 16,485,229.47 |
| Minus: Influence amount of income tax | -4,880,796.83 | 367,611,287.10 | 86,905,123.66 |
| Influence amount of minority interests (After tax) | 4,484,583.29 | 3,517,879.72 | 3,310,373.78 |
| Total | 10,216,767.32 | 1,962,829,734.49 | 384,458,069.79 |

Section IV Report of the Board of Directors

1. Overview

Over the past year, the economic development showed a new state and shifted from rapid extensive growth with an emphasis on scale and speed to medium and rapid intensive growth with an emphasis on quality and efficiency, while the driving force of the economic development shifted from traditional growth points to new ones.

Over the past year, big data of Internet penetrated into every industry with an unstoppable momentum, changing people's way of thinking and behavior pattern and influencing the development and revolution of the global household appliance industry.

Over the past year, the household appliance industry stayed at a juncture of structural transformation and upgrade, while the growth speed was slowed down. According to data issued by the National Bureau of Statistics, the principal business income of the household appliance industry in 2014 was RMB 1.41391 trillion, indicating a cumulative year-on-year increase of 10.0%, which slowed down significantly compared with an increase of 14.2% in 2013. The total profit was RMB 93.16 billion, indicating a cumulative year-on-year increase of 18.5%.

In 2014, the retail volume of residential air conditioners increased over 2013, with an increased proportion of inverter air conditioners in the overall market. According to the statistics of Industry On-line, a total of 116.9107 million sets of residential air conditioners were sold in 2014, indicating an increase of 5.2% over 2013. Meanwhile, the retail volume of residential air conditioners in e-commerce had grown faster with a smaller base. On the basis of energy saving and frequency conversion, residential air conditioner technologies faced all-dimensional requirements on air temperature, cleanliness, humidity and comfort, showing a significant development trend towards smart air conditioners.

In 2014, the central air conditioner industry stepped into rapid growth to steady growth. According to the statistics of *HVAC Information*, the overall market capacity of the central air conditioner industry in China exceeded RMB 70 billion for the first time in 2014. The growth rate decreased by 0.1% compared with that in 2013, indicating that the growth of central air conditioners entered a stable period. Most companies attached more importance to fine management and market operation. In terms of concentration of brands, the market share of authoritative brands increased in 2014. Under the situation of tripartite confrontation of "China, US and Japan," national brands represented by Gree became the most powerful camp in 2014.

At present, the world is facing a new round of technological and industrial revolution, which is a significant historical opportunity to Gree. Digital, network-based, and smart manufacturing is a core technology for revolutionary change in the manufacturing industry. In this year's government work report, Premier Li Keqiang mentioned the need to implement the "Made in China 2025" strategy; seek innovation-driven development; apply smart technologies; strengthen foundations; pursue green development; and redouble efforts to upgrade China from a big manufacturing country to a powerful one. According to the relevant planning, China will select 8 major industries close to the world leading level before 2020, including aerospace equipment, communications equipment, power generation and power transmission equipment, construction machinery, rail transportation, steel, petroleum refining, and household appliances, to make major breakthroughs and strive to become powerful in these fields by the year of 2020.

As China's new international strategic framework, the "One Belt And One Road" strategy has brought multiple opportunities to economic development of China. Based on interconnection of infrastructure along the road, the "One Belt And One Road" strategy will optimize allocation of trade and production factors along the road, so as to promote regional integration. In addition, China's opening to countries along the road will stimulate regional investment into construction of infrastructure, including border facilities and municipal infrastructure of central

cities as well as interconnection project construction such as expansion and reconstruction of cross-border railways and highways to ports.

Enterprises in the household appliance industry of China should seize the historic opportunity brought by the world's technological and industrial reform; accelerate transformation and upgrade to medium/high-end enterprises by taking advantage of implementation of the "Made in China 2025" strategy; and speed up deployment of the international development strategy by virtue of the "One Belt And One Road" strategy.

With rapid development of the Internet, many household appliance enterprises have started deep cooperation with fields such as mobile Internet business and built smart home appliance platforms, which caused the emergence of massive smart products. Therefore, 2014 is called "the first year" for development of smart home. The trend towards smart development becomes increasingly obvious and the smart home field of China will embrace the development peak in 2015. Smart home will become a key factor for breaking through the development bottleneck of the household appliance industry. According to the forecast provided by the *Study Report on the Development Trend of China's Smart Home Industry and Investment Opportunity in 2010-2015* issued by the Technical Research Center of Guomai Internet of Things, the output value of China's smart home in 2015 is expected to reach RMB 138 billion and this figure will rise to RMB 2000 billion by 2020. In addition, with advancement of "urbanization with Chinese characteristics" and exploitation of the "trade-in" program in cities, the possessive quantity of household appliances in the domestic market are expected to increase continuously, becoming new driving forces for development of China's household appliance industry.

2. Analysis on principal businesses

(1) Overview

In 2014, under the ideological guidance of "Change to Win the Future", all staff members of the Company worked hard and overcame difficulties to pursue continuous innovation in terms of technological innovation, marketing and internal management, improved product quality continuously, and optimized the

product structure to form a development pattern with Gree as the major brand accompanied by other brands such as TOSOT. In this way, the Company's competitive advantage was further reinforced. The Company still achieved growth under the downward pressure of macro-economy. In 2014, the total sales revenue was RMB 140.005 billion, indicating an increase of 16.63% compared with the previous year; the total profit was RMB 16.752 billion, indicating an increase of 29.95% compared with the previous year; the net profit attributable to shareholders of listed company was RMB 14.155 billion, indicating an increase of 30.22 % compared with the previous year; the basic earnings per share was RMB 4.71 per share, indicating an increase of 30.47% compared with the previous year.

In 2014, Gree, by relying on the project of "Independent Innovation Project System Construction Based on Mastering of Core Technologies", got the second place of the National Science and Technology Progress Award list released by the State Council. Among "Rock Award" winners for China's household appliance industry selected at the fourth China's Household Appliance Marketing Conference, Gree was awarded "the Most Influential Brand in China's Household Appliance Industry in 2014". On the 1st High-performance Building Energy-saving Product Labeling Conference organized by the National Building Energy-saving Quality Supervision and Inspection Center, the permanent magnet synchronous inverter centrifugal chillers delivered by Gree won a certificate, making Gree one of the enterprises that were first included in the high-performance building energy-saving product labeling list. According to the evaluation of China Association for Quality Inspection in 2014, Gree was awarded the title of "National Advanced Enterprise of Quality Inspection Work (2011-2013)". During the evaluation of top 100 enterprises in China's light industry and the evaluation of China's top 100 advanced enterprises in the R&D and innovation investment capacity, Gree got the third place. According to the evaluation of China Entry-Exit Inspection and Quarantine Association, Gree won the honorary title of "Quality Guarantee and Credible Enterprise in China".

(2) Key work of the Company in 2014

1. Increasing investment in R&D, sustaining innovation for products, and improving product quality and competitiveness

Residential air conditioner: In 2014, the Company launched new product series including Rose, Run (wall-mounted), Admiral-III, Cool Rhythm (wall-mounted), Free Guide (floor standing), and Free Acute (floor standing) series. Rose is a high-end series specially developed for the wedding market. Gree creatively incorporated the pattern of rose into product design, initiating a concept of artful air conditioner. This series is equipped with the "world leading" two-stage enthalpy-adding rotor type inverter compressor. By providing a lot of functions such as the intelligent people-sensing function, energy-saving expert smart control system, thermal storage and defrosting technology, user-friendly high-temperature air, warmth delivering in morning, WiFi IOT control, and efficient removal of PM2.5, it achieves a high level in terms of the residential air conditioner concept, technology, capability, and appearance.

The Run series (wall-mounting) draws inspiration from sleek jade to create a fresh look similar to the jade appearance. With functions of Gree's unique high-temperature air, warmth delivering in morning, WiFi IOT control, and efficient removal of PM2.5, it is suitable for various occasions such as bedroom, study, and kitchen.

Admiral-III, the third generation of Gree air conditioners for bedroom, is favored by consumers by virtue of successful market segmentation and user-friendly design such as smart sleep system. Functions of Admiral-III have been comprehensively optimized on the basis of the previous two generations of products, which consolidating the dominant position of Gree air conditioners for bedroom and making a contribution to improving Chinese people's sleep quality.

The Cool Rhythm series is specially designed for use in wet weather. Its significant feature of dehumidification at a constant temperature implements highly efficient dehumidification without lowering the temperature, making users feels more comfortable.

The Free Guide and Free Acute series floor standing air conditioners are impressive to young people by relying on their fashionable and exquisite appearance. These two series are creatively designed with a big and integrated lifting door panel, which prevents dust and dirt pollution and can be easily cleaned.

The Crown-II series air conditioners include U-Crown II and i-Crown II. After being launched to the market for sale in 2013, they quickly became the benchmark for high-end residential air conditioners. In 2014, they were still flagship models of Gree high-end air conditioners.

Gree's project of "R&D and Application of Two-stage Enthalpy-adding Inverter Compressor" was recognized by the Expert Group as the world leading level. It implements powerful heating at the temperature of -30°C and powerful cooling at the high temperature of 54°C . In this way, the heating capacity in winter is improved by more than 40% and the cooling capacity in summer is improved by more than 35%, with the minimum power of only 15 watts. The technology adopted for the project has reached the world leading level. The cylindrical air conditioner originated by Gree breaks the traditional design thought for the indoor units of floor standing air conditioners. The energy efficiency of the indoor unit is further improved provided that the outdoor unit size is maintained. This enabled Gree to win the 16th China Patent Award of Excellence. With the excellent appearance design, Gree Crown floor standing air conditioner and split unit won the 16th China Patent Award of Excellence and 2015 Guangdong Patent Award of Excellence.

Central air conditioners: In 2014, the Company launched the magnetic suspension centrifugal unit, LHE series efficient screw type water-cooled chiller, Wings Love series concealed residential central air conditioner, GMV5 Home, and GWV Supreme unit to the market.

The magnetic suspension centrifugal unit is another "world leading" innovative product delivered by Gree. The compressor, incorporated with the magnetic suspension bearing technology, can operate without oil. This reduces mechanical losses, improves energy efficiency of centrifugal unit, and

significantly reduces subsequent maintenance costs. The standalone cooling capacity of this unit reaches 1,000 tons of refrigeration, which is the world's highest level for magnetic suspension centrifugal units. According to the GB/T 18430.1-2007 test, the coefficient of performance (COP) with full load reaches 7.19. According to the AHRI 550/590-2011 test, the comprehensive COP with partial load is IPLV 12.06, at the highest level in the industry. Gree has become the second enterprise which fully masters this technology in the world.

The LHE series efficient screw type water-cooled chiller unit uses environmentally friendly refrigerant R134a, improving energy efficiency and ensuring stable and reliable operation of the unit. The COP is up to 6.2. The unit adopts a flooded evaporator, which substantially increases the evaporation temperature and improves the heat exchange efficiency of the unit. When it works with the screw type compressor independently developed by Gree, the cooling capacity and energy efficiency ratio of the unit are substantially improved. The unit is applicable to various occasions such as office buildings, hospitals, schools, and shopping malls, and can also be used for cooling in the production process.

The Wings Love series concealed residential central air conditioner adopts the original concealed design and integrates the draught panel and wall, presenting a tidier and clean appearance. Meanwhile, it is innovatively designed with an airflow system which delivers air from bottom and returns air from side, and implements horizontal heating and waterfall cooling, keeping people far from the sickness caused by traditional heating and cooling mode. The temperature rise speed in the heating mode is increased by 60% and the temperature drop speed in the cooling mode is increased by 40%. In addition, the product adopts the FLUENT fluid simulation technology to optimize positions of the air duct and motor and works with the air return panel to lower noise to only 18 db. The Wings Love series incorporates the innovation spirit of Gree. With the perfect appearance, temperature control and air duct design, it manifests the concealed design in terms of visual, sensory, and auditory effects, taking the lead in the new era of residential central air conditioners.

GMV5 Home and GWV Supreme units employ multiple cutting-edge technologies such as DC inverter 180° vector control drive technology, efficient heat recovery, intelligent floor heating control and intelligent defrosting to provide six major functional modes of air conditioning only, floor heating only, air conditioning + floor heating, floor heating + hot water, air conditioning + hot water, air conditioning + floor heating + hot water, so as to meet various use requirements of residential air conditioners and bring timesaving, energy saving, and comfortable experience to users.

By virtue of its world-leading technologies, excellent products, and energy efficient system solutions, Gree central air conditioners successively won the bidding in major projects worldwide, including air conditioning projects of Poly Real Estate Group, Greenland Group, business offices of China Merchants Bank 2013, China Aviation Industry Supply and Marketing Co., Ltd., Wisdom New City in Foshan, Poly Xinghai island building, Wuhan Metro Line, and Changsha Railway Line Project, and established a great number of model projects. In addition, Gree also served as a designated supplier of air-conditioning system equipment for enterprises with large chain stores such as Redstar. According to the 2014 Annual Report on China's Central Air Conditioner Market released by *HVAC Information*, Gree central air conditioners continued to take the first place in the industry with the market share of 16.7% in 2014.

In 2014, Gree's project of "R&D of Novel Efficient Reluctance Motor and Its Application in Inverter Compressor and Air Conditioner" won the grand prize of Guangdong Science and Technology Award, which is the supreme technology award in Guangdong. The patented invention of "Bearing Structure Applied in DC Inverter Centrifugal Unit" solved the problem of vulnerable high-speed motor bearings. This invention won the gold prize of 2014 Guangdong Patent Award; "Multi-split Air-conditioning Unit and Its Network Communication Method" of Gree made outstanding contributions to advancement of the multi-split unit control technology in the air conditioner field of China, and won the 16th China Patent Award of Excellence. In addition, "Two-stage Efficient

Permanent Magnet Synchronous Inverter Centrifugal Chiller" of Gree won Zhuhai Outstanding Contribution Award. In December 2014, Gree central air conditioning multi-split product was certified by United States AHRI. This allowed the product to be exported to United States and Canadian markets. In 2014, Gree pioneered the policy of 6-year free repair for residential central air conditioners, which speeded up improvement of product quality and after-sales service in the air conditioner industry, hastened a new round of industry reform and accelerated popularization of the residential central air conditioners.

Photovoltaic air conditioner: Following the photovoltaic direct-driven inverter centrifugal unit delivered in 2013, the Company launched a revolutionary air-conditioning product in 2014, that is, photovoltaic direct-driven inverter multi-split system by applying the photovoltaic direct-drive air-conditioning technology to the residential central air conditioner, making the photovoltaic air conditioner series more comprehensive. Currently, Gree photovoltaic air conditioners comprise three major series, including the residential wall-mounted air conditioner "solar inverter air conditioner", central air conditioner "photovoltaic direct-driven inverter centrifugal unit" and the residential central air conditioner "photovoltaic direct-driven inverter multi-split system", catering for application in various occasions. Gree photovoltaic air conditioner adopts the environmentally friendly solar energy and opens the "zero electric charge" era of air conditioners, bringing it a bright prospect in market development.

The residential central air conditioner "photovoltaic direct-driven inverter multi-split unit" inherits advanced technologies of Gree multi-split unit and introduces the photovoltaic power supply to implement DC-based, thin-film and green inverter-oriented upgrade. It integrates the photovoltaic technology, G10 inverter technology, two-stage enthalpy-adding compressor technology, parallel compressor, grid-connected power generation, and multiple power supply management technologies. Currently, more than 120 patent applications have been submitted in terms of photovoltaic applications, among which 15 applications have been authorized. Meanwhile, the photovoltaic direct-driven

inverter multi-split unit plays an important role in the smart ecological home system. By means of photovoltaic power generation, it becomes a home energy center and supplies power to other household appliances. This product is energy efficient, environmentally friendly, and easy to install.

The central air conditioner "photovoltaic direct-driven inverter centrifugal unit" was launched in December 2013 and was appraised as "World Leading Technology" by the expert team, bringing the central air conditioner without electric charge to the world. The photovoltaic direct-driven inverter centrifugal system integrates the solar photovoltaic power generation, central air conditioning, and integrated power generation and utilization management system. The direct current generated from sunlight is directly connected to the central air conditioner as driving force of the unit, which achieves efficient use of solar energy. The utilization rate of photovoltaic direct-driven scheme is up to 99.04%, which is 6%-8% higher than that of a conventional scheme. The successful development of this project marks an innovative improvement in the basic theory, basic research, and product development of photovoltaic air conditioners. It exploits a new direction of the air conditioner industry and is conducive to its sustainable development. By utilizing solar energy on a large scale, the photovoltaic air conditioner reduces energy consumption for air conditioning in public buildings. It sets a good example for future air conditioning system development in public buildings, promotes energy saving and emission reduction for buildings to a new level, and makes a contribution to the national energy strategy.

The residential wall-mounted air conditioner "solar inverter air conditioner" adopts the power management module originated by Gree. The efficient use of solar energy enables an energy saving rate up to 97% as compared with electricity consumption of traditional air conditioners. In addition, solar power supply and mains supply are managed in an integrated way. This product has been early put into mass production, filling a gap in the air conditioner industry at home.

Water heater: In 2014, the Company launched new water heater series such

as Aqua Romance and Aroma of Ocean. The Aqua Romance series air source water heaters adopt the crystal titanium enamel interior independently developed by Gree, which is corrosion proof and high pressure resistant and prevents scaling to prolong the service life of products. The heater prepares hot water by transferring heat in the air via thermodynamic cycle, and the energy efficiency is three times higher than that of a traditional water heater. To heat up 150 L of water from 15°C to 55°C, the Aqua Romance series air source water heater saves electricity by up to 75% compared with the common electric water heater and gas water heater. The product also adopts 11 items of protection design such as exhaust overheat protection, insulation for interior and exterior tanks, and residual current circuit-breaker protection to ensure safety of this product.

The Aroma of Ocean series air source water heater is characterized by its intelligent learning function (i-know). It knows a family's habit of using hot water and prepares hot water for users before the peak period of hot water use. In other periods, the water temperature stays at a moderate state to meet daily demand for hot water. In comparison to the standard hot water mode, the daily electricity consumption for temperature preservation can be reduced by 60%, while the total electricity consumption can be reduced by 10%. This product is specially designed with the sunflower intelligent heating function, which can sense the outdoor ambient temperature and automatically heat up water at a relatively high ambient temperature in a day. This substantially improves heating efficiency. Compared with the standard hot water mode, the total electricity consumption can be reduced by 15%. This product also performs well in terms of intelligent operation. Energy efficiency and intelligence of operation are fully considered for its functions including capacity expansion, go-out function, holiday function, automatic heating, temperature preservation, defrosting, and intelligent electric auxiliary heating. Thanks to its outstanding intelligent functions, this product will become one member of the smart appliances ecosystem and be promoted vigorously.

In 2014, Gree automatic enamel tank production line was put into operation

formally. The efficient micro-channel technology, inverter technology, two-stage compressor technology and air replenishing and enthalpy-adding technology have been widely used in the air source water heater field. Gree air source water heater is favored by consumers by virtue of its advanced technology and excellent quality. According to the 2014 Development Analysis Report on China Air Source Heat Pump Industry released by *Heat Pump Industry Information*, Gree air source water heater got the first place in the industry with the market share of 17.1%.

Electrical appliances for daily life: Being subordinate to Gree, "TOSOT" is a brand of electrical appliances for daily life. It inherits the industrial spirit of Gree and adheres to the rigorous attitude on product research to pursue the best quality. Currently, electrical appliances of this brand for daily life include fans, heaters, water purifiers, air purifiers, humidifiers, dryers, rice cookers, electric pressure cookers, and induction cookers. All these products are directly provided for consumers around the world through Gree's powerful sales channels.

Water purifier: Gree has independently developed three major product series consisting of 15 models. In 2014, Gree launched the new model of high-volume water purifier (WTE-PT63-4012/4013). Its unique high flow design does not require any pressure tank and enables direct provision of water. In addition, it eliminates the problem of unstable water dispensation typically occurring to other water purifiers in the market. Its user-friendly design on clamping filter, concealed waterways, misassembly proofing, and reminder for filter brings perfect experience to users in addition to effective removal of harmful substances such as bacteria, viruses, organics, and heavy metals from the water.

Air purifier: In 2014, Gree launched the zero-consumable plasma air purifier and Clean Realm series air sterilization purifiers. The zero-consumable plasma air purifier adopts the pioneering CEP air purifying technology with comprehensive, efficient and long-lasting effects, and the PM2.5 removal rate and sterilization rate reach 99%. It prevents secondary pollution and achieves

"zero consumable" in subsequent use, further lowering the use cost. The Clean Realm series air sterilization purifier is designed with the molecule breaking technology pioneered by Gree, which can sterilize harmful microorganisms in the air and split harmful gas and dust. According to the tests performed by many national authorities, this product, with the bacteria sterilization rate of 100%, PM2.5 removal rate of 99.9%, formaldehyde purification rate of 92%, benzene purification rate of 99.3%, TVOC removal rate of 99%, and energy efficiency ratio of level A, can operate continuously for more than 10,000 hours without any decrease in efficiency. The molecule breaking based sterilization and purification process is performed dynamically without generating electromagnetic radiation, harmful rays or ozone. This eliminates secondary pollution during operation that occurs to most air purifiers, making air purification safer to users.

IH rice cooker: TOSOT full IH rice cooker is comprehensively upgraded in the aspects of thermal power, rice heating degree and heat preservation technology to present a rice cooker with extraordinary performance. The brand new 6-section IH electromagnetic heating technology enables stereo and surround heating to the entire interior tank, preserves taste and nutrition of rice and reduces the heating time by 25%. Through boiling upon powerful heating and based on the 30 KPa controllable pressure technologies, each grain of rice is thoroughly heated in the three-dimensional mode to be tastier.

Table/Stand fan: TOSOT DC inverter fan has an ultra-thin head with a thickness of only 170 mm. The new generation of G-COOL DC inverter motor enables stepless whirlwind speed regulation and the unique Admiral mode delivers wind with a perfect sleep curve. The newly developed G-ECO smart mode implements smart/customized speed regulation. In addition, the built-in lithium battery design enables an innovative fan that can work without being connected to the main supply and can stay in the standby mode for up to 42 hours.

Clothes dryer/dehumidifier: By means of the new design and comprehensive and systematic upgrade based on the original air conditioning technologies,

Gree developed Ruisu series clothes drying system and smart dehumidifying system to fix the problem of dampness easily. Temperature of the delivered air can be flexible adjusted to keep softness of clothes. After clothes are dried, the product enters the mildew proofing mode to prevent mildew due to high humidity. In addition, it can automatically determine the degree of drying and then stop operation, effectively saving energy by 20%.

Industrial products: Industrial products of Gree include Landa compressor, Kaibang motor, Xinyuan electronics (capacitor), Gree electrical works (enameled wire) and automation equipment. These products are the Company's new growth point for business development. In June 2014, the Industrial Product Operation Department was established, responsible for sales of Gree's industrial products. Gree launched these industrial products to markets with a view of creating several competitive brands of industrial devices.

2. Deploying the smart ecological home system to create new development opportunities

The Company released a smart ecological home system, which aims to provide a smart and green home environment based on mastering and accumulation of core technologies such as the new energy technology, energy saving technology, and smart control technology. The Company set up the New Energy and Environment Technology Research Institute and Health Technology Research Institute to provide reliable technical support for research and development of smart products.

Taking the residential environment as a platform, Gree smart ecological home system integrates household appliances by utilizing the photovoltaic multi-split technology, network communication technology, security protection technology, automatic control technology, and audio and video technology, so as to build an efficient energy management system of energy conservation and environmental protection and a convenient home agenda management system. Ultimately, it can provide an energy efficient living environment with enhanced security, convenience, comfort, and artistic level.

Advantages of Gree smart ecological home system: 1) The system utilizes the photovoltaic multi-split technology, which enables integration of power

generation and utilization at home through the photovoltaic system and incorporates residual power into the mains supply; 2) The built-in energy management system of Gree photovoltaic multi-split technology shows complete data about power generation and utilization of a family. In addition, the system regularly selects the optimal power saving scheme from the database of Gree and sends it to users for reference. 3) As an optional device, the power storage plate can be used in areas where time-of-use tariff is charged. During valley hours, power is stored and during peak hours, the stored power is first used to reduce electricity charge for the user. 4) As photovoltaic energy is green and clean, its application to household appliances changes the energy structure of power use in a family, which is conducive to energy saving and carbon emission reduction. 5) Gree mobile phone will be launched soon as an object that links and controls smart appliances. Gree will strive to get the smart home entrance and build a platform for linking various appliances and searching data, so that users can know the operation status of appliances any time and ultimately perform remote and visualized control. In the future, Gree may also access the big data service field.

3. Speeding up growth of e-business and making great efforts to combine online and offline businesses

Gree organized an e-business team and established an official flagship store at Tmall. On December 1, 2014, Gree launched its official e-business channel "Gree Mall" to speed up e-business development. Several years ago, most of 27 sales companies subordinate to Gree successively established a regional e-business platform of Gree or settled in third-party e-business platforms such as Jingdong, Tmall and Suning, so as to utilize e-business channels and accelerate growth by focusing on both online and offline sales. During the "Double 11" promotion in 2014, Gree's sales volume at the Tmall flagship store exceeded RMB 100 million, becoming the sales champion of air conditioning products on November 11. Such promotion is also a trial operation for starting e-business by Gree Headquarters.

After "Gree Mall" is formally launched, products for sales and available regions will be gradually increased, while the original regional e-business platforms of

Gree sales companies still keep operating in cooperation with the e-business platform of Gree Headquarters to realize complementation. In the future, it will grow into a comprehensive multi-brand and multi-category platform with Gree as the main brand.

4. Exploiting opportunities in cities and constructing a circular economy industry chain in the household appliance industry

According to the *White Paper on WEEE Recycling Industry in China (2013)*, the total theoretical scrap amount is 109,801,800 sets, including 32,037,200 sets of televisions, 12,785,700 sets of refrigerators, 12,616,600 sets of washing machines, 15,299,500 sets of air conditioners, and 37,062,800 sets of computers. It shows that the "trade-in" market in cities is prospering and will become an effective way of broadening the household appliance market in the first tier and second tier cities.

Since 2011, Gree has successively established wholly owned subsidiaries for renewable resources in Changsha, Zhengzhou, Shijiazhuang, and Wuhu, with the total investment over one billion yuan. These subsidiaries are equipped with comprehensive processing lines for televisions, refrigerators, washing machines, air conditioners, and computers, which can effectively alleviate environmental pollution and health hazards caused by discarded appliances.

3. Analysis on change of principal business

(1) Revenues

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

2) Sales conditions of Top 5 clients

| Client ranking | Sales revenue (yuan) | Percentage to annual sales revenue of the Company |
|----------------|----------------------|---|
| First | 11,177,450,876.23 | 7.98% |
| Second | 9,785,114,844.06 | 6.99% |
| Third | 7,523,266,053.35 | 5.37% |
| Fourth | 7,403,473,197.48 | 5.29% |
| Fifth | 6,892,131,704.23 | 4.92% |
| Total | 42,781,436,675.35 | 30.55% |

(2) Costs

Unit: RMB Yuan

| Category of industry | Item | 2014 | | 2013 | | Increase/Decrease over previous year |
|----------------------|------------------|-------------------|------------------------------|-------------------|------------------------------|--------------------------------------|
| | | Amount | Proportion to operating cost | Amount | Proportion to operating cost | |
| Household Appliances | Raw Material | 65,276,720,863.83 | 87.34% | 64,385,950,558.57 | 90.40% | -3.06% |
| | Labor Wages | 3,231,410,467.98 | 4.32% | 2,770,523,689.98 | 3.89% | 0.43% |
| | Depreciation | 698,292,252.30 | 0.93% | 625,074,907.67 | 0.88% | 0.05% |
| | Energy Resources | 598,190,975.58 | 0.80% | 499,108,465.20 | 0.70% | 0.10% |

Major suppliers of the Company

| | |
|---|-------------------|
| Total amount of purchase of top 5 suppliers (RMB) | 14,493,444,959.33 |
| Percentage to the total amount of annual purchase | 17.71% |

Information about Top 5 suppliers of the Company

| Name of supplier | Amount of purchase (yuan) | Percentage to total amount of annual purchase |
|------------------|---------------------------|---|
| First | 5,665,117,528.21 | 6.92% |
| Second | 3,427,971,321.49 | 4.19% |
| Third | 2,163,234,524.02 | 2.64% |
| Fourth | 1,669,372,715.46 | 2.04% |
| Fifth | 1,567,748,870.15 | 1.92% |
| Total | 14,493,444,959.33 | 17.71% |

(3) Expenses

Unit: RMB Yuan

| Expense item | Amount in this year | Amount in previous year | Change in amount | Change percentage |
|--------------------|---------------------|-------------------------|------------------|-------------------|
| Sales Expense | 28,889,995,658.43 | 22,508,931,701.70 | 6,381,063,956.73 | 28.35% |
| Overhead expense | 4,818,168,572.74 | 5,086,262,055.73 | -268,093,482.99 | -5.27% |
| Financial expense | -942,244,684.38 | -133,358,976.73 | -808,885,707.65 | 606.55% |
| Income tax expense | 2,499,475,873.82 | 1,956,168,768.13 | 543,307,105.69 | 27.77% |

Due to the expansion in sales scale and enhancement in marketing promotion, the sales expense increased by 28.35% over the previous year.

Due to reinforcement of funds management, the financial expense increased negatively by 606.55% over the previous year.

(4) Cash flows

Unit: RMB Yuan

| Item | 2014 | 2013 | Increase/ Decrease over previous year |
|--|-------------------|-------------------|---|
| Subtotal of Cash Inflows from Operating Activities | 90,539,968,945.83 | 75,631,467,197.65 | 19.71% |
| Subtotal of Cash Outflows from Operating Activities | 71,600,803,438.10 | 62,661,630,067.82 | 14.27% |
| Net Cash Flow from Operating Activities | 18,939,165,507.73 | 12,969,837,129.83 | 46.02% |
| Subtotal of Cash Inflows from Investment Activities | 1,370,007,263.30 | 979,547,910.17 | 39.86% |
| Subtotal of Cash Outflows from Investment Activities | 4,232,145,155.55 | 3,165,535,265.58 | 33.69% |
| Net Cash Flow from Investment Activities | -2,862,137,892.25 | -2,185,987,355.41 | 30.93% |
| Subtotal of Cash Inflows from Financing Activities | 10,612,274,861.06 | 6,984,607,825.63 | 51.94% |
| Subtotal of Cash Outflows from Financing Activities | 12,476,588,712.71 | 9,408,584,980.34 | 32.61% |
| Net Cash Flow from Financing Activities | -1,864,313,851.65 | -2,423,977,154.71 | -23.09% |
| Net Increase in Cash and Cash Equivalents | 14,247,288,049.48 | 7,888,696,372.58 | 80.60% |

Due to the increase in sales scale and profit on operation, and reinforcement of funds control, the net cash flow from operating activities increased by 46.02% over the previous year.

Due to investment banking and purchase of available-for-sale equity instruments, the cash outflow from investing activities increased by 33.69% over the previous year.

Due to the increase in foreign currency loans, the cash inflow from financing activities increased by 51.94%. In addition, the increase in repayment of foreign currency loans in the current period and dividend allocation led to an increase of 32.61% in the cash outflow from financing activities over the previous year.

4. Analysis on composition of principal business

Unit: RMB Yuan

| Item | Operating revenue | Operating cost | Gross profit ratio | Increase of operating revenue over previous year | Increase of operating cost over previous year | Increase of gross profit ratio over previous year |
|------------------------------------|--------------------|-------------------|--------------------|--|---|---|
| Industry | | | | | | |
| Household appliances manufacturing | 122,745,036,614.31 | 74,740,318,035.83 | 39.11% | 13.60% | 4.94% | 5.02% |
| Product | | | | | | |
| Air Conditioner | 118,719,140,613.15 | 71,472,207,409.57 | 39.80% | 12.54% | 3.45% | 5.29% |
| Household appliances | 1,786,123,170.24 | 1,369,321,266.99 | 23.34% | 10.40% | 5.61% | 3.48% |
| Others | 2,239,772,830.92 | 1,898,789,359.27 | 15.22% | 136.51% | 126.61% | 3.70% |
| Territory | | | | | | |
| Domestic | 108,934,550,640.47 | 63,652,951,884.61 | 41.57% | 18.34% | 11.37% | 3.66% |
| Overseas | 13,810,485,973.84 | 11,087,366,151.22 | 19.72% | -13.69% | -21.16% | 7.61% |

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

5. Analysis on assets and liabilities

(1) Major changes in assets project

| Item | At the end of 2014 | | At the end of 2013 | | Change of proportion |
|------------------------------|--------------------|----------------------------|--------------------|----------------------------|----------------------|
| | Amount (yuan) | Proportion to total assets | Amount (yuan) | Proportion to total assets | |
| Monetary Capital | 54,545,673,449.14 | 34.91% | 38,541,684,470.83 | 28.83% | 6.08% |
| Accounts Receivable | 2,661,347,628.69 | 1.70% | 1,849,275,342.79 | 1.38% | 0.32% |
| Inventories | 8,599,098,095.97 | 5.50% | 13,122,730,425.78 | 9.81% | -4.31% |
| Investment Property | 507,901,502.13 | 0.33% | 503,056,462.68 | 0.38% | -0.05% |
| Long-term Equity Investments | 92,213,098.24 | 0.06% | 97,568,533.30 | 0.07% | -0.01% |
| Fixed Assets | 14,939,279,647.88 | 9.56% | 14,034,138,414.45 | 10.50% | -0.94% |
| Construction in Progress | 1,254,347,204.10 | 0.80% | 1,861,677,013.76 | 1.39% | -0.59% |

(2) Major changes in liabilities project

| Item | 2014 | | 2013 | | Change of proportion |
|----------------------|------------------|----------------------------|------------------|----------------------------|----------------------|
| | Amount | Proportion to total assets | Amount | Proportion to total assets | |
| Short-term Borrowing | 3,578,773,331.48 | 2.29% | 3,316,971,153.31 | 2.48% | -0.19% |
| Long-term Borrowing | 2,258,969,252.88 | 1.45% | 1,375,348,442.79 | 1.03% | 0.42% |

(3) Assets and liabilities measured by fair value

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

Unit: RMB Yuan

| Item | Amount at the beginning of the period | Gains and losses from changes in fair value | Accumulated fair value changes recognized in equity | Depreciation reserves withdrawn during the period | Amount at the end of the period |
|---|---------------------------------------|---|---|---|---------------------------------|
| Financial assets | | | | | |
| 1. Financial assets measured by fair value and their changes recognised in the gains and losses during the current period | 0 | 0 | 0 | 0 | 0 |
| 2. Derivative financial assets | 1,246,106,661.88 | -1,165,848,076.25 | 0 | 0 | 84,177,518.23 |
| 3. Available-for-sale financial assets | 805,932,600.00 | 0 | 55,729,416.52 | 0 | 2,150,098,933.13 |
| Subtotal | 2,052,039,261.88 | -1,165,848,076.25 | 55,729,416.52 | 0 | 2,234,276,451.36 |
| Total | 2,052,039,261.88 | -1,165,848,076.25 | 55,729,416.52 | 0 | 2,234,276,451.36 |
| Financial liabilities | 0 | -215,703,496.13 | 0 | 0 | 215,703,496.13 |

6. Analysis on core competitiveness

(1) Strategic target keeping pace with time

The Company has always accurately grasped the development trend of the manufacturing industry and formulated a clear corporate development strategy. On one hand, the Company built smart appliances ecosystems to develop smart home. Two years ago, the Company began to deploy smart home. Currently, Gree smart green home system has basically taken shape and has competitive advantages in terms of energy management and smart terminal control. On the other hand, the Company constructed a vertical industry chain to create multiple brands famous around the world. The Company is vigorously developing upstream and downstream industries extended from air conditioner technologies, as well as products related with air conditioner technologies, including the upstream industrial products such as compressors, motors and

automation equipment, and the downstream industry chain of renewable resources. All of these will become new growth points for development of Gree.

(2) Technical innovation

The Company won the national "Science and Technology Awards" for three times in four years. With 12 world leading scientific and technological achievements of independent innovation, especially photovoltaic air conditioners, it made significant contributions to better life and environment of people.

Investment in R&D: Gree makes investment in R&D according to actual requirements, without upper limit. In recent year, the investment in scientific research reached one billion yuan per year. The Company boasts the world's largest R&D center for air conditioners; two state-level technology research centers, which are the National Engineering Research Center for Energy Saving Refrigeration Equipment and the Enterprise Technology Center recognized by the state; one provincial-level key laboratory - refrigeration equipment energy saving and environmental protection technology laboratory; six research institutes respectively for refrigeration technology, electromechanical technology, home appliance technology, automation, new energy environment technology, and health technology; and 52 research laboratories.

Gree product testing laboratories have been certified and recognized by domestic and international certification authorities including CNAS, TUV, UL, CSA, ITS, VDE, SGS and ATDC. In 2014, Gree chiller laboratory was listed as a designated chiller certification and testing laboratory in China for United States AHRI. Such qualification further proves that the Company has the most powerful and advanced laboratories in the industry. It provides comprehensive supports for research and development of new products, and also provides testing services for similar products in the industry, which promotes common development of the industry.

For technical standard management, Gree takes national and international standards as the minimum requirement and regards consumer demand as the

highest standards. Gree pursues perfection in R&D based on profound knowledge. In 2014, Gree participated in formulation and revision of 53 national and international standards, including 4 international and foreign standards in addition to 49 national and industrial standards. In 2014, the national standard "Specification for Reducing Emissions of Halogenated Refrigerant from Refrigeration and Air Conditioning Equipment and Systems" drafted by the Company got the gold prize of the 1st Standard Innovation Award of Zhuhai. Six national standards and industrial standards guided by Gree won the Special Award of Standard Strategy of Zhuhai and Guangdong.

(3) Management innovation

Reliable quality assurance system and superior product quality: Gree sets strict corporate quality standards that are far above industrial and national standards to ensure high reliability of products, and never delivers immature or unqualified products to consumers. Gree establishes unique screening plants in the industry for implementing comprehensive check on all purchased parts; issues bans of the president; promotes the "Eight Prohibitions" policy; and implements strict quality control in all phases, including trial preparation of new products, incoming inspection of components and parts, product manufacturing, transportation and installation, in order to feasibly guarantee product quality. This makes Gree well known for its quality products.

Powerful cost control and financial strength: The Company adopts centralized purchase to enlarge the bargaining space and reduce the cost of purchase. The Company instills the cost control concept of cherishing every piece of paper and every drop of water to all employees and throughout all processes, including research and development, technics, production, purchase, sales, warehousing, and logistics; continuously holds process design competitions for reducing cost; incorporates cost into KPI assessment of related sectors; and establishes an annual award program for reducing cost. In this way, the Company's costs are effectively lowered while its profitability is improved. Moreover, the Company has also implemented vertical management of financial system, and established a great financial system and a dispatching

system of financial officers in each production base, which not only reduce the management personnel, but also effectively conducts monitoring on each production base. Gree has always maintained a sufficient cash flow, and its powerfully financial advantages provide reliable financial guarantee for subsequent development of the Company.

Information-based product R&D project management: The project management information platform GPMS independently developed by Gree has been put into operation. It implements more efficient group project management and injects innovation to the project management mode. For strategic-level projects, the Company adopts the matrix project management mode to launch core products to the market and meet customers' requirements more effectively. In addition, the Company applies the big data analysis technology in project management to enable implementation of corporate-level rules with standardized cycle, which is a milestone for the Company's project management.

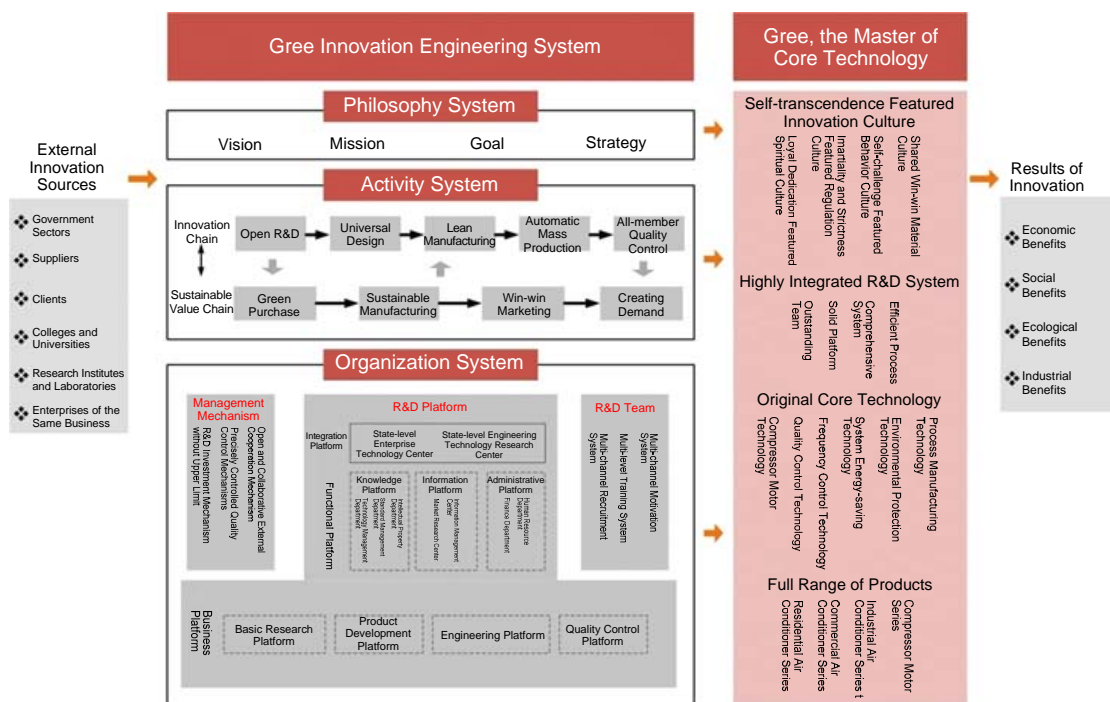
(4) Cultural innovation

During long-term development and accumulation, Gree had gradually formed the unique corporate culture of "Innovation by All Employees", which is expressed in the following aspects: Firstly, the idea of innovation by everyone is cultivated and established in the Company. The Company promotes and encourages innovation using a variety of internal media; finds and selects models of innovation in the Company; and asks Party members and cadres to play an exemplary role to drive innovation. In this way, an atmosphere of culture innovation is created throughout the Company. Secondly, the Company asks every employee to make innovation based on their own posts in the aspects of regulation establishment and daily management, holds a contest with the theme of "Cost Reduction and Efficiency Improvement" every year, and incorporates the result into the performance appraisal system, with a view to encouraging employees to innovate. Thirdly, the Company sets up the Science and Technology Progress Award for employees with outstanding innovation achievements.

The Company implements talent training and motivation to all employees so

that employees can enjoy a sound platform of career development. Gree owns a complete talent training system of "selection, cultivation, appointment and retention" to promote competent employees and degrade incapable ones. It has also established a comprehensive incentive system to inspire employees' sense of honor and enthusiasm. Gree puts an emphasis on independent training on employees; no matter they are front-line workers, professional technicians, or corporate leaders. In recent years, Gree started to reinforce training on technicians and provide a growth path of mechanics for front-line employees; organizes an "Education Program" of the Engineering Technology Institute to provide an opportunity of reeducation for employees; makes investment in the "Housing Project" to offer one room to one person; and constructs an "Innovation Project" for improving the per capita output of employees so that employees have more chances to display their abilities.

Gree innovation project system, which won the National Science and Technology Progress Award, covers the concept system, activity system, and organization system. As the core driving force for innovation, it supports the idea of "Gree, the Master of Core Technology" and guarantees continuity and advancement of technological innovation achievements.



(5) Marketing innovation

The innovative and changing sales mode is one of the key points that enable Gree to maintain fast growth all the way. Gree owns 27 regional sales companies in China and ten thousand of exclusive stores throughout the world. In addition to the original powerful marketing channels including thousands of exclusive stores, franchised stores and hypermarkets, the Company opened hundreds of flagship stores in 2014. Meanwhile, Gree kept up with the times by vigorously constructing community stores, making consumers as convenient as possible in both purchase and installation, and creatively opened TOSOT high-end household appliance image stores to forge the high-end brand image of TOSOT. Gree's channel building ideas are unique in the appliance industry and its channel mode is called "a novel marketing mode in the 21st century" in the academic circle. The marketing mode of "self-built channel" enables "integrity" of the enterprise to be manifested throughout all phases from production to sales, thus ensuring continuous and steady growth in sales and firmly grasping the discourse power and initiative of channels. Up to now, Gree has more than 300 million users worldwide.

In order to better meet the demands of growing network marketing groups, the Company set up the O2O e-business platform "Gree Mall" with integration of online and offline products in 2014 after sufficient planning and preparation. This platform integrates all business phases including marketing, after-sales service, logistics, distribution, and dispatching and effectively combines online and offline channels to promote parallel development of the e-business marketing and the traditional marketing mode, and bring new growth points to Gree's business development.

(6) Production innovation

A major feature of Gree's production innovation is automation-orientated transformation. In 2011, the Company formulated the development strategy of automation. To meet development requirements of automation, the Company established the Automation Office, Automation Equipment Manufacturing Department and Automation Technology Research Institute in turn. In recent

years, the Company has continuously speeded up transformation to automation and mechanization and improved the independent R&D and production capabilities of automation equipment. The automation equipment independently developed by Gree not only improves the efficiency and effectiveness of the Company, but also lays a solid foundation for Gree to become the best equipment provider in the world.

In the process of accelerating production automation, Gree reinforced talent training related to automation. By adhering to the automation thought of "breakthrough in major sectors and phased implementation", Gree carried out transformation in multiple production sectors such as injection molding and pipeline; promoted standardization and universalization of product design; improved appropriateness of product structure design to reduce waste in design; advanced the automation of design, technics, testing, equipment, and mold; and pushed on the automation of mold processing to improve the quality of mold processing and shorten the processing cycle.

7. Investment analysis

(1) Investment in derivatives

Unit: RMB Yuan

| Operation name of investment in derivative | Whether or not transaction was related | Type of investment in derivatives | Initial amount of investment in derivatives | Start date | Expiry date | Beginning investment amount | Withdrawing depreciation reserve amount | Ending investment amount | Proportion of the ending contract amount to net assets at the end of the report period | Profits and losses during the report period |
|---|--|---|---|------------|-------------|-----------------------------|---|--------------------------|--|---|
| Jinrui Futures co., LTD | No | Futures Hedging Contract | 1,520.53 | 2014.01.01 | 2014.12.31 | 1,520.53 | 0 | -4,999.02 | -0.11% | 1,045.53 |
| Financing Institution | No | Forward Foreign Exchange Contract (Buying in) | 91,636.6 | 2014.01.01 | 2014.12.31 | 91,636.6 | 0 | 8,417.75 | 0.19% | 52,934.73 |
| Financing Institution | No | Forward Foreign Exchange Contract (Selling out) | 32,974.06 | 2014.01.01 | 2014.12.31 | 32,974.06 | 0 | -21,570.35 | -0.49% | 14,374.6 |
| Total | | | 126,131.19 | -- | -- | 126,131.19 | 0 | -18,151.62 | -0.41% | 68,354.86 |
| Capital Source of Investment in Derivatives | | Private | | | | | | | | |
| Lawsuits (if apply) | | None | | | | | | | | |
| Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Directors (if any) | | 25 April 2014 | | | | | | | | |
| Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Shareholders (if any) | | 21 May 2014 | | | | | | | | |
| Risk analysis of open interest of derivatives and control measures during the Report Period (including but not limited to market risk, liquidity risk, credit risk, operation risk and legal risk) | | <p>In order to evade any risk in the cost of purchase of raw materials by the company which might arise from wide fluctuations of the price of bulk raw materials, the Company carried on the hedging business for part of the raw materials and duly locked the cost of raw materials according to the futures market situation to reduce any uncertainty risk from fluctuations of the market price of the spot goods; meanwhile, the Company carried out foreign exchange transactions by bank's financial instruments to evade any risk in the fluctuations of exchange rate and interest rate, reduce foreign exchange liabilities and conduct the cost locking, and realize the maintenance and increase of the value of foreign exchange assets. The Company laid down the Rules for Hedging Management of Futures and "Internal Control System of Forward Foreign Exchange Transactions to execute the full appraisal and control of the investment in derivatives and risks in open interest, and the detailed description is shown as below:</p> <p>1. Legal and regulatory risk; While the Company carried on hedging and foreign exchange transactions, it was required to follow the laws and regulations and specifically stipulate the rights and obligations with the agency.</p> <p>Control measures: The Company assigned the responsible department to strictly execute the contract review, clarify the rights and obligations, strengthen compliance check and ensure the Company's investment in derivatives and operation of open interest in accordance with any laws and regulations and internal control system of the Company.</p> <p>2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system.</p> <p>Control measures: The Company established the corresponding management system, clarified the division of responsibilities and examination & approval procedures of the hedging and foreign exchange transactions, built more perfect supervision mechanism and effectively reduced any operation risk through business, decision and transaction processes.</p> <p>3. Market risk</p> <p>The price change of bulk goods and uncertainty of fluctuations of exchange rate of foreign exchange market bring a greater market risk to the futures business and foreign exchange transactions.</p> <p>Control measures: The principle of prudent and moderate operation is upheld in the futures hedging and foreign exchange transactions of the Company, in which any speculative transaction is not permitted. As to the hedging business, the Company strictly restricted the number of hedging not to exceed the number of actual spot transaction and the open interest of the futures not to exceed the number of hedged spot goods and implemented the mechanism to stop loss. In respect of the foreign exchange transactions, the Company effectively prevented the market risk by judging the trend of foreign exchange rate and utilizing a contract to lock the settlement of exchange rate.</p> | | | | | | | | |
| The detailed usage and related hypothesis and parameter setting should be disclosed in terms of the market price of the invested derivatives or changes in fair value of the products during the Report Period and analysis on the fair value of the derivatives. | | The loss under the futures hedging contract during the Report Period was RMB 10,455,300; The profit under the forward foreign exchange contract during the Report Period was RMB -708,458,200. | | | | | | | | |
| Descriptions about whether there were major changes in the accounting policies and detailed accounting principle of the Company's derivatives during the Report Period as compared to the last report period. | | No change. | | | | | | | | |
| Special opinions of independent directors regarding the investment in derivatives and risk control of the Company | | In the opinion of the Company's independent directors, the Company improved its management level by strengthening internal control and carrying out the risk prevention measures as well as stabilizing price fluctuations through futures hedging. It also enhanced its foreign exchange risk control level through foreign exchange transactions. The above investment in derivatives helps to give play to competitive advantages of the Company, so it is feasible for the Company to carry on the investment in derivatives under controllable risk. | | | | | | | | |

(2) Usage of raised funds

As of Dec. 31, 2014, the accumulated total amount of the raised funds used for investment was RMB 3,101.6336 million, of which RMB 2,505.6714 million was invested in 2012, RMB 279.3157 million in 2013, and RMB 316.6465 million in 2014. As of Dec. 31, 2014, the balance of the funds raised by the Company was RMB 141.7186 million, including the net interest income of RMB 48.0652 million after deduction of the handling charge.

For details, refer to the Special Report for Deposit and Usage of Raised Funds in 2014 published on www.cninfo.com.cn and the Audit Report of Special Report for Deposit and Usage of Raised Funds in 2014 Zhong Shen Ya Tai Shen Zi (2015) No.010215-3 issued by China Audit Asia Pacific Certified Public Accountants Co., Ltd.

(3) Major subsidiaries

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

| Company name | Main product or service | Registered capital (10 thousand yuan) | Total assets (Yuan) | Net assets (Yuan) | Operating revenue (Yuan) | Operating profit (Yuan) | Net profit (Yuan) |
|--|-------------------------|---------------------------------------|---------------------|-------------------|--------------------------|-------------------------|-------------------|
| Zhuhai Gree Group Finance Company Limited | Financial Services | 150,000 | 37,045,450,528.30 | 2,826,119,662.18 | 2,316,356,062.79 | 579,181,886.67 | 434,407,916.53 |
| Gree Electric Appliances (Chongqing) Co., Ltd. | Air Conditioner | 23,000 | 5,642,858,002.01 | 3,642,235,200.60 | 8,673,211,778.92 | 538,890,412.42 | 469,019,172.05 |
| Zhuhai Gree Electrical Co., Ltd. | Varnished Wire | 16,932 | 2,401,704,266.97 | 400,501,939.35 | 3,048,327,810.52 | 57,530,239.51 | 49,969,817.53 |
| Zhuhai Kaibang Motor Manufacture Co., Ltd. | Motor | 8,200 | 1,935,664,165.66 | 630,467,111.96 | 3,321,569,451.38 | 241,540,933.92 | 211,711,468.35 |
| Gree Electric Appliances (Hefei) Co., Ltd. | Air Conditioner | 15,000 | 11,887,357,207.68 | 6,701,868,634.41 | 18,799,349,344.25 | 1,311,890,745.70 | 1,179,234,009.19 |
| Gree (Zhongshan) Household Electric Appliances Co., Ltd. | Small Home Appliances | 3,000 | 603,900,785.12 | 224,247,460.66 | 759,008,754.20 | 48,666,994.50 | 42,094,580.05 |
| Zhuhai Landa Compressor Co., Ltd. | Compressor | 9,303 | 8,872,500,199.24 | 4,874,053,032.09 | 11,986,668,266.96 | 1,938,742,196.33 | 1,678,887,414.52 |
| Gree Electric Appliances (Zhengzhou) Co., Ltd. | Air Conditioner | 2,000 | 4,738,552,601.11 | 1,605,934,912.11 | 10,181,929,649.57 | 747,542,654.98 | 620,586,252.67 |
| Gree Electric Appliances (Wuhan) Co., Ltd. | Air Conditioner | 1,000 | 4,362,461,245.39 | 1,423,726,858.32 | 9,800,212,121.67 | 710,388,095.18 | 616,637,355.66 |
| Gree Electric Appliances (Wuhu) Co., Ltd. | Air Conditioner | 2,000 | 3,751,379,320.19 | 662,407,966.22 | 7,125,706,886.24 | 294,073,634.98 | 479,349,769.99 |
| Gree Electric Appliances (Shijiazhuang) Co., Ltd. | Air Conditioner | 10,000 | 3,176,260,579.95 | 745,093,513.76 | 6,014,397,462.40 | 425,065,443.79 | 411,322,540.20 |

(4) Information about equities of other listed company held by the Company

| Security code | Abbreviation of security name | Initial investment cost (yuan) | Number of shares held at the beginning of the period (shares) | Number of shares held at the end of the period (shares) | Shareholding ratio at the end of the period | Book value at the end of the period (yuan) | Profit and loss during the report period (yuan) |
|---------------|-------------------------------|--------------------------------|---|---|---|--|---|
| 3699 | WANDA COMM-H SHS | 1,235,305,799.23 | 0 | 32,296,600.00 | 0.72% | 1,261,199,993.13 | 25,894,193.90 |

Note: The equity of this listed company is hold by Hong Kong Gree Electric Appliance Sales Co., Ltd., a subsidiary of the Company.

8. Prospects of the Company's future development

In recent years, mobile Internet+, Internet of Things and big data developed rapidly and wireless communication networks such as 4G and WiFi gradually penetrated into various industries. The smart home, an emerging sunrise industry, has started to show a potential in explosive growth. In this year's government work report, Premier Li Keqiang mentioned the need to implement the "Made in China 2025" strategy, and emphasized that we must seek innovation-driven development, apply smart technologies to realize transformation, strengthen foundations, pursue green development, boost the transition to high-end industrial structure, and work out an "Internet+" action plan to promote integration of mobile Internet, cloud computing, big data, and Internet of Things with modern manufacturing; and accelerate "One Belt And One Road" construction to boost regional cooperation. This no doubt brings significant opportunities to development of the manufacturing industry in China. On the basis of objective analysis on the international and domestic economic situation, the Company actively adopted new work ideas to adapt itself to the new state of economic development and strived to make new breakthroughs in all aspects, in the hope of developing Gree from an enterprise specially manufacturing air conditioners to a diversified group enterprise and forging a world-class leading enterprise.

Firstly, take air conditioners as the principal business. Consolidate and expand its market share of residential air conditioners; broaden foreign markets, which will be gradually dominated by self-developed brands; expand the commercial air conditioner field by taking advantage of its dominant position in residential

air conditioners to increase the market share.

Secondly, pursue technology-oriented diversified development. When consolidating its position in the residential air conditioner market, Gree also started to take the business of smart products. By taking household appliances as a whole and enhancing cooperation with brand land agents, Gree provided full-series commercial sets with air conditioners, air source heaters, water purifiers, and TOSOT home appliances.

Thirdly, strength development of upstream core industries while sticking to the main line. Develop mechanized manufacturing of motors, molds, electrotechnical products and automation equipment as a characteristic industry of Gree.

(1) Business focus of the Company in 2015

1. Strengthening technology development based on consumers' demands and strengthening R&D of smart home products

Gree adheres to the philosophy of "Gree Changes Life by Technologies" and strengthens R&D of smart home products in new ways of thinking.

By fully leveraging the integrated wiring technology, network communication technology, and automatic control technology, Gree smart ecological home system integrates household appliances to build an efficient energy management system of environmental protection and a comprehensive home service integration system. Ultimately, it can provide a smart and ecological living environment with enhanced energy efficiency, security, comfort, and artistic level. Gree will focus on work in the following aspects in 2015:

1) Establish Gree smart ecological home control center which will perform platform-based control on Gree products such as mechanized air condition, heat pump water heater, central air conditioner fresh air, air purifier, water dispenser, and Gree smart mobile control terminal. It can create a new way of "Smart Life" by meeting users' demands at one step, such as energy supply, air temperature and humidity regulation, air quality control, healthy drinking water, sleep housekeeper, remote monitoring, and electricity usage analysis.

2) Construct a home smart energy management center to implement integrated management on household power generation and utilization. Based on the use of energy technology and Internet technology, the management center performs smart management on power consumption of all household appliances, power generation of photovoltaic panels and power storage of battery, becoming a family-level energy scheduling center.

3) Based on the use of big data processing technology, collect and analyze the usage data of 100 million of Gree air conditioner users, work out the optimum operation scheme with minimum electricity consumption, and send it to users regularly for reference. According to the study on the operation database, mark the operation data of air conditioner fault to enable quick diagnose once an air conditioner is faulty, so as to quicken after-sales response and provide users with the most convenient and comfortable smart life.

2 Reinforcing marketing innovation and expanding the market share

Adapt to changes in products and strengthen innovation and transformation in the marketing system:

1) Continue to strengthen construction of offline sales channels, further improve outlet layout in the third/fourth-tier market, and impel flagship stores to make promotion in community;

2) Improve operation of Gree Mall and further refine background operation to combine online and offline businesses completely;

3) Organize project teams in line with the development trend of central air conditioners.

4) Cultivate marketing talents in technical teams.

While sticking to the sales targets, change the marketing ideas and continue to implement the "Trade-in" policy for exchanging constant-frequency air conditioners for inverter air conditioners at the price of the former; fully implement production and sales of inverter products at home and phase out products with high energy consumption.

3 Firmly carrying out the automation strategy

The Company planned to achieve the objective of unattended workshop within 3-5 years, and create an automated manufacturing system by organically combining lean manufacturing with automation equipment. Key work of the Company in 2015:

- 1) Boost comprehensive application of robots, promote smart manufacturing in the whole company, and create multiple automation demonstration sectors.
- 2) Strengthen R&D of automation equipment, which can be developed as a bellwether in the heavy industry of China while serving Gree.
- 3) Strengthen standardization and universalization of the design source to lay a solid foundation for smooth implementation of subsequent production automation schemes.

4 Optimizing the corporate management process through information-based technology

Combine information-based development with optimization of the management system. In 2015, the Company will accelerate improvement of modular and information-based management for the procurement system to implement timely tracking; accelerate information-based development of the Company's management processes, particularly optimize the approval process and improve ways of monitoring to create processes that can be operated conveniently and smoothly and are open to accept monitoring.

5 Boosting the development of upstream and downstream core industries and fostering new business growth points

By relying on mass production of air conditioners, Gree has rapidly developed in the upstream core industry of air conditioners. In 2015, Gree will continue to accelerate development of upstream core industries from the following four aspects: 1) For the motor sector, speed up research on more independent technologies to improve product quality and technical content; 2) For the mold sector, boost the mold processing technology to the first class in the world to carry out automated mold design, deeply study mold materials and pursue a mold development standard of "Mold Repair Free"; at the same time, open

molds to markets and develop molds as an industry of Gree as soon as possible; 3) For the electrotechnical product sector, broaden product categories in addition to the power cable and enameled wire; 4) For the mechanized manufacturing sector, take the world's leading enterprises in the industry as the benchmark to find gaps, meet high standard requirements, and turn the automation processing equipment into a new growth point.

Develop downstream core industries, specially the renewable resource industry chain. As household appliances enter the peak of scrap, the efficient and safe disposal and recycling of all types of waste can increase the supply of resources, which is conducive to energy saving and environmental protection and relieves the pressure on the resource environment. In 2015, the Company will further enhance the production capacity of the renewable resource production base. Meanwhile, the Company will also gradually expand the business scope; for example, extend to deep processing of electronic waste (such as extraction of precious metals), modification of scrapped plastics and dismantling of scrapped cars.

6 Strengthening talent training to ensure intellectual support

Create a fair environment to attract young people with the merit of dedication, ambition, pursuit, and sense of worth to join the Company; make great efforts to cultivate a large number of managerial and technical talents especially technique talents in collaboration with the construction of new bases; formulate training programs based on actual needs of employees and development requirements of the Company; quicken implementation of trainings to cultivate more professional talents and help more front-line employees grow into excellent mechanic talents; and strengthen management on cadres by performing duty inspection upon each cadre. Cadres, including the middle-level management and basic-level group leaders, must be self-disciplined and fairly use their power without pursuing personal interest by abuse of power.

9. Risk in future development

(1) Risks brought by macroeconomic fluctuation and policy regulation and control

The economic development entered a new state and shifted from rapid growth to medium and high growth. The household appliance market may be fatigued as macroeconomic slowdown leads to a decrease in consumers' demand. Changes in the macroeconomic environment and policy adjustment may also cause fluctuations in the costs of production factors such as labor, water, electricity, and gas. In addition, the appliance subsidy policy is withdrawn while no new policy is issued. All these factors will bring new challenges to production and sales of Gree products.

(2) Risks brought by competition in the industry and marketing reform

Under impact of the Internet economy and new business modes, Gree may be confronted with challenges in operating performance and financial position that are posed by increasingly intense competition or even vicious competition from domestic and overseas appliance enterprises, rapid development of smart home with emergence of new technologies and materials, despite of its competitive advantage as a leading enterprise in the household appliance industry.

(3) Risks brought by fluctuations in the price of bulk raw materials and export exchange rate

Gree has a high demand for bulk raw materials such as copper, steel, and aluminum. If the price of raw materials fluctuates and the market competition is severe, the selling price will hardly offset the impact by such fluctuation and the operating performance of Company may be affected. In addition, Gree products are exported around the world with a growing export volume. If the exchange rate fluctuates significantly, the Company may suffer exchange loss.

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

(1) Changes in accounting policies

In 2014, the Ministry of Finance issued and amended the Accounting Standards for Business Enterprises - Basic Standards (Revision), Accounting Standards for Business Enterprises No.2 - Long-term Equity Investments (Revision), Accounting Standards for Business Enterprises No.9 - Employee

Compensation (Revision), Accounting Standards for Business Enterprises No.30 - Presentation of Financial Statements (Revision), Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements (Revision), Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (Revision), Accounting Standards for Business Enterprises No.39 - Fair Value Measurement, Accounting Standards for Business Enterprises No.40 - Joint Arrangements, and Accounting Standards for Business Enterprise No.41 - Disclosure of Interests in Other Entities. The Company adjusted related accounting policies in accordance with the newly issued and amended Accounting Standards for Business Enterprises.11.

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

(1) There were new subsidiaries included in the consolidated financial statements during the report period

| Company name | Equity acquisition mode | Time point of equity acquisition | Amount of contribution (ten thousand yuan) | Ratio of contribution (%) | Net assets of the end of the period (ten thousand Yuan) | Net profit of the period (ten thousand Yuan) |
|---|-------------------------|----------------------------------|--|---------------------------|---|--|
| Changsha Gree HVAC Equipment Co., Ltd. | Establishment | May 2014 | 5,000.00 | 100.00 | 4,936.70 | -63.30 |
| Zhuhai IVP Information Technology Co., Ltd. | Establishment | June 2014 | 10,000.00 | 100.00 | 9,059.05 | -940.95 |
| Gree TOSOT (Suqian) Home Appliances Co., Ltd. | Establishment | September 2014 | 10,000.00 | 100.00 | 10,002.32 | 2.32 |

(2) Disposal of Subsidiaries

Unit: Yuan

| Name | Equity disposal price | Proportion of equity disposal (%) | Equity disposal mode | Time point of losing the control power | Determination basis for the time point of losing the control power | Difference between disposal price and share of net assets of the subsidiary shared at consolidated financial statements level corresponding to disposal of investments |
|--|-----------------------|-----------------------------------|----------------------|--|--|--|
| Shenzhen Gree Electric Appliances Sales Co., Ltd | 5,232,204.48 | 90.00 | Cancellation | September 2014 | Cancellation of the company | -733,395.14 |

| Name | Equity disposal price | Proportion of equity disposal (%) | Equity disposal mode | Time point of losing the control power | Determination basis for the time point of losing the control power | Difference between disposal price and share of net assets of the subsidiary shared at consolidated financial statements level corresponding to disposal of investments |
|-----------------------------------|-----------------------|-----------------------------------|----------------------|--|--|--|
| Zhuhai Zhengang Foundry Co., Ltd. | 18,484,452.65 | 100.00 | Cancellation | September 2014 | Cancellation of the company | 530,005.91 |

Continued

| Proportion of remaining equity on the date of losing the control power (%) | Carrying amount of remaining equity on the date of losing the control power | Fair value of remaining equity on the date of losing the control power | Gains or losses from remeasurement of the remaining equity at the fair value | Recognition method and main hypothesis for the fair value of remaining equity on the date of losing the control power | Amount of other comprehensive income that is related to the equity investment of original subsidiary and transferred into investment profits and losses |
|--|---|--|--|---|---|
| 0.00 | 5,965,599.62 | 5,965,599.62 | -733,395.14 | | |
| 0.00 | 17,954,446.74 | 17,954,446.74 | 530,005.91 | | |

(3) Subsidiaries not included in the consolidated financial statements during the report period

Gree (USA) Sales Co., Ltd., a sub-subsidiary company of the Company was not incorporated in the consolidation scope in this period due to restriction on transfer of funds.

12. Profit and dividend distribution

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

1. Plan of profit distribution for the year 2014

Upon audit of China Audit Asia Pacific Certified Public Accountants Co., Ltd, based on the net profit of RMB 7,080,003,599.12 realized by the parent company in 2014, plus the undistributed profit at the beginning of the year equivalent to RMB 11,687,732,132.21 less the distributed profit of RMB 4,511,798,158.50, the actual distributable profit is RMB 14,255,937,572.83.

According to the resolution passed at the eighteenth meeting of the ninth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2014 is as follows: Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be

distributed a cash of RMB 30.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317 and the balance to be carried forward to the next year. By way of capitalization from public reserve funds and based on the total stock capital equivalent to 3,007,865,439 stocks of the Company, bonus stocks were issued to all shareholders in the ratio of 10 stocks for every 10 stocks.

The plan of profit distribution will not be executed until it is submitted to the general meeting of shareholders of the Company for the year 2014 for approval.

2. Scheme of profit distribution for the year 2013

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 4,511,798,158.50 and the balance to be carried forward to the next year.

3. Scheme of profit distribution for the year 2012

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

(2) Cash dividends for the last three year:

Unit: RMB Yuan

| Year | Amount of cash dividend (tax included) | Net profit attributable to shareholders of listed company in annual consolidated financial statements | Proportion to net profit attributable to shareholders of listed company in consolidated financial statements | Annual distributable profit |
|------|--|---|--|-----------------------------|
| 2014 | 9,023,596,317.00 | 14,155,167,229.36 | 63.75% | 14,255,937,572.83 |
| 2013 | 4,511,798,158.50 | 10,870,672,842.47 | 41.50% | 11,793,650,274.21 |
| 2012 | 3,007,865,439.00 | 7,379,666,345.09 | 40.76% | 8,814,610,174.42 |

13. Social responsibilities

The Company actively and voluntarily performed its social responsibilities, effectively protected the lawful rights and interests of all stakeholders, won with its strength recognition of the enterprise, brand and products from capital market and consumer market and promoted the low-carbon green growth in the

industry through various activities. (Please refer to the Social Responsibilities Report for the Year 2014 on www.cninfo.com.cn)

14. Registration form of reception of activities including research, communication and interviews during the report period

| Time of reception | Place of reception | Method of reception | Type of reception object | Reception object | Contents discussed and material provided |
|-------------------|--------------------------------|---------------------|--------------------------|--|--|
| 13 February, 2014 | Conference Room of the Company | Field Research | Institution | China International Capital Corporation, Franklin Templeton Sealand Fund, HIGHBRIDGE CAPITAL MANAGEMENT (HK) LTD, Value Partners Funds, Eton Park, Fidelity FIL, ChinaRock Capital Management Limited, Shanghai Yongjin, TPG-Axon Capital (HK), Ltd, Comgest Asia, Tybourne Capital Management, King Tower, Guangzhou Long-Term Investment Management Co., Ltd, BNY Mellon Western, GTJA Allianz Funds, Team-top Investment, Vision Asset Management Co., Ltd, Korea Investment, Orient Securities Asset Management Co., Ltd, China Merchants Fund, Greenwoods Asset, UBS SDIC, Shenzhen Changrun Asset Management Co., Ltd | Field visit and discussion about production and operation of the Company |
| 27 February, 2014 | Conference Room of the Company | Field Research | Institution | Standard Chartered Bank (Hong Kong) Limited, PINE RIVER, Invesco | Discussion about production and operation of the Company |
| 7 March, 2014 | Conference Room of the Company | Field Research | Institution | Guotai Junan Co., Ltd, Sinolink Securities, China Merchants Securities, Changjiang Securities, China Galaxy Securities, Guosen Securities, E Fund, Minsheng Investment, GF Fund, GF Securities, HuaAn Funds, Tianhong Fund, Guo Yuan Securities, Morgan Stanley Huaxin, Taikang Asset Management, China Merchants Funds, Northeast Securities, EBay Investment, Dongxing Securities, ShengTai Investment, Great Wall Securities, Shenwan, JP Morgan, ICBC Credit Suisse, Cinda Securities, Yinhua Fund, CICC, TF Securities, BOCOM Schroders, Haitong Securities, CITIC Securities, Mengyang Investment, Orient Securities, Korea Investment, Harvest Fund, Caitong Fund, SMC China Fund, YiJinAn Investment, China AMC, Bank of China Investment Management, Yunhui Investment, China Investment Securities, Eton Park, ChinaRock Capital | Communication on smart home |
| 27 May, 2014 | Conference Room of the Company | Field Research | Institution | GMV CSPITAL, BNP PARIBAS, Nomura International, China PingAn Asset Management, Citi Bank, Matou Consulting, CLSA Asia-Pacific Markets, CITIC Securities | Field visit and discussion about production and operation of the Company |
| 13 May, 2014 | Hangzhou | Others | Institution | Zexi Investment, Essence Fund, Shanghai Dingfeng Asset Management Co., Ltd, Huashang Fund, Shanghai Shicheng Investment Management Co., Ltd, Pu Ying Investment, Centrum Capital, Manulife TEDA, Caitong Securities, Premier Prophet, GTJA Allianz | Discussion about production and operation of the Company |
| 17 June, 2014 | Hong Kong | Others | Institution | canada pension plan investment board, och-ziff, ubp asset management, manulife asset management, marshall wace, new silk road, janchor partners, libra capital, allard partners, buena vista, indus capital, blackrock, azentus capital, alliancebernstein, amundi, chianrock capital, comgest, eton park, morgan Stanley, overlook investment | Discussion about production and operation of the Company |

| | | | | | |
|--------------------|--------------------------------|-------------------------|-------------|--|--|
| 19 June, 2014 | Shenzhen | Others | Institution | Dacheng Fund, Great Wall Fund, Baoying Fund, Bosera Funds, Penghua Fund, First State Cinda Fund, Invesco Great Wall Fund, Shenzhen Yingtai Investment Management Co., Ltd, Boruicaizhi Holdings Ltd., Shenzhen Investment & Management Investment Consulting Co., Ltd | Discussion about production and operation of the Company |
| 28 August, 2014 | Conference Room of the Company | Field Research | Institution | China Merchants Securities, Changjiang Securities, China Merchants Fund, CICC, Galaxy Securities, Shenwan, EBay Investment, Caitong Securities, Guosen Securities, Taikang Assets, Harvest Fund, GF Fund, Long-term Investment, E Fund, Founder Securities, UBS, YiJinAn Investment, New Thinking Investment, ETON PARK | Production and operation of the Company |
| 19 September, 2014 | Conference Room of the Company | Telephone Communication | Institution | Capital World | Production and operation of the Company |
| 23 September, 2014 | Conference Room of the Company | Telephone Communication | Institution | Moore Capital | Production and operation of the Company |
| 5 November, 2014 | Conference Room of the Company | Field Research | Institution | Wellington Management | Production and operation of the Company |
| 6 November, 2014 | Conference Room of the Company | Telephone Communication | Institution | Yuanta Funds | Production and operation of the Company |
| 1 November, 2014 | Conference Room of the Company | Telephone Communication | Institution | Research-Works | Production and operation of the Company |
| 13 November, 2014 | Conference Room of the Company | Field Research | Institution | Teng Yue Partners, Henderson-Asia | Production and operation of the Company |
| 19 November, 2014 | Beijing | Others | Institution | JP Morgan, Hongxin Securities, Orient Securities, Huatai PineBridge Investments, China Life Insurance, Industrial Securities Asset Management, Sinosafe Insurance, Taikang Assets, Samsung Assets, Huaxia Insurance, Springs Capital, Great Wall Life Insurance, Power Pacific, Yinhua Fund, Tenbagger Capital, UBS, China Southern Fund | Production and operation of the Company |
| 24 November, 2014 | Conference Room of the Company | Field Research | Institution | Norges Bank | Production and operation of the Company |
| 4 December, 2014 | Conference Room of the Company | Field Research | Institution | Guotai JunAn Securities, Zhizhu Investment, CITIC Securities, UBS | Production and operation of the Company |
| 5 December, 2014 | Haikou | Others | Institution | GFund, Huatai Insurance, GaryGee Fund Investment, Huashang Fund, Union Assets, First State Cinda Fund | Production and operation of the Company |
| 10 December, 2014 | Shenzhen | Others | Institution | Zhongcai Merchants Investment, China Southern Fund, Boxin Capital, Morgan Stanley Huaxin Fund, Rongtong Funds, Yongjin Investment, China Merchants Securities | Production and operation of the Company |
| 11 December, 2014 | Conference Room of the Company | Field Research | Institution | Sinolink Securities, Bank of China International, BOC International, HWABAO Investment | Production and operation of the Company |
| 12 December, 2014 | Sanya | Others | Institution | CITIC Securities, Investec, CLSA Asia-Pacific Markets, GF Fund, GTJA Allianz Funds, Robeco Investment, Fuh Hwa Securities Investment, Trust in Taiwan, Shengxideng International (China), Matthews Asia Fund | Production and operation of the Company |
| 16 December, 2014 | Conference Room of the Company | Telephone Communication | Institution | JPMorgan Chase & Co. | Production and operation of the Company |
| 17 December, 2014 | Shenzhen | Others | Institution | Invesco Great Wall, Boyu Capital, Donghai Investment, Lighthouse Assets, Bank of China Investment Management, Guosen Securities, Minsheng Tonghui Asset Management, Batach-Sophia Investment Management, CITIC Securities, Bosera Funds, EBay Investment, Orient Securities, Manulife | Production and operation of the Company |

| | | | | | |
|---------------------------------|--------------------------------|----------------|-------------|---|--|
| | | | | TEDA, Longrising, China Merchants Fund, the investment fund, Penghua Fund, Essence Securities | |
| 26 December, 2014 | Conference Room of the Company | Field Research | Institution | Huatai Securities, Huashang Fund, Long-term Investment, Taikang Insurance, Lasting investment | Visit to Exhibition Room and introduction to production and operation of the Company |
| Times of reception | | | | | 24 |
| Number of received institutions | | | | | 215 |

Section V Important Events

1. The Company was involved in no major legal action or arbitration during the report period.

2. During the report period, the Company was involved in no non-operating fund occupation by any controlling shareholders and other related parties.

In respect of the occupation of the Company's funds by any controlling shareholders and other related parties of the Company, China Audit Asia Pacific Certified Public Accountants Co., Ltd. issued the Special Description for Occupation of Non-Operation Fund and Transaction of Other Related Fund for the Year 2014 (Zhong Shen Ya Tai Shen Zi (2015) No.010215-1) (Please refer to the report on www.cninfo.com.cn).

3. There were no sale and purchase of assets and merger and acquisition of the Company during the report period.

4. Major related party transactions of the Company during the report period

| Related parties | Related relationship | Type of related transactions | Contents of related transactions | Related transaction pricing principles | Amount of related transactions (yuan) | Proportion to amount of similar transaction (%) | Settlement of related transactions |
|--|---|------------------------------|----------------------------------|--|---------------------------------------|---|------------------------------------|
| Zhejiang Sheng Shi Xin Xing GREE Trading Co., Ltd. | The company in which the Company's director serves as general manager | Sales of commodities | Sales revenue | Market price | 6,892,131,704.23 | 4.92 | Payment before delivery |
| Henan Sheng Shi Xin Xing GREE Trading Co., Ltd. | The company in which the Company's supervisor serves as general manager | Sales of commodities | Sales revenue | Market price | 11,177,450,876.23 | 7.98 | Payment before delivery |

5. The Company was involved in no trusteeship, contracting and lease of assets of other companies during the report period.

6. The Company was involved in no major external securities during the report period.

7. During the report period, the Company did not entrust others to execute any cash asset management.

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

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

On 20 May 2014, the Re-engaging China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the Company's Audit Institution in 2014 was deliberated and passed at the general meeting of shareholders in 2013 which was convened by the Company, in which China Audit Asia Pacific Certified Public Accountants Co., Ltd. was re-engaged as the Company's Audit Institution in 2014. The amount of remuneration paid for the audit in 2014 by the Company to the accounting firm was RMB 3.1 million (excluding travel expenses).

China Audit Asia Pacific Certified Public Accountants Co., Ltd. will render the Company the audit services for 12 consecutive years.

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

Section VI Changes in Stock Capital & Information of Shareholders

1. Changes in stock capital

| | Before the change | | Increase/Decrease (+, -) | | | | | After the change | |
|------------------------------------|-------------------|------------|--------------------------|-------------|------------------------------|----------|----------|------------------|------------|
| | Number (share) | Percentage | New Issue | Bonus Issue | Stock Converted from Reserve | Others | Subtotal | Number (share) | Percentage |
| 1. Stocks with trading restriction | 21,653,875 | 0.72% | | | | -257,699 | | 21,396,176 | 0.71% |

| | | | | | | | | | |
|---|---------------|--------|--|--|--|----------|--|---------------|--------|
| conditions | | | | | | | | | |
| Stocks held by senior management personnel | 21,653,875 | 0.72% | | | | -257,699 | | 21,396,176 | 0.71% |
| 2. Tradable Stocks without trading restriction conditions | 2,986,211,564 | 99.28% | | | | +257,699 | | 2,986,469,263 | 99.29% |
| RMB ordinary stocks | 2,986,211,564 | 99.28% | | | | +257,699 | | 2,986,469,263 | 99.29% |
| 3. Total of stocks | 3,007,865,439 | 100% | | | | | | 3,007,865,439 | 100% |

2. Issuance and listing of stocks

(1) Issuance of stocks in the last three years

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

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

(3) Information of shareholders

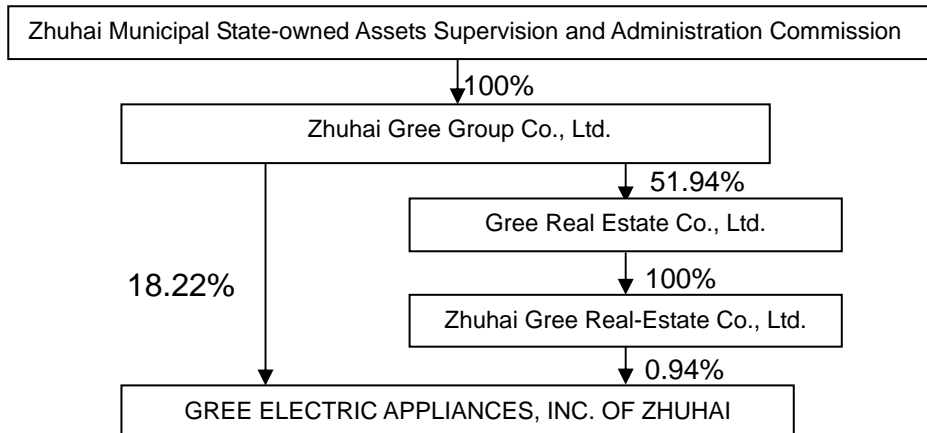
| Total number of shareholders at the end of the Report Period | 71,095 | Total number of shareholders at the end of the 5th trading day before disclosure date of the annual report | 102,615 | | | | |
|--|---------------------------------------|--|---|--|--|--------------------|-------------|
| Shareholding of the shareholders holding more than 5% of total stocks or the top 10 shareholders | | | | | | | |
| Name of shareholders | Nature of shareholders | Shareholding Proportion | Total number of the stocks held at the end of the Report Period | Increase/Decrease in the Report Period | Number of the trading unrestricted stocks held | Pledge or Freezing | |
| | | | | | | Stock status | Number |
| Zhuhai Gree Group Co., Ltd. | State-owned legal person | 18.22% | 548,127,812 | 0 | 548,127,812 | Pledged | 464,073,750 |
| Hebei Jinghai Guaranteed Investment Co., Ltd. | Domestic non-state-owned legal person | 9.09% | 273,479,971 | +19,050,495 | 273,479,971 | | |
| Shareholding of the top 10 shareholders | | | | | | | |
| Name of shareholders | | | | Number of the trading unrestricted stocks held at the end of the Report Period | Type of stocks | | |
| | | | | | Type of stocks | Number | |
| Zhuhai Gree Group Co., Ltd. | | | | 548,127,812 | RMB ordinary | 548,127,812 | |

| | | | |
|---|-------------|---------------------|-------------|
| | | stocks | |
| Hebei Jinghai Guaranteed Investment Co., Ltd. | 273,479,971 | RMB ordinary stocks | 273,479,971 |
| MERRILL LYNCH INTERNATIONAL | 79,756,372 | RMB ordinary stocks | 79,756,372 |
| MORGAN STANLEY & CO. INTERNATIONAL PLC | 70,947,694 | RMB ordinary stocks | 70,947,694 |
| YALE UNIVERSITY | 63,822,993 | RMB ordinary stocks | 63,822,993 |
| CITIGROUP GLOBAL MARKETS LIMITED | 49,165,895 | RMB ordinary stocks | 49,165,895 |
| UBS AG | 43,967,705 | RMB ordinary stocks | 43,967,705 |
| China Everbright Investment and Assets Management Co., Ltd - Customer funds (Exchange) | 41,995,456 | RMB ordinary stocks | 41,995,456 |
| E Fund Management (HK) Co., Ltd - Customer funds | 38,449,557 | RMB ordinary stocks | 38,449,557 |
| GOLDMAN, SACHS & CO | 28,889,317 | RMB ordinary stocks | 28,889,317 |
| Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and the top 10 shareholders | | | None |
| Description for the participation in margin trading business of the top 10 shareholders (If any) | | | None |

(4) Information of the controlling shareholders of the Company

| Name | Legal representative/ Person in charge | Date of establishment | Organization code | Registered capital (10 thousand yuan) | Principal business |
|--|---|-----------------------|-------------------|---------------------------------------|--|
| Zhuhai Gree Group Co., Ltd. | Dong Mingzhu | 15 December, 1990 | 19253718-6 | 80,000 | Investment and asset management; enterprise management service; enterprise planning; other business services (excluding any licensed business items) |
| Operating results, financial position, cash flows and future development strategy | GREE Group is acclaimed as one of the present largest and most powerful enterprise groups in the state-owned enterprises of Zhuhai city. Resorting to a global vision and an insightful mind, GREE Group has implemented the development pattern of "Group Diversification and Subsidiaries Specialization" and has formed a comprehensive development pattern with modern manufacturing, real estate development and island tourism development businesses. GREE Group has exerted efforts on asset securitization, brand internationalization as well as industrial scale magnification and promoted itself as an internationally leading enterprise of strong core competitiveness, independent intellectual property and advanced management so as to take a place in the world's top 500 list. As estimated, the Company won an operating revenue of 142.3 billion increasing 15.6% over previous year and a gross profit of 14.3 billion increasing 30.22% over previous year in the year 2014. Besides, GREE Group has undertaken artificial islands reclamation project for the Hong Kong-Zhuhai-Macao Bridge and upper Zhuhai port project and invested in China Aviation Industry General Aircraft Co., Ltd. and other government projects. | | | | |
| Information regarding holding equity interests of other domestic and oversea listed companies by controlling shareholders during the Report Period | Gree Group directly holds 51.94% of total stocks of Gree Real Estate Co., Ltd. except for that of the Company. | | | | |

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



Section VII Directors, Supervisors, Senior Management Personnel and Employees

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

| Name | Title | Tenure status | Gender | Age | Commencement of term of office | Termination of term of office | Stocks held at the beginning of the Period (Stocks) | Stocks changed during the Period (Stocks) | Stocks held at the end of the Period (Stocks) |
|---------------|--|---------------|--------|-----|--------------------------------|-------------------------------|---|---|---|
| Dong Mingzhu | Chairman & President | Incumbent | F | 60 | 25 May 2012 | 25 May 2015 | 21,148,846 | +57,900 | 21,206,746 |
| Meng Xiangkai | Director | Incumbent | M | 53 | 20 May 2013 | 25 May 2015 | 0 | +8,500 | 8,500 |
| Wang Jingdong | Vice President, Finance Chief, Board Secretary | Incumbent | M | 44 | 25 May 2012 | 25 May 2015 | 647,888 | -161,972 | 485,916 |
| Total | -- | -- | -- | -- | -- | --- | 21,796,734 | -95,572 | 21,701,162 |

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

| Name | Title | Gender | Age | Commencement of term of office | Termination of term of office | Stocks held at the beginning of the Period or held at the end of the Period (Stocks) |
|--------------|---|--------|-----|--------------------------------|-------------------------------|--|
| Huang Hui | Director, Vice President and Chief Engineer | M | 50 | 25 May 2012 | 25 May 2015 | 3,687,500 |
| Lu Junsi | Director | M | 49 | 25 May 2012 | 25 May 2015 | 0 |
| Zhang Jundu | Director | M | 54 | 25 May 2012 | 25 May 2015 | 0 |
| Feng Jiyong | Director | M | 43 | 25 May 2012 | 25 May 2015 | 0 |
| He Xiaoyong | Independent Director | M | 42 | 25 May 2012 | 25 May 2015 | 0 |
| Tang Guoping | Independent Director | M | 50 | 20 May 2014 | 25 May 2015 | 0 |
| Wang Ruzhu | Independent Director | M | 50 | 20 May 2014 | 25 May 2015 | 0 |
| Xu Chuzhen | Chairman of Board of Supervisor | M | 56 | 24 September 2013 | 25 May 2015 | 0 |
| Guo Shuzhan | Supervisor | M | 58 | 25 May 2012 | 25 May 2015 | 0 |
| Wang Liqin | Staff Supervisor | F | 38 | 15 October 2014 | 25 May 2015 | 0 |
| Zhuang Pei | Vice President | M | 49 | 25 May 2012 | 25 May 2015 | 2,977,601 |
| Chen Weicai | Vice President | M | 42 | 3 September 2013 | 25 May 2015 | 0 |
| Zhu Hengpeng | Independent Director (resigned) | M | 44 | 25 May 2012 | 25 May 2015 | 0 |
| Qian Aimin | Independent Director (resigned) | F | 43 | 25 May 2012 | 25 May 2015 | 0 |
| Xu Peng | Independent Director (resigned) | M | 34 | 25 May 2012 | 25 October 2014 | 0 |
| Total | -- | -- | -- | -- | -- | 6,665,101 |

2. Positions of directors, supervisors and senior management personnel

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

OMs. Dong Mingzhu, Chairperson & President

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

Since she joined the Company in 1990, she has served as business manager, vice director and director of Sales Department, manager, vice general manager, general manager and vice chairperson of sales company; At present, she concurrently serves as chairperson of Gree Group, Gree Hefei, Gree Wuhan, and Gree Zhengzhou; Since August 2012, she has served as non-executive director of Kingdee International Software Group Company Limited; She consecutively served as deputy to the tenth, eleventh and twelfth National People's Congresses and concurrently serves as a member of the Central Committee of China Democratic National Construction Association and the tenth Executive Committee of the All-China Women's Federation, UNDP's "messenger of sustainable urban development", vice chairman of China Home Appliances Association, director of Board of Directors China Social Economic Investigation Research Center, member of Executive Committee of Guangdong Provincial Women's Federation, vice chairman of Guangdong Province Association of Women Entrepreneurs, chairman of Zhuhai Municipal Association of Women Entrepreneurs and honorary president of Zhuhai Red Cross Society.

She was successively engaged by Northwest University, College of Management National Sun Yat-sen University and Shandong University as part-time professor, engaged by School of Management, Nanjing University of Technology as "MBA off-campus tutor", and engaged by School of Management, University of Science and Technology of China as MBA "Course Professor". She was engaged by Beijing Normal University Zhuhai Campus and University of International Business and Economics as visiting professor,

part-time professor of Zhongnan University of Economics and Law and member of MBA Education Advisory Committee. She was invited to be an instructor of Summer Davos Forum 2014, engaged by the School of Entrepreneurship & Innovation, SJTU as a member of Advisory Committee of Strategic Experts, engaged by the National Development and Reform Commission as a member of Expert Committee for the thirteenth five-year development planning, engaged by Guangdong Provincial Government as an entrepreneurs consultant and member of the government decision-making advisory committee and engaged by Hefei municipal government as a consultant of (household electric appliances) industrial development, etc.

○Mr. Meng Xiangkai, Director

From March 2010 to August 2014, Mr. Meng Xiangkai served as a vice chief economist of Aviation Industry Corporation of China and successively served as the chairman, general manager, secretary of the party committee, and legal representative of China Aviation Industry General Aircraft Company. From May 2013 to August 2014, he served as the chairman of Avic Heavy Machinery Co., Ltd. He has served as the secretary of the party committee of Zhuhai GREE Group Corporation and director of GREE Electric Appliances Inc. of Zhuhai since August 2014. He consecutively served as a deputy to the eleventh and twelfth National People's Congresses.

○Mr. Lu Junsi, Director

He has served as director of the Company since May 2006. He has served as chairman and vice president of Zhuhai Gree Group Co., Ltd from January 2004. He has served as vice chairman of Zhuhai Gree Group Co., Ltd from May 2012 and served as the chairman of Zhuhai Investment Holdings Co., Ltd from March 2014. He has served as chairman (concurrently as general manager since November 2009) of Gree Real Estate Co., Ltd. since June 2008. He has served as director of China Civil Engineering Society, executive vice president of Guangdong Provincial Real Estate Association and standing committee member (concurrently as vice director of Economic Affairs Committee) of the

8th CPPCC National Committee of Zhuhai city.

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

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

○Mr. Zhang Jundu, Director

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

○Mr. Feng Jiyong, Director

Since 2007, he has been a partner of Beijing Zhong Lun Law Firm. Since May

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

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

Since March 2006, he has been a professor and doctoral supervisor of International Economic Law in East China University of Political Science and Law. Since May 2009, he has served as independent director of the Company.

○ **Mr. Tang Guoping, Independent Director**

Mr. Tang Guoping has been a professor and doctoral supervisor of Accounting College of Zhongnan University of Economics and Law since June 2000. Since May 2009, he has served as an independent director of Henan Xinkaiyuan Co., Ltd. Since August 2009, he has served as an independent director of Zhongfa Science and Technology Co., Ltd. Since June 2013, he has served as an independent director of Wuhan Boiler Co., Ltd. Since May 2014, he has served as an independent director of the Company.

○ **Mr. Wang Ruzhu, Independent Director**

Since December 1994, Mr. Wang Ruzhu has served as a professor of Shanghai Jiao Tong University and director of the Institute of Refrigeration and Cryogenic Engineering. Since 2008, he has served as the director of the Solar Power Generation and Refrigeration Project Research Center under Ministry of Education. Since 2012, he has worked as the vice president of Chinese Association of Refrigeration. Since May 2014, he has served as an independent director of the Company.

○ **Mr. Xu Chuzhen, Chairman of Board of Supervisors**

From May 1999 to May 2011, Mr. Xu Chuzhen served as the managing director of League Stock Co., Ltd. From 2002 to May 2011, he concurrently served as the managing director and vice chairman of Zhuhai League Environmental Protection Co., Ltd.; from August 2009 to May 2011, he concurrently served as

the chairman of Zhuhai League Investment Co., Ltd. From May 2011 to May 2012, he served as a vice chief engineer of Zhuhai Water Group Co., Ltd. During this period, he also served as a director of League Stock Co., Ltd. Since May 2012, he has served as a full-time director and supervisor of Zhuhai SASAC. During this period, he also served as the chairman of the board of supervisors of Zhuhai Port Holdings Co., Ltd, chairman of the board of supervisors of Zhuhai Port Co., Ltd, director of Zhuhai League Stock Co., Ltd, chairman of the board of supervisors of Zhuhai Investment Holdings Co., Ltd, and director of Zhuhai Duty Free Enterprises Group Co., Ltd. Since September 2013, he has concurrently served as the chairman of the board of supervisors of the Company.

○Mr. Guo Shuzhan, Supervisor

Since August 2006, he has served as chairman of Hebei Jinghai Guaranteed Investment Co., Ltd. Since August 2012, he has served as general manager of Henan Shengshi Xinxing Gree Trading Co., Ltd. From May 2012 up to now, he has served as supervisor of the Company.

○Ms. Wang Liqin, Staff Representative Supervisor

From April 2004 to July 2010, Ms. Wang Liqin served as the HR supervisor of HR Department of GREE Electric Appliances Inc. of Zhuhai. Since August 2010, she has served as the head of HR Department of GREE Electric Appliances Inc. of Zhuhai. Since October 2014, she has served as the staff representative supervisor.

○Mr. Zhuang Pei, Vice President

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

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

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

2009 up to now, he has served as vice president, finance chief and board secretary of the Company;

○Mr. Chen Wei, Vice-President

From July 1993 to April 2008, he served as clerk, staff member, senior staff member, deputy director and director of Huale Police Station in Dongshan District (Yuexiu District) of Bureau of Public Security in Guangzhou. From July 2005 to April 2008, he served as deputy secretary (concurrent) of Huale Street Party Committee in Dongshan District (Yuexiu District) in Guangzhou. From April 2008 to July 2013, he served as deputy director and director of personnel department of Bureau of Public Security in Guangzhou. From October 2008 to February 2012, he served as direction of office of Guangzhou Police’s Foundation (concurrent). Since September 2013, he has served as vice-president of the Company.

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

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

3. Remuneration of directors, supervisors and senior management personnel

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

The Board of Directors of the Company laid down the Trial Measures for Annual Salary System of Managers, and the annual salary includes basic post salary and incentive salary. The Board of Directors will, based on the operating performance of the Company, determine the remuneration payable to the managers in accordance with the Trial Measures for Annual Salary System of Managers. The

incumbent directors and supervisors shall be treated as the managers to receive their remunerations, and the directors and supervisors who assume no other positions in the Company shall receive no remunerations from the Company.

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

| Name | Title | Tenure status | Total remuneration received from the Company (yuan) | Remuneration received at the end of the report period (Yuan) |
|---------------|--|---------------|---|--|
| Dong Mingzhu | Chairman & President | Incumbent | 7,197,200 | 4,188,047 |
| Meng Xiangkai | Director | Incumbent | 0 | 0 |
| Lu Junsi | Director | Incumbent | 0 | 0 |
| Huang Hui | Director & Vice President | Incumbent | 5,000,000 | 2,955,986 |
| Zhang Jundu | Director | Incumbent | 0 | 0 |
| Feng Jiyong | Director | Incumbent | 0 | |
| He Xiaoyong | Independent Director | Incumbent | 120,000 | 100,800 |
| Tang Guoping | Independent Director | Incumbent | 72,273 | 60,778 |
| Wang Ruzhu | Independent Director | Incumbent | 72,273 | 60,778 |
| Xu Chuzhen | Chairman of Board of Supervisors | Incumbent | 0 | 0 |
| Guo Shuzhan | Supervisor | Incumbent | 0 | 0 |
| Wang Liqin | Staff Representative Supervisor | Incumbent | 683,778 | 533,447 |
| Zhuang Pei | Vice President | Incumbent | 2,700,000 | 1,693,531 |
| Wang Jingdong | Vice President, Finance Chief, Board Secretary | Incumbent | 3,400,000 | 2,066,123 |
| Chen Weicai | Vice President | Incumbent | 1,000,000 | 538,886 |
| Zhu Hengpeng | Independent Director | Resigned | 47,727 | 40,091 |

| | | | | |
|------------|---------------------------------|----------|------------|------------|
| Qian Aimin | Independent Director | Resigned | 47,727 | 40,091 |
| Xu Peng | Staff Representative Supervisor | Resigned | 494,648 | 406,652 |
| Total | -- | -- | 20,835,626 | 12,685,210 |

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

During the Report Period, Chen Hui, the chairman of the board of supervisors, resigned due to job removal. Xu Chuzhen was elected as the supervisor of the ninth session of the board of supervisors. Independent directors Zhu Hengpeng and Qian Aimin resigned upon the six-year term of office. Tang Guoping and Wang Ruzhu were engaged as independent directors. Xu Peng resigned the title of staff representative supervisor and Wang Liqin was elected as the staff representative supervisor at Workers' Congress.

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

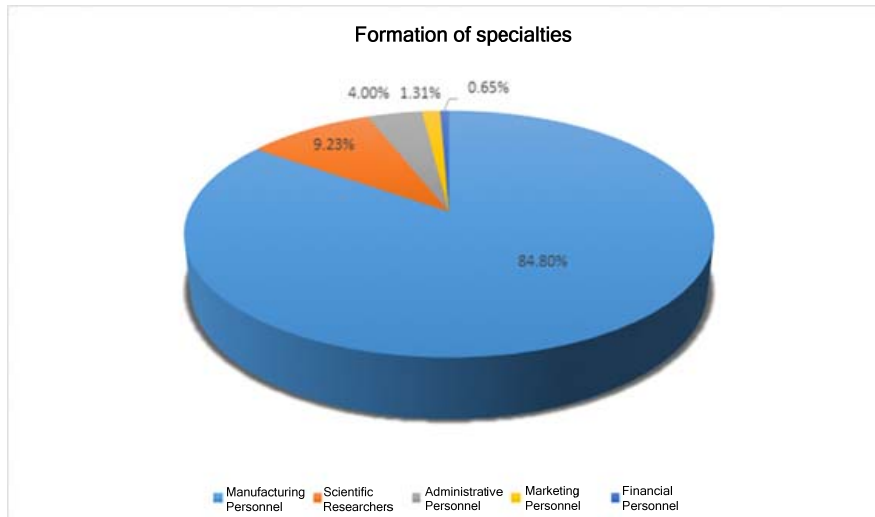
During the Report Period, the Company's core technical team or key technical personnel (other than directors, supervisors and senior management personnel) that have substantial influence on the core-competitiveness of the Company remained stable.

6. Employees of the Company

As of 31 December 2014, the Company had 71,419 on-the-job employees.

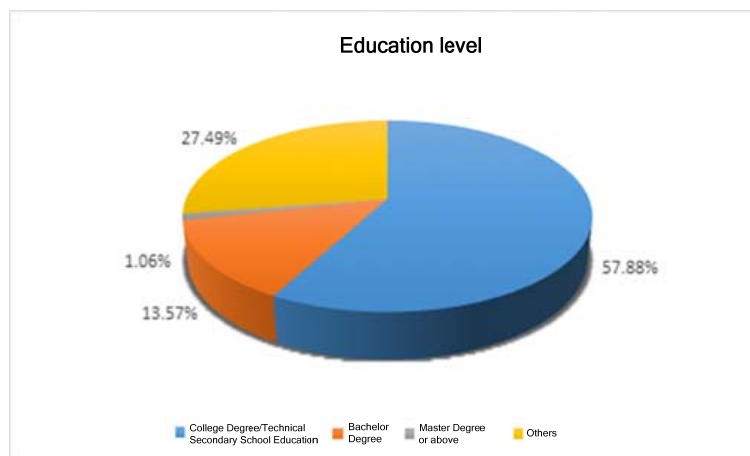
(1) Formation of employees' specialties:

| Formation of specialties | Number of Employees | Proportion |
|--------------------------|---------------------|------------|
| Manufacturing Personnel | 60,565 | 84.80% |
| Scientific Researchers | 6,594 | 9.23% |
| Administrative Personnel | 2,857 | 4.00% |
| Marketing Personnel | 938 | 1.31% |
| Financial Personnel | 465 | 0.65% |
| Total | 71,419 | 100.00% |



(2) Education level:

| Education level | Number of employees | Proportion |
|---|---------------------|------------|
| College Degree/Technical Secondary School Education | 41,340 | 57.88% |
| Bachelor Degree | 9,691 | 13.57% |
| Master Degree or above | 755 | 1.06% |
| Others | 19,633 | 27.49% |
| Total | 71,419 | 100.00% |



(3) The retirees requiring the Company to bear costs has a total of 251 persons.

(4) Employee remuneration policy

The Company provides employees with competitive salary level in the industry and region according to the macroeconomic environment and its business benefits. Besides, the Company established standardized and systematized salary management system in accordance with the national laws and

regulations and actual conditions of the enterprise to provide a guarantee for obtaining legal and due labor remuneration by employees. Moreover, the Company set up double track occupational development mechanism to offer the personnel who are competent and have good performance multi-ways occupational development path and comprehensively built the employing mechanism attracting, retaining and inspiring talents.

(5) Employee training plan

Gree firmly believes that talents are valuable capitals for development of an enterprise. It draws staff training and education funds strictly in accordance with national regulations and provides sufficient funds for all reasonable demands for training.

Gree established an efficient staff training center equipped with complete training facilities and under efficient and orderly management. The center provides 11 comprehensive training classrooms, including 8 multimedia classrooms, 1 electric classroom and 2 classrooms for practical operation. These classrooms can accommodate a total of 800 trainees, and the routine classroom utilization rate is higher than 90%.

Meanwhile, the Company built four training sites respectively for practical operation, namely, of the training base of new employee, training base of quality awareness, training base of after-sale technologies, and the training base of overseas business, so that practical ability training of technical talents can be actually implemented.

Gree cultivated a team of internal part-time lecturers, who are diligent in practice, good at summing up and willing to share, becoming an important driving force for internal experience and cultural heritage. By the end of 2014, the Company has invited more than 150 company-level internal lecturers (excluding the level-2 and level-3 lecturers in sectors), including experts and backbone talents involving various fields such as R&D, production, marketing, and management at all levels. It developed more than 200 courses in 7 categories of lean production, quality management, technology development,

enterprise management, logistics procurement, environmental safety, and professionalism to provide powerful support for training.

Meanwhile, Gree maintained long-term interaction on talent cultivation with renowned universities including Technical University Darmstadt, Tsinghua University, and Huazhong University of Science and Technology and research institutes at home and abroad, and dozens of famous training consultancies at home to provide top teacher resources for employees.

Gree fulfilled the responsibility for talent cultivation at the company, department and sector levels and tapped learning and development needs of business sectors and groups to form a progressive annual training plan covering all employees. In addition, Gree developed special training programs for key position sequences, such as “Dreaming Gree” college training camp, basic-level and middle-level cadre training camp, and senior skilled talent training camp.

In 2014, more than 12,600 training courses were completed in Gree Headquarters, with nearly 0.4 million training objects and a total of approximately 1.4 million training hours.

Gree developed innovative training and education modes, e.g., the "2+2" entry standardization training mode for front-line employees and the "6-1-3" training support system for college students, and actively introduced new forms and technologies including mental training, team development, benchmarking, and action learning, yielding significant training effects in the work of the group leader training camp, supervisor training camp and college student cultivation. In addition, introduction of the mobile learning channel "Pocket Classroom" enables more comprehensive coverage, timely learning and targeted development for all kinds of trainings.

To improve skills of front-line marketing personnel, Gree established a comprehensive product and after-sales technical training system covering nationwide sales companies and overseas markets; built a three-level lecturer team consisting of backbone talents from Headquarters, sales companies, and front-line outlets; developed pre-sales and after-sales course resources

involving household, commercial and life appliances, and after-sales service; and delivered immediate learning resources to front-line employees through special training, online training, and APP mobile learning. In this way, services provided by front-line marketing personnel for consumers can be continuously improved through diversified training measures.

Section VIII Corporate Governance

1. Basic conditions of corporate governance

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

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

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

so as to practically avoid disclosure of inside information and occurrence of insider trading behavior.

The Company revised the Regulations on Work Handling of Investor Complaints in the Report Period.

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

(1) Annual general meeting of shareholders

| Session of meeting | Date of meeting | Name of proposals | Resolution | Date of disclosure | Disclosure index |
|--|-----------------|--|------------|--------------------|--|
| Annual general meeting of shareholders for the year 2013 | 20 May 2014 | Work Report of the Board of Directors for the Year 2013, Work Report of the Board of Supervisors for the Year 2013, Financial Report for the Year 2013, Annual Report for the Year 2013 and its Summary, Profit Distribution Plan for the Year 2013, Proposal on Re-engaging of Accounting Firm, Special Report for Foreign Exchange Transactions of the Company in 2014, Proposal on Estimated Daily Related Transactions in 2014, Amendment of Articles of Association, Proposal on Replacing Some Independent Directors, Proposal on By-election of Company Directors | All passed | 21 May 2014 | Announcement on Resolutions of the General Meeting of Shareholders for the Year 2012 published on www.cninfo.com.cn (2014-12) |

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

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

| Name | Number of Meetings Requiring Attendance | Attendance in Person (Times) | Attendance on site (Times) | Attendance via Communications (Times) | Attendance by Proxy (Times) |
|---|---|------------------------------|----------------------------|---|-----------------------------|
| Zhu Hengpeng | 3 | 3 | 0 | 3 | 0 |
| Qian Aimin | 3 | 3 | 1 | 2 | 0 |
| He Xiaoyong | 6 | 6 | 1 | 5 | 0 |
| Tang Guoping | 3 | 3 | 1 | 2 | 0 |
| Wang Ruzhu | 3 | 3 | 0 | 3 | 0 |
| Number of Attendance of Independent Directors at the General Meetings of Shareholders | | | | He Xiaoyong and Tang Guoping attended the general meeting of shareholders of the Company for the year 2013. | |

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

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

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

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

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

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

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

1). The audit committee carried out full communications with the accounting firm responsible for the annual audit of the Company in respect of audit plan, engagement letter and risk and control, etc.

2). Before the annual audit certified public accountants accessed to the site, the audit committee reviewed the preliminarily prepared financial statements of the Company and held that these statements reflected the present financial position of the Company in all major aspects.

3). After the annual audit certified public accountants issued preliminary opinions, the audit committee reviewed financial statements of the Company, communicated with the accounting firm in respect of material particulars and significant accounting estimates, audit adjustments and significant accounting policies which might have potential influence on the financial statements and held that the financial statements of the Company gave a true, accurate and complete view of the whole position of the Company and agreed to prepare the annual report for the year 2014 on the basis of these financial statements.

4). The audit committee reviewed the financial statements for the year 2014 which had been audited by the auditors and held that these financial statements gave a fair view of the financial position of the Company ended 31 December 2014 and operating results and cash flows for the year 2014 in all major aspects and agreed to submit them to the Board of Directors for deliberation.

5). The audit committee summarized and evaluated the audit work for this year as done by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and held that the annual audit certified public accountants performed their audit work in strict accordance with the Independent Auditing Standards for Chinese Certified Public Accountants and suggested the Company re-engage China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the audit institution for the year 2015.

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

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

consistent with those received actually by them from the Company. The remunerations of the directors, supervisors and senior management personnel of the Company were paid according to the provisions for wages management of the Company.

(3) Nomination committee

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

5. Work of the Board of Supervisors

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

During the Report Period, the Board of Supervisors convened six meetings, for the details of the relevant work, please refer to the Work Report of the Board of Supervisors for the Year 2014 as released by the Company on www.cninfo.com.cn.

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

The Company has a sound corporate governance structure and completely separates from Gree Group as the controlling shareholder in business operation, personnel, assets, organization and finance, and the Company has independent and complete business operation and independent management capability.

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

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

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

Section IX Internal Control

1. Construction of internal control

According to the Basic Rules for Internal Control of Enterprises and its ancillary guidance issued by five ministries including the Ministry of Finance and Audit Commission, on the basis of successful integration and effective operation of the quality management system, occupational health and safety management system, environmental management system, restricted substance management system and consumer management system, effectively combining the excellent performance management model implemented by the Company for many years and integrating the implementation of the internal

control standards and promotion of the internal management level, the Company established sound internal control management system and elaborated the monitoring of key control activities for the business processes. The relevant control policies and procedures established by the Company mainly include the controlling over separation of incompatible duties, trading authorization and approval, accounting system, asset protection, budget, operation analysis and performance review.

According to the risk-oriented principle, the Company determines main institutes, business, items as well as high-risk fields incorporated in evaluation scope. Main institutes incorporated in evaluation scope include parent company and its subsidiaries. Total assets of institutes incorporated in evaluation scope account for 99% that of the Company's consolidated financial statements and operating revenue account for 99% that of company's consolidated financial statements.

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

The Company's Board of Directors has considered and approved the Self-evaluation Report on Internal Control for the Year 2014, and the Company's Board of Directors and all directors guarantee that there are not any false records, misleading representations or material omissions in this self-evaluation report, and shall take all the joint and several responsibilities for the authenticity, accuracy and completeness of the contents hereof.

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

The Company's internal control systems aim at reasonably ensuring the legality and compliance of the operation and management of the Company, assets safety, authenticity and completeness of financial report and relevant information, improving the efficiency and effectiveness of operation and realizing the development strategy of the Company. Owing to the inherent limitations of the internal control systems, the Company can only provide reasonable guarantee for achieving the above objectives. The effectiveness of the internal control systems might change with the internal and external environment and business operations of the Company, once any defects in the internal control systems are discovered during the operation of the inspection and supervision mechanism of the internal control of the Company, the Company will immediately take rectification measures to ensure the internal control systems free from significant omissions.

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

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

4. Evaluation Report on Internal Control

On 28 April 2015, the Company released the Evaluation Report on Internal Control for the Year 2014 on www.cninfo.com.cn. During the Report Period, the Company established the internal control systems for the businesses and items included within the scope of evaluation and enabled it to be effectively implemented and achieve the objective of the internal control of the Company without major defects.

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

5. Audit Report on Internal Control

China Audit Asia Pacific Certified Public Accountants Co., Ltd. reviewed the recognition of effectiveness of the internal control systems of the Company ended 31 December 2014 and issued the Audit Report on Internal Control Zhong Shen Ya Tai Shen Zi (2015) No. 010215-2. Gree Electric Appliances has maintained effective internal control of the financial report ended 31 December 2014 in all major aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant provisions. This report was published on www.cninfo.com.cn dated 28 April 2015.

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

The Company formulated the System of Accountability for Significant Errors in the Disclosure of Annual Report which detailedly standardized the recognition of significant errors in the disclosure of annual report of the Company and procedures, forms and types of accountability.

During the Report Period, there were no corrections of significant accounting errors, supplement of major missing information and corrections of performance announcement.

Section X Financial Report

Audit report

Zhong Shen Ya Tai Shen Zi (2015) No. 010215

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

We have audited the accompanying financial statements of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "GREE ELECTRIC APPLIANCES"), including the consolidated and parent company's balance sheets ended 31 December 2014 and consolidated and parent company's income statements, consolidated and parent company's cash flow statements and consolidated and parent company's statements of changes in owners' equity and notes to financial statements for the year 2014.

1. Responsibility of management for financial statements

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

2. Responsibility of certified public accountants

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

Our audit work involves implementation of audit procedures to obtain the audit evidences relating to amount and disclosure of financial statements. The

selection of audit procedures depends on judgment of certified public accountants, including the appraisal of material misstatement risk of the financial statements resulting from cheating or errors. During the execution of risk appraisal, the certified public accountants have considered the internal control relating to preparation and fair presentation of financial statements to design proper audit procedures. The audit work also includes appraising whether the management applied proper accounting policy and made reasonable accounting estimate and appraising the overall presentation of these financial statements.

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

3. Audit opinion

In our opinion, these financial statements of GREE ELECTRIC APPLIANCES have been prepared in all material aspects in accordance with the Accounting Standards for Business Enterprises and fairly reflected the consolidated and parent company's financial position of GREE ELECTRIC APPLIANCES ended 31 December 2014 and consolidated and parent company's operating results and cash flows for the year 2014.

China Audit Asia Pacific Certified Public Accountants LLP Chinese CPA: Han Zhenping

(Seal)

(Seal and Sign)

Chinese CPA: Gong Jingwei

(Seal and Sign)

Beijing, China

25 April 2015

Consolidated Balance Sheet

31 December 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Assets | Note | Ending Balance | Beginning Balance |
|--|--------|---------------------------|---------------------------|
| Current assets: | | | |
| Monetary Capital | 7 (1) | 54,545,673,449.14 | 38,541,684,470.83 |
| Settlement Reserves | | | |
| Lending funds | | | |
| Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial assets | 7 (2) | 84,177,518.23 | 1,246,106,661.88 |
| Notes receivable | 7 (3) | 50,480,571,355.46 | 46,297,242,328.98 |
| Accounts Receivable | 7 (4) | 2,661,347,628.69 | 1,849,275,342.79 |
| Prepayments | 7 (5) | 1,591,487,357.94 | 1,498,649,670.64 |
| Premiums receivable | | | |
| Reinsurance accounts receivable | | | |
| Reinsurance contract reserve | | | |
| Interests receivable | 7 (6) | 1,242,145,987.65 | 729,559,642.90 |
| Dividends receivable | | | |
| Other receivables | 7 (7) | 380,598,514.05 | 346,419,748.75 |
| Buying back the sale of financial assets | | | |
| Inventories | 7 (8) | 8,599,098,095.97 | 13,122,730,425.78 |
| Assets classified as held for sale | | | |
| Non-current assets due within one year | | | |
| Other current assets | 7 (9) | 558,378,915.97 | 118,029,517.22 |
| Total current assets | | 120,143,478,823.10 | 103,749,697,809.77 |
| Non-current assets | | | |
| Total disbursement of loans and advances | 7 (10) | 6,441,703,560.98 | 4,565,455,698.91 |
| Available-for-sale financial assets | 7 (11) | 2,150,098,933.13 | 805,932,600.00 |
| Held-to-maturity investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | 7 (12) | 92,213,098.24 | 97,568,533.30 |
| Investment real estate | 7 (13) | 507,901,502.13 | 503,056,462.68 |
| Fixed assets | 7 (14) | 14,939,279,647.88 | 14,034,138,414.45 |
| Construction in Progress | 7 (15) | 1,254,347,204.10 | 1,861,677,013.76 |
| Project goods and materials | | | |
| Fixed assets in liquidation | | 7,721,410.44 | 6,294,341.99 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | 7 (16) | 2,480,294,029.03 | 2,370,179,675.29 |
| Development expenditures | | | |
| Business reputation | | | |
| Long-term deferred expenses | 7 (17) | 20,948,267.49 | 42,665,255.34 |
| Deferred income tax assets | 7 (18) | 8,192,962,003.36 | 5,682,613,181.91 |
| Other non-current assets | | | |
| Total non-current assets | | 36,087,469,656.78 | 29,969,581,177.63 |
| Total assets | | 156,230,948,479.88 | 133,719,278,987.40 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Balance Sheet (Continued)

31 December 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Liabilities and Owners' (or Shareholders') Equity | Note | Ending Balance | Beginning Balance |
|---|--------|---------------------------|---------------------------|
| Current liabilities: | | | |
| Short-term Borrowing | 7 (19) | 3,578,773,331.48 | 3,316,971,153.31 |
| Borrowings from the Central Bank | 7 (20) | 17,457,000.00 | 37,413,972.46 |
| Deposits from customers and interbank | 7 (21) | 806,513,124.48 | 542,265,495.74 |
| Loans from other banks | 7 (22) | | 300,000,000.00 |
| Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial liabilities | 7 (23) | 215,703,496.13 | |
| Notes payable | 7 (24) | 6,881,963,087.81 | 8,230,208,196.99 |
| Accounts payable | 7 (25) | 26,784,952,481.63 | 27,434,494,665.72 |
| Advance received from customers | 7 (26) | 6,427,722,358.11 | 11,986,433,741.28 |
| Financial assets sold for repurchase | 7 (27) | 586,000,000.00 | 186,000,000.00 |
| Handling charges and commissions payable | | | |
| Payroll payable | 7 (28) | 1,550,498,218.68 | 1,640,155,578.39 |
| Taxes payable | 7 (29) | 8,308,872,126.00 | 6,174,662,245.23 |
| Interests payable | 7 (30) | 36,177,925.90 | 25,480,292.28 |
| Dividends payable | 7 (31) | 707,913.60 | 707,913.60 |
| Other payables | 7 (32) | 2,546,377,288.42 | 4,793,778,485.35 |
| Reinsurance accounts payable | | | |
| Insurance contract reserves | | | |
| Customer brokerage deposits | | | |
| Securities underwriting brokerage deposits | | | |
| Liabilities classified as held for sale | | | |
| Non-current liabilities due within one year | 7 (33) | 2,061,490,867.16 | 923,447,998.14 |
| Other current liabilities | 7 (34) | 48,585,312,868.93 | 30,916,369,463.68 |
| Total current liabilities | | 108,388,522,088.33 | 96,508,389,202.17 |
| Non-current liabilities: | | | |
| Long-term borrowing | 7 (35) | 2,258,969,252.88 | 1,375,348,442.79 |
| Bonds payable | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Long-term payables | | | |
| Long-term payroll payable | 7 (36) | 106,716,248.00 | 92,923,562.00 |
| Special payables | | | |
| Accrued liabilities | | | |
| Deferred income | 7 (37) | 88,443,188.87 | 39,920,603.17 |
| Deferred income tax liabilities | 7 (18) | 256,846,691.62 | 328,943,054.49 |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 2,710,975,381.37 | 1,837,135,662.45 |
| Total liabilities | | 111,099,497,469.70 | 98,345,524,864.62 |
| Owners' equity (or Shareholders' equity): | | | |
| Paid-up capital (or stock capital) | 7 (38) | 3,007,865,439.00 | 3,007,865,439.00 |
| Other equity instruments | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Capital reserves | 7 (39) | 3,191,266,065.71 | 3,186,500,428.93 |
| Less: Treasury stock | | | |
| Other comprehensive income | 7 (40) | 17,746,707.54 | 672,512.77 |
| Special reserves | | | |
| Surplus reserve | 7 (41) | 2,958,088,564.43 | 2,958,088,564.43 |
| General risk provisions | 7 (42) | 136,364,066.72 | 47,114,066.72 |
| Undistributed profit | 7 (43) | 34,841,323,981.28 | 25,289,645,738.38 |
| Total owners' equity attributable to parent company | | 44,152,654,824.68 | 34,489,886,750.23 |
| Minority equity | | 978,796,185.50 | 883,867,372.55 |
| Total owners' equity | | 45,131,451,010.18 | 35,373,754,122.78 |
| Total liabilities and owners' equity | | 156,230,948,479.88 | 133,719,278,987.40 |

Legal Representative: Dong Mingzhu Chief Accountant: Wang Jingdong Head of accounting department: Liao Jianxiong

Balance Sheet of Parent Company

31 December 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Assets | Note | Ending Balance | Beginning Balance |
|--|--------|---------------------------|---------------------------|
| Current assets: | | | |
| Monetary Capital | | 56,549,689,744.49 | 39,503,710,543.78 |
| Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial assets | | 84,177,518.23 | 916,366,023.72 |
| Notes receivable | | 49,431,835,044.64 | 45,309,194,550.85 |
| Accounts Receivable | 18 (1) | 867,519,605.52 | 772,755,153.09 |
| Prepayments | | 2,372,298,627.17 | 597,286,598.10 |
| Interests receivable | | 1,444,828,732.56 | 794,608,647.89 |
| Dividends receivable | | | |
| Other receivables | 18 (2) | 690,428,604.35 | 804,546,552.00 |
| Assets classified as held for sale | | | |
| Inventories | | 6,628,236,813.58 | 9,301,853,183.85 |
| Non-current assets due within one year | | | |
| Other current assets | | 85,535,051.53 | 100,853,889.36 |
| Total current assets | | 118,154,549,742.07 | 98,101,175,142.64 |
| Non-current assets | | | |
| Available-for-sale financial assets | | | |
| Held-to-maturity investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | 18 (3) | 6,537,975,197.84 | 5,978,184,120.05 |
| Investment real estate | | 32,814,796.21 | 34,059,734.65 |
| Fixed assets | | 3,644,985,397.40 | 3,621,368,109.21 |
| Construction in Progress | | 19,774,148.54 | 216,275,796.27 |
| Project goods and materials | | | |
| Fixed assets in liquidation | | 5,719,971.02 | 5,685,130.31 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | | 230,278,938.39 | 217,012,134.42 |
| Development expenditures | | | |
| Business reputation | | | |
| Long-term deferred expenses | | | |
| Deferred income tax assets | | 7,600,112,360.47 | 5,288,973,862.76 |
| Other non-current assets | | | |
| Total non-current assets | | 18,071,660,809.87 | 15,361,558,887.67 |
| Total assets | | 136,226,210,551.94 | 113,462,734,030.31 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

Balance Sheet of Parent Company (Continued)

31 December 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Liabilities and Owners' (or Shareholders') Equity | Note | Ending Balance | Beginning Balance |
|---|------|---------------------------|---------------------------|
| Current liabilities: | | | |
| Short-term Borrowing | | | 1,371,499,779.14 |
| Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial liabilities | | | |
| Notes payable | | 5,999,909,205.58 | 7,564,036,735.17 |
| Accounts payable | | 36,838,580,264.43 | 31,379,703,785.95 |
| Advance received from customers | | 8,524,176,232.97 | 13,777,662,550.34 |
| Payroll payable | | 799,500,790.48 | 766,672,180.18 |
| Taxes payable | | 7,188,383,987.01 | 5,072,733,232.61 |
| Interests payable | | 2,054,740.94 | 14,751,236.87 |
| Dividends payable | | 602,881.87 | 602,881.87 |
| Other payables | | 574,663,407.65 | 540,716,495.94 |
| Non-current liabilities due within one year | | 1,571,943,705.56 | 205,007,550.84 |
| Other current liabilities | | 48,688,587,593.39 | 30,634,828,689.00 |
| Total current liabilities | | 110,188,402,809.88 | 91,328,215,117.91 |
| Non-current liabilities: | | | |
| Long-term borrowing | | 2,258,969,252.88 | 887,608,831.59 |
| Bonds payable | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Long-term payables | | | |
| Long-term payroll payable | | 106,716,248.00 | 92,923,562.00 |
| Special payables | | | |
| Accrued liabilities | | | |
| Deferred income | | 66,958,361.74 | 23,932,402.89 |
| Deferred income tax liabilities | | 229,362,324.98 | 258,933,140.83 |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 2,662,006,187.60 | 1,263,397,937.31 |
| Total liabilities | | 112,850,408,997.48 | 92,591,613,055.22 |
| Owners' equity (or Shareholders' equity) | | | |
| Paid-up capital (or stock capital) | | 3,007,865,439.00 | 3,007,865,439.00 |
| Other equity instruments | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Capital reserves | | 3,198,838,934.25 | 3,194,073,297.47 |
| Less: Treasury stock | | | |
| Other comprehensive income | | -42,371,423.77 | 25,919,074.26 |
| Special reserves | | | |
| Surplus reserve | | 2,955,531,032.15 | 2,955,531,032.15 |
| Undistributed profit | | 14,255,937,572.83 | 11,687,732,132.21 |
| Total owners' equity (or shareholders' equity) | | 23,375,801,554.46 | 20,871,120,975.09 |
| Total liabilities and owners' equity (or shareholders' equity) | | 136,226,210,551.94 | 113,462,734,030.31 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Income Statement

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Note | Amount for the current period | Amount for the previous period |
|---|--------|-------------------------------|--------------------------------|
| 1. Total operating revenues | | 140,005,393,975.58 | 120,043,070,005.50 |
| Including: Operating Revenue | 7 (44) | 137,750,358,395.70 | 118,627,948,208.59 |
| Interest revenue | 7 (45) | 2,254,051,643.70 | 1,414,765,072.50 |
| Earned premium | | | |
| Fee and commission income | | 983,936.18 | 356,724.41 |
| 2. Total operating costs | | 123,258,979,560.09 | 109,488,565,290.30 |
| Including: Operating Cost | 7 (44) | 88,022,127,671.48 | 80,385,939,822.61 |
| Interest expense | 7 (45) | 709,764,677.17 | 491,963,953.22 |
| Handling charges and commission expenses | | 325,646.90 | 263,933.63 |
| Refunded premiums | | | |
| Net payments for insurance claims | | | |
| Net provision for insurance contracts | | | |
| Expenditures dividend policy | | | |
| Amortized reinsurance expenditures | | | |
| Business taxes and surcharges | 7 (46) | 1,362,424,851.83 | 956,169,816.52 |
| Sales expense | 7 (47) | 28,889,995,658.43 | 22,508,931,701.70 |
| Overhead Expense | 7 (48) | 4,818,168,572.74 | 5,086,262,055.73 |
| Financial expense | 7 (49) | -942,244,684.38 | -133,358,976.73 |
| Asset impairment loss | 7 (50) | 398,417,165.92 | 192,392,983.62 |
| Add: Profits or losses on the changes in fair value (losses expressed with "-") | 7 (51) | -1,381,551,572.38 | 990,563,610.10 |
| Income from investments (losses expressed with "-") | 7 (52) | 724,364,437.91 | 717,337,242.63 |
| Including: Investment incomes from joint venture and partnership | | -3,600,894.26 | 2,855,797.81 |
| 3. Operating profit (losses expressed with "-") | | 16,089,227,281.02 | 12,262,405,567.93 |
| Add: Non-operating revenues | 7 (53) | 706,063,784.96 | 684,199,623.10 |
| Including: Gains from disposal of non-current assets | | 1,460,226.01 | 2,022,174.47 |
| Less: Non-operating expenses | 7 (54) | 42,860,380.20 | 55,285,776.71 |
| Including: Losses from disposal of non-current assets | | 15,064,547.24 | 3,782,455.16 |
| 4. Total profit (total losses expressed with "-") | | 16,752,430,685.78 | 12,891,319,414.32 |
| Less: Income tax expenses | 7 (55) | 2,499,475,873.82 | 1,956,168,768.13 |
| 5. Net profit (net loss expressed with "-") | | 14,252,954,811.96 | 10,935,150,646.19 |
| Net profit attributable to owners of parent company | | 14,155,167,229.36 | 10,870,068,311.47 |
| Minority interest income | | 97,787,582.60 | 65,082,334.72 |
| 6. Net of tax of other comprehensive income | | 21,182,412.93 | -28,355,450.41 |
| Net of tax of other comprehensive income attributable to owners of parent company | | 17,074,194.77 | -25,338,646.47 |
| (1) Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | -12,874,330.00 | 12,994,580.00 |
| 1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan | | -12,874,330.00 | 12,994,580.00 |
| 2. Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method | | | |
| (2) Other comprehensive income to be reclassified to profit or loss in subsequent periods | | 29,948,524.77 | -38,333,226.47 |
| 1. Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method | | | |
| 2. Gains and losses from changes in fair value of financial assets available for sale | | 55,729,416.52 | -27,497,787.69 |
| 3. Gains and losses from held-to-maturity investments reclassified as financial assets available for sale | | | |
| 4. Effective part of cash flow hedging gains and losses | | -55,416,168.02 | 1,234,495.04 |
| 5. Difference arising from translation of financial statements in foreign currency | | 29,635,276.27 | -12,069,933.82 |
| 6. Others | | | |
| Net of tax of other comprehensive income attributable to minority shareholders | | 4,108,218.16 | -3,016,803.94 |
| 7. Total comprehensive income | | 14,274,137,224.89 | 10,906,795,195.78 |
| Total comprehensive income attributable to owners of parent company | | 14,172,241,424.13 | 10,844,729,665.00 |
| Total comprehensive income attributable to minority shareholders | | 101,895,800.76 | 62,065,530.78 |
| 8. Earnings per share: | | | |
| (1) Basic earnings per share | 19 (2) | 4.71 | 3.61 |
| (2) Diluted earning per share | 19 (2) | 4.71 | 3.61 |

Legal Representative: Dong Mingzhu Chief Accountant: Wang Jingdong Head of accounting department: Liao Jianxiong

Income Statement of Parent Company

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Note | Amount for the current period | Amount for the previous period |
|---|--------|-------------------------------|--------------------------------|
| 1. Operating revenues | 18 (4) | 130,386,872,511.80 | 113,451,559,029.47 |
| Less: Operating Cost | 18 (4) | 91,513,904,545.52 | 83,523,033,950.67 |
| Business taxes and surcharges | | 926,927,025.43 | 720,276,631.67 |
| Sales expense | | 29,127,545,268.62 | 22,119,107,243.50 |
| Overhead Expense | | 2,276,709,422.04 | 2,533,835,319.13 |
| Financial expense | | -1,939,847,457.08 | -821,675,588.83 |
| Asset impairment loss | | 10,746,773.18 | 139,947.16 |
| Add: Profits or losses on the changes in fair value (losses expressed with "-") | | -832,188,505.49 | 839,260,888.59 |
| Income from investments (losses expressed with "-") | 18 (5) | 557,810,947.37 | 578,699,101.15 |
| Including: Investment incomes from joint venture and partnership | | -3,600,894.26 | 2,855,797.81 |
| 2. Operating profit (losses expressed with "-") | | 8,196,509,375.97 | 6,794,801,515.91 |
| Add: Non-operating revenues | | 63,071,370.44 | 60,791,489.21 |
| Including: Gains from disposal of non-current assets | | 1,033,268.95 | |
| Less: Non-operating expenses | | 1,924,639.82 | 10,455,345.32 |
| Including: Losses from disposal of non-current assets | | 1,187,459.35 | 663,466.07 |
| 3. Total profit (total losses expressed with "-") | | 8,257,656,106.59 | 6,845,137,659.80 |
| Less: Income tax expenses | | 1,177,652,507.47 | 858,836,652.01 |
| 4. Net profit (net loss expressed with "-") | | 7,080,003,599.12 | 5,986,301,007.79 |
| 5. Net of tax of other comprehensive income | | -68,290,498.03 | 14,229,075.04 |
| (1) other comprehensive income not to be reclassified to profit or loss in subsequent periods | | -12,874,330.00 | 12,994,580.00 |
| 1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan | | -12,874,330.00 | 12,994,580.00 |
| 2. Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method | | | |
| (2) Other comprehensive income to be reclassified to profit or loss in subsequent periods | | -55,416,168.03 | 1,234,495.04 |
| 1. Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method | | | |
| 2. Gains and losses from changes in fair value of financial assets available for sale | | | |
| 3. Gains and losses from held-to-maturity investments reclassified as financial assets available for sale | | | |
| 4. Effective part of cash flow hedging gains and losses | | -55,416,168.03 | 1,234,495.04 |
| 5. Difference arising from translation of financial statements in foreign currency | | | |
| 6. Others | | | |
| 6. Total comprehensive income | | 7,011,713,101.09 | 6,000,530,082.83 |

Legal Representative: Dong Mingzhu Chief Accountant: Wang Jingdong Head of accounting department: Liao Jianxiang

Consolidated Cash Flow Statement

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Note | Amount for the current period | Amount for the previous period |
|---|--------|-------------------------------|--------------------------------|
| 1. Cash flows from operating activities: | | | |
| Cash received from sale of goods or rendering of services | | 85,534,451,083.44 | 70,211,403,596.83 |
| Net increase in deposits and due from banks | | 264,247,628.74 | 461,187,484.76 |
| Net increase in borrowings from central bank | | -19,956,972.46 | 37,413,972.46 |
| Net increase in placements from other financial institutions | | -300,000,000.00 | 300,000,000.00 |
| Cash received from original insurance contracts | | | |
| Net increase received from reinsurance business | | | |
| Net increase in deposits from the insured and investment | | | |
| Net increase from disposal of tradable financial assets | | | |
| Cash received from interests, fees and commissions | | 2,015,284,122.18 | 1,284,480,138.27 |
| Net increase in placements from other financial institutions | | | |
| Net increase in repurchase business capital | | 400,000,000.00 | -164,000,000.00 |
| Refund of tax and levies | | 511,576,234.70 | 468,525,066.80 |
| Other cash received relating to operating activities | 7 (56) | 2,134,366,849.23 | 3,032,456,938.53 |
| Sub-total of cash inflows from operating activities | | 90,539,968,945.83 | 75,631,467,197.65 |
| Cash payments for goods acquired and services received | | 38,816,900,119.58 | 38,588,727,356.34 |
| Net increase in loans and advances to customers | | 1,919,045,339.22 | 2,562,076,948.65 |
| Net increase in deposits with central bank and other financial institutions | | 1,826,853,861.00 | 1,491,888,457.98 |
| Cash paid for indemnity of original insurance contract | | | |
| Cash paid for interests, fees and commissions | | 702,953,382.13 | 490,024,872.84 |
| Cash paid for policy dividends | | | |
| Cash paid to and on behalf of employees | | 5,730,237,588.82 | 4,963,951,119.32 |
| Payments of all types of taxes | | 13,334,358,630.39 | 8,171,292,438.69 |
| Other cash paid relating to operating activities | 7 (56) | 9,270,454,516.96 | 6,393,668,874.00 |
| Sub-total of cash outflows from operating activities | | 71,600,803,438.10 | 62,661,630,067.82 |
| Net Cash Flow from Operating Activities | | 18,939,165,507.73 | 12,969,837,129.83 |
| 2. Cash flows from investing activities: | | | |
| Cash received from recovery of investments | | 660,000,000.00 | 327,515,300.00 |
| Cash received from return of investments | | 44,701,122.29 | 76,758,128.27 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 2,486,624.00 | 1,209,811.00 |
| Net cash received from disposal of subsidiaries and other business units | | 1,754,209.96 | |
| Other cash received relating to investing activities | 7 (56) | 661,065,307.05 | 574,064,670.90 |
| Sub-total of cash inflows from investing activities | | 1,370,007,263.30 | 979,547,910.17 |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | | 1,777,308,642.20 | 2,461,467,222.38 |
| Cash paid for investments | | 2,330,499,916.33 | 704,068,043.20 |
| Net increase in pledge loans | | | |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash paid relating to investing activities | 7 (56) | 124,336,597.02 | |
| Sub-total of cash outflows from investing activities | | 4,232,145,155.55 | 3,165,535,265.58 |
| Net Cash Flow from Investment Activities | | -2,862,137,892.25 | -2,185,987,355.41 |
| 3. Cash flows from financing activities: | | | |
| Cash received from absorbing investment | | | - |
| Including: Cash received from minority shareholder investment by subsidiary | | | |
| Cash received from borrowings | | 10,376,654,773.19 | 4,987,907,166.99 |
| Cash received from bond issue | | | |
| Other cash received relating to financing activities | 7 (56) | 235,620,087.87 | 1,996,700,658.64 |
| Sub-total of cash inflows from financing activities | | 10,612,274,861.06 | 6,984,607,825.63 |
| Cash repayments of amounts borrowed | | 7,800,683,084.65 | 6,233,844,919.51 |
| Cash paid for dividend and profit distribution or interest payment | | 4,675,905,628.06 | 3,174,740,060.83 |
| Including: Dividends and profits paid to minority shareholders by subsidiaries | | | |
| Other cash paid relating to financing activities | | | |
| Sub-total of cash outflows from financing activities | | 12,476,588,712.71 | 9,408,584,980.34 |
| Net Cash Flow from Financing Activities | | -1,864,313,851.65 | -2,423,977,154.71 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | 34,574,285.65 | -471,176,247.13 |
| 5. Net increase in cash and cash equivalents | | 14,247,288,049.48 | 7,888,696,372.58 |
| Add: Beginning balance of cash and cash equivalents | | 29,259,183,063.61 | 21,370,486,691.03 |
| 6. Ending balance of cash and cash equivalents | | 43,506,471,113.09 | 29,259,183,063.61 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

Cash Flow Statements of Parent Company

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Note | Amount for the current period | Amount for the previous period |
|---|------|-------------------------------|--------------------------------|
| 1. Cash flows from operating activities: | | | |
| Cash received from sale of goods or rendering of services | | 81,121,907,908.96 | 61,581,129,826.06 |
| Refund of tax and levies | | 439,259,771.97 | 409,412,848.92 |
| Other cash received relating to operating activities | | 2,044,956,873.73 | 2,176,543,361.33 |
| Sub-total of cash inflows from operating activities | | 83,606,124,554.66 | 64,167,086,036.31 |
| Cash payments for goods acquired and services received | | 46,433,067,550.09 | 39,819,995,898.06 |
| Cash paid to and on behalf of employees | | 2,108,619,806.11 | 2,021,725,506.49 |
| Payments of all types of taxes | | 8,867,754,724.24 | 5,447,946,168.06 |
| Other cash paid relating to operating activities | | 6,201,781,599.39 | 5,024,411,625.09 |
| Sub-total of cash outflows from operating activities | | 63,611,223,679.83 | 52,314,079,197.70 |
| Net Cash Flow from Operating Activities | | 19,994,900,874.83 | 11,853,006,838.61 |
| 2. Cash flows from investing activities: | | | |
| Cash received from recovery of investments | | | |
| Cash received from return of investments | | 31,332,303.10 | 55,880,114.72 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 1,516,760.00 | 26,230.00 |
| Net cash received from disposal of subsidiaries and other business units | | 6,986,414.44 | |
| Other cash received relating to investing activities | | 507,637,912.96 | 139,667,249.55 |
| Sub-total of cash inflows from investing activities | | 547,473,390.50 | 195,573,594.27 |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | | 349,976,946.59 | 269,303,482.81 |
| Cash paid for investments | | 253,000,000.00 | 251,552,743.20 |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash paid relating to investing activities | | | |
| Sub-total of cash outflows from investing activities | | 602,976,946.59 | 520,856,226.01 |
| Net Cash Flow from Investment Activities | | -55,503,556.09 | -325,282,631.74 |
| 3. Cash flows from financing activities: | | | |
| Cash received from absorbing investment | | | |
| Cash received from borrowings | | 6,321,749,791.33 | 2,393,992,106.76 |
| Other cash received relating to financing activities | | 235,620,087.87 | 475,964,970.99 |
| Sub-total of cash inflows from financing activities | | 6,557,369,879.20 | 2,869,957,077.75 |
| Cash repayments of amounts borrowed | | 4,961,710,236.95 | 2,063,965,287.70 |
| Cash paid for dividend and profit distribution or interest payment | | 4,607,076,863.78 | 3,063,394,203.02 |
| Other cash paid relating to financing activities | | | |
| Sub-total of cash outflows from financing activities | | 9,568,787,100.73 | 5,127,359,490.72 |
| Net Cash Flow from Financing Activities | | -3,011,417,221.53 | -2,257,402,412.97 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | 38,392,791.70 | -447,758,783.98 |
| 5. Net increase in cash and cash equivalents | | 16,966,372,888.91 | 8,822,563,009.92 |
| Add: Beginning balance of cash and cash equivalents | | 33,405,450,196.45 | 24,582,887,186.53 |
| 6. Ending balance of cash and cash equivalents | | 50,371,823,085.36 | 33,405,450,196.45 |

Legal Representative: Dong Mingzhu Chief Accountant: Wang Jingdong Head of accounting department: Liao Jianxiong



Consolidated Statement of Changes In Owners' Equity

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Amount for the current period | | | | | | | | | | | Minority equity | Total owners' equity |
|--|---|--------------------------|----------------|--------|-------------------------|----------------------|----------------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
| | Shareholders' equity attributable to the parent company | | | | | | | | | | | | |
| | Paid-up capital (or stock capital) | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserve | General risk provisions | Undistributed profit | | |
| | | Preferred stock | Perpetual bond | Others | | | | | | | | | |
| 1. Ending balance for the previous year | 3,007,865,439.00 | | | | 3,176,114,310.09 | | -1,935,948.39 | | 2,958,088,564.43 | 47,114,066.72 | 25,395,563,880.38 | 883,867,372.55 | 35,466,677,684.78 |
| Add: Changes in accounting policies | | | | | 10,386,118.84 | | 2,608,461.16 | | | | -105,918,142.00 | | -92,923,562.00 |
| Early error correction | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| 2. Beginning balance for the current year | 3,007,865,439.00 | | | | 3,186,500,428.93 | | 672,512.77 | | 2,958,088,564.43 | 47,114,066.72 | 25,289,645,738.38 | 883,867,372.55 | 35,373,754,122.78 |
| 3. Increase or decrease in the current year (decrease expressed with "-") | | | | | 4,765,636.78 | | 17,074,194.77 | | | 89,250,000.00 | 9,551,678,242.90 | 94,928,812.95 | 9,757,696,887.40 |
| (1) Total comprehensive income | | | | | | | 17,074,194.77 | | | | 14,155,167,229.36 | 101,895,800.76 | 14,274,137,224.89 |
| (2) Capital invested by shareholders and capital decrease | | | | | 45,636.78 | | | | | | | -500,000.00 | -454,363.22 |
| 1). Capital invested by shareholders | | | | | 45,636.78 | | | | | | | -500,000.00 | -454,363.22 |
| 2). Amounts of share-based payments recognized into shareholders' equity | | | | | | | | | | | | | |
| 3). Others | | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | 89,250,000.00 | -4,603,488,986.46 | -32,611,538.95 | -4,546,850,525.41 |
| 1). Appropriation to surplus reserves | | | | | | | | | | | | | |
| 2). Appropriation to general risk provisions | | | | | | | | | | 89,250,000.00 | -89,250,000.00 | | |
| 3). Allocation to owners (or shareholders) | | | | | | | | | | | -4,511,798,158.50 | -30,266,429.74 | -4,542,064,588.24 |
| 4). Others | | | | | | | | | | | -2,440,827.96 | -2,345,109.21 | -4,785,937.17 |
| (4) Internal carry-over of shareholders' equity | | | | | | | | | | | | | |
| 1). Transfer of capital reserves into capital (or stock capital) | | | | | | | | | | | | | |
| 2). Transfer of surplus reserves into capital (or stock capital) | | | | | | | | | | | | | |
| 3). Surplus reserves for making up losses | | | | | | | | | | | | | |
| 4). General risk provisions for making up losses | | | | | | | | | | | | | |
| 5). Others | | | | | | | | | | | | | |
| (5) Appropriative reserve | | | | | | | | | | | | | |
| 1). Amount withdrawn for the period | | | | | | | | | | | | | |
| 2). Amount used for the period | | | | | | | | | | | | | |
| (6) Others | | | | | 4,720,000.00 | | | | | | | 26,144,551.14 | 30,864,551.14 |
| 4. Ending balance for the current period | 3,007,865,439.00 | | | | 3,191,266,065.71 | | 17,746,707.54 | | 2,958,088,564.43 | 136,364,066.72 | 34,841,323,981.28 | 978,796,185.50 | 45,131,451,010.18 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong



Consolidated Statement of Changes In Owners' Equity

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Amount for the previous period | | | | | | | | | | | | |
|--|---|--------------------------|--------|--|-------------------------|----------------------|----------------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
| | Shareholders' equity attributable to the parent company | | | | | | | | | | | Minority equity | Total owners' equity |
| | Paid-up capital (or stock capital) | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserve | General risk provisions | Undistributed profit | | |
| | Preferred stock | Perpetual bond | Others | | | | | | | | | | |
| 1. Ending balance for the previous year | 3,007,865,439.00 | | | | 3,187,175,872.28 | | 10,133,985.43 | | 2,958,088,564.43 | 7,593,539.68 | 17,572,277,003.95 | 837,067,723.88 | 27,580,202,128.65 |
| Add: Changes in accounting policies | | | | | -15,877,173.81 | | 15,877,173.81 | | | | -105,313,611.00 | | -105,313,611.00 |
| Early error correction | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| 2. Beginning balance for the current year | 3,007,865,439.00 | | | | 3,171,298,698.47 | | 26,011,159.24 | | 2,958,088,564.43 | 7,593,539.68 | 17,466,963,392.95 | 837,067,723.88 | 27,474,888,517.65 |
| 3. Increase or decrease in the current year (decrease expressed with "-") | | | | | 15,201,730.46 | | -25,338,646.47 | | | 39,520,527.04 | 7,822,682,345.43 | 46,799,648.67 | 7,898,865,605.13 |
| (1) Total comprehensive income | | | | | | | -25,338,646.47 | | | | 10,870,068,311.47 | 62,065,530.78 | 10,906,795,195.78 |
| (2) Capital invested by shareholders and capital decrease | | | | | | | | | | | | | |
| 1). Capital invested by shareholders | | | | | | | | | | | | | |
| 2). Amounts of share-based payments recognized into shareholders' equity | | | | | | | | | | | | | |
| 3). Others | | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | 39,520,527.04 | -3,047,385,966.04 | -15,265,882.11 | -3,023,131,321.11 |
| 1). Appropriation to surplus reserves | | | | | | | | | | | | | |
| 2). Appropriation to general risk provisions | | | | | | | | | | 39,520,527.04 | -39,520,527.04 | | |
| 3). Allocation to owners (or shareholders) | | | | | | | | | | | -3,007,865,439.00 | -15,265,882.11 | -3,023,131,321.11 |
| 4). Others | | | | | | | | | | | | | |
| (4) Internal carry-over of shareholders' equity | | | | | | | | | | | | | |
| 1). Transfer of capital reserves into capital (or stock capital) | | | | | | | | | | | | | |
| 2). Transfer of surplus reserves into capital (or stock capital) | | | | | | | | | | | | | |
| 3). Surplus reserves for making up losses | | | | | | | | | | | | | |
| 4). General risk provisions for making up losses | | | | | | | | | | | | | |
| 5). Others | | | | | | | | | | | | | |
| (5) Appropriative reserve | | | | | | | | | | | | | |
| 1). Amount withdrawn for the period | | | | | | | | | | | | | |
| 2). Amount used for the period | | | | | | | | | | | | | |
| (6) Others | | | | | 15,201,730.46 | | | | | | | | 15,201,730.46 |
| 4. Ending balance for the current period | 3,007,865,439.00 | | | | 3,186,500,428.93 | | 672,512.77 | | 2,958,088,564.43 | 47,114,066.72 | 25,289,645,738.38 | 883,867,372.55 | 35,373,754,122.78 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong



Statement of Changes In Owners' Equity of Parent Company

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Amount for the current period | | | | | | | | | | | |
|--|---------------------------------------|--------------------------|-------------------|--------|-------------------------|----------------------------|----------------------------------|---------------------|-------------------------|----------------------------|--------------------------|--------------------------|
| | Paid-up capital (or stock capital) | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserve | General risk provisions | Undistributed profit | Total owners' equity |
| | | Preferred stock | Perpetual bond | Others | | | | | | | | |
| 1. Ending balance for the previous year | 3,007,865,439.00 | | | | 3,206,997,791.73 | | | | 2,955,531,032.15 | | 11,793,650,274.21 | 20,964,044,537.09 |
| Add: Changes in accounting policies | | | | | -12,924,494.26 | | 25,919,074.26 | | | | -105,918,142.00 | -92,923,562.00 |
| Early error correction | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| 2. Beginning balance for the current year | 3,007,865,439.00 | | | | 3,194,073,297.47 | | 25,919,074.26 | | 2,955,531,032.15 | | 11,687,732,132.21 | 20,871,120,975.09 |
| 3. Increase or decrease in the current year (decrease expressed with "-") | | | | | 4,765,636.78 | | -68,290,498.03 | | | | 2,568,205,440.62 | 2,504,680,579.37 |
| (1) Total comprehensive income | | | | | | | -68,290,498.03 | | | | 7,080,003,599.12 | 7,011,713,101.09 |
| (2) Capital invested by shareholders and capital decrease | | | | | 45,636.78 | | | | | | | 45,636.78 |
| 1). Capital invested by shareholders | | | | | 45,636.78 | | | | | | | 45,636.78 |
| 2). Amounts of share-based payments recognized into shareholders' equity | | | | | | | | | | | | |
| 3). Others | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | | -4,511,798,158.50 | -4,511,798,158.50 |
| 1). Appropriation to surplus reserves | | | | | | | | | | | | |
| 2). Appropriation to general risk provisions | | | | | | | | | | | | |
| 3). Allocation to owners (or shareholders) | | | | | | | | | | | -4,511,798,158.50 | -4,511,798,158.50 |
| 4). Others | | | | | | | | | | | | |
| (4) Internal carry-over of shareholders' equity | | | | | | | | | | | | |
| 1). Transfer of capital reserves into capital (or stock capital) | | | | | | | | | | | | |
| 2). Transfer of surplus reserves into capital (or stock capital) | | | | | | | | | | | | |
| 3). Surplus reserves for making up losses | | | | | | | | | | | | |
| 4). General risk provisions for making up losses | | | | | | | | | | | | |
| 5). Others | | | | | | | | | | | | |
| (5) Appropriative reserve | | | | | | | | | | | | |
| 1). Amount withdrawn for the period | | | | | | | | | | | | |
| 2). Amount used for the period | | | | | | | | | | | | |
| (6) Others | | | | | 4,720,000.00 | | | | | | | 4,720,000.00 |
| 4. Ending balance for the current period | 3,007,865,439.00 | | | | 3,198,838,934.25 | | -42,371,423.77 | | 2,955,531,032.15 | | 14,255,937,572.83 | 23,375,801,554.46 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang



Statement of Changes In Owners' Equity of Parent Company

For the Year 2014

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

| Item | Amount for the previous period | | | | | | | | | | | |
|--|------------------------------------|--------------------------|----------------|--------|-------------------------|----------------------|----------------------------|------------------|-------------------------|-------------------------|--------------------------|--------------------------|
| | Paid-up capital (or stock capital) | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserve | General risk provisions | Undistributed profit | Total owners' equity |
| | | Preferre d stock | Perpetual bond | Others | | | | | | | | |
| 1. Ending balance for the previous year | 3,007,865,439.00 | | | | 3,190,561,566.23 | | | | 2,955,531,032.15 | | 8,814,610,174.42 | 17,968,568,211.80 |
| Add: Changes in accounting policies | | | | | -11,689,999.22 | | 11,689,999.22 | | | | -105,313,611.00 | -105,313,611.00 |
| Early error correction | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| 2. Beginning balance for the current year | 3,007,865,439.00 | | | | 3,178,871,567.01 | | 11,689,999.22 | | 2,955,531,032.15 | | 8,709,296,563.42 | 17,863,254,600.80 |
| 3. Increase or decrease in the current year (decrease expressed with "-") | | | | | 15,201,730.46 | | 14,229,075.04 | | | | 2,978,435,568.79 | 3,007,866,374.29 |
| (1) Total comprehensive income | | | | | | | 14,229,075.04 | | | | 5,986,301,007.79 | 6,000,530,082.83 |
| (2) Capital invested by shareholders and capital decrease | | | | | | | | | | | | |
| 1). Capital invested by shareholders | | | | | | | | | | | | |
| 2). Amounts of share-based payments recognized into shareholders' equity | | | | | | | | | | | | |
| 3). Others | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | | -3,007,865,439.00 | -3,007,865,439.00 |
| 1). Appropriation to surplus reserves | | | | | | | | | | | | |
| 2). Appropriation to general risk provisions | | | | | | | | | | | | |
| 3). Allocation to owners (or shareholders) | | | | | | | | | | | -3,007,865,439.00 | -3,007,865,439.00 |
| 4). Others | | | | | | | | | | | | |
| (4) Internal carry-over of shareholders' equity | | | | | | | | | | | | |
| 1). Transfer of capital reserves into capital (or stock capital) | | | | | | | | | | | | |
| 2). Transfer of surplus reserves into capital (or stock capital) | | | | | | | | | | | | |
| 3). Surplus reserves for making up losses | | | | | | | | | | | | |
| 4). General risk provisions for making up losses | | | | | | | | | | | | |
| 5). Others | | | | | | | | | | | | |
| (5) Appropriative reserve | | | | | | | | | | | | |
| 1). Amount withdrawn for the period | | | | | | | | | | | | |
| 2). Amount used for the period | | | | | | | | | | | | |
| (6) Others | | | | | 15,201,730.46 | | | | | | | 15,201,730.46 |
| 4. Ending balance for the current period | 3,007,865,439.00 | | | | 3,194,073,297.47 | | 25,919,074.26 | | 2,955,531,032.15 | | 11,687,732,132.21 | 20,871,120,975.09 |

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Notes to Financial Statements for the Year 2014

1. Basic information of the Company

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

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

The parent company of the Company is Zhuhai Gree Group Co., Ltd. and the final controller is Zhuhai Municipal State-owned Assets Supervision and Administration Commission.

This financial report was submitted under approval of the Board of Directors of the Company as of April 25, 2015.

2. Coverage of the consolidated statements

The Company incorporated over 40 subsidiaries such as Gree Electric Appliances (Chongqing) Co., Ltd. and Gree Electric Appliances (Hefei) Co., Ltd. in the coverage of the financial statements consolidated in the current period. For details, see “Note 8 Change to the Consolidation Scope” and “Note 9 Equity in Other Subjects”.

3. Preparation basis of the financial statements

(1) Preparation basis of the financial statements

The financial statements of the Company have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standards” (issued by Decree No.33 of the Ministry of Finance and revised by Decree No. 76 of the Ministry of Finance) issued by the Ministry of Finance on 15 February, 2006 and 41 Specific Accounting Standards, application guidelines, explanations and other relevant regulations of the accounting standards subsequently promulgated (collectively referred to as the “Accounting Standards for Business Enterprises”), and the disclosure requirements in accordance with the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision)” issued by China Securities Regulatory Commission.

(2) Going concern

This financial statement was presented on a going concern basis. The management carefully evaluated factors of the Company in the future 12 months commencing from December 31, 2014 such as the macropolicy risk, market operation risk, current and long-term profitability and solvency of the enterprise, financial flexibility, and the management’s intention of changing the operations policy, and held that there was no event that can generate significant influence on the Company’s ability to continue as a going concern.

4. Statements regarding observance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position of the Company on December 31, 2014, and the related information such as operating results and cash flows in the year 2014. Besides, the financial statements prepared by the Company, in all the major aspects, also conform

to the disclosure requirements of financial statements and their notes in the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports revised by the China Securities Regulatory Commission in 2014.

5. Significant accounting policies and estimates and previous errors

Specific accounting policies and accounting estimate suggestions:

The Company and each subsidiary are engaged in production and sales of air conditioners and their accessories, and small home appliances and their accessories. The Company and each subsidiary have prepared several specific accounting policies and accounting estimates for transactions and events such as revenue recognition based on the actual production management characteristics and in accordance with provisions of the related Accounting Standards for Business Enterprises. For details, see the detailed description in Note 5 herein. For the description about major accounting judgments and estimates made by the management, please see Note 5 (29) "Major accounting judgments and estimates".

(1) Accounting period

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

(2) Operating cycle

The normal operating cycle refers to the period from the Company's purchase of assets used for processing to achieving of cash or cash equivalent. The Company regards 12 months as one operating cycle and uses it as the liquidity classification standard for assets and liabilities.

(3) Functional currency

RMB is the functional currency used by the Company.

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

Business combination refers to the transaction or event of combining two or more

independent enterprises to form a reporting entity. Business combination is classified into business combination involving enterprises under common control and business combination not involving enterprises under common control.

1). Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination involving enterprises under common control, the party that obtains the right to control other enterprises participating in the combination on the combination date is the combining party, and other enterprises participating in the combination are the combined party. The combination date refers to the date on which the combining party actually obtains the right to control the combined party.

Where business combination involving enterprises under common control arises from one transaction or equities of invested entities under common control are obtained step by step through multiple transactions and these transactions belong to a package deal, the Company will recognize the cost of combination according to the share of carrying amount of net assets obtained for the combined party in the ultimate controlling party's consolidated financial statements on the combination date. The difference between the carrying amount of the consideration paid for the combination (or total par value of the issued stocks) and the combination cost is adjusted to capital reserve; if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs incurred that are attributable to the business combination made by the Company, including intermediary costs such as the audit fee, legal service charge and appraisal and consultation costs, and other related overhead expenses are charged to profits or losses in the period in which they are incurred; the transaction expenses directly attributable to the consideration paid for the combination through issuance of equity instruments are credited against the capital reserve; if the capital reserve is not sufficient, any excess is adjusted against retained earnings; the transaction expenses directly attributable to the consideration paid for the combination through issuance of debt instruments are recorded into the initially recognized amount of debt instruments. Where the equities of invested entities under common control are obtained step by

step through multiple transactions to achieve business combination but these transactions do not belong to a package deal, the Company will recognize the cost of combination according to the share of carrying amount of net assets to be enjoyed by the combined party after the combination in the ultimate controlling party's consolidated financial statements on the combination date. The difference between the combination cost and the sum of the carrying amount of long-term equity investments prior to the combination plus the carrying amount of the consideration newly paid for further acquisition of shares on the date of combination is adjusted to capital reserve (capital premium or capital stock premium); if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. For the equity investment held before the date of combination, accounting treatment is not performed temporarily for other comprehensive incomes that are accounted using the equity method or recognized using financial instruments and accounted according to the measurement standard for recognition. When this investment is disposed of, accounting treatment is conducted using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities. For other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution in net assets of the invested entity that are recognized because of accounting using the equity method, accounting treatment is not conducted temporarily; they shall be transferred to the profits and losses of the current period at the time of disposing of this investment.

2) Business combination not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination. For business combination not involving enterprises under common control, the party that obtains the right to control other enterprises participating in the combination on the date of combination is the acquiring party, and other enterprises participating in the combination are the acquired party. The date of acquisition refers to the date on which the acquiring party actually obtains the right to control the acquired party.

For the business combination implemented through one transaction, the cost of business combination refers to the fair value of assets paid, liabilities incurred or assumed and equity securities issued by the Company on the date of acquisition for

obtaining the right to control the acquired party. On the date of acquisition, the assets, liabilities and contingent liabilities obtained by the Company from the acquired party are recognized at the fair value.

For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made by distinguishing individual financial statements and consolidated financial statements:

In the individual financial statements, where the held stocks are accounted using the equity method prior to the date of acquisition, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and the investment cost newly increased on the date of acquisition. For other related comprehensive income, accounting treatment is performed during disposal of the investment using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; the owner's equity that is recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity is accordingly transferred to the profits and losses of the current period at the time of disposing of this investment. Where the equity investment held before the date of acquisition is recognized using financial instruments and undergoes accounting treatment according to the measurement standard, the cost of combination of the investment is the aggregate of the fair value of the equity investment recognized according to this standard and the newly increased investment cost. The difference between the fair value of the originally held stocks and the carrying amount and all the cumulative fair value changes originally recorded into other comprehensive income are transferred to the investment income of the current period.

In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment income of the current period; where the stocks of the acquired party held before the date of acquisition involve other comprehensive income under accounting of the equity method and other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equities

concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included (excluding other comprehensive income arising from changes in the net assets or net liabilities of the benefit plan remeasured and redefined by the invested entity). The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination cost of the investment.

Costs incurred that are attributable to the business combination made by the Company, including intermediary costs such as the audit fee, legal service charge, and appraisal and consultation costs, and other related overhead expenses are charged to profits or losses in the period in which they are incurred. The transaction expenses directly attributable to the consideration paid for the combination through issuance of equity instruments are credited against the capital reserve; if the capital reserve is not sufficient, any excess is adjusted against retained earnings; the transaction expenses directly attributable to the consideration paid for the combination through issuance of debt instruments are recorded into the initially recognized amount of debt instruments.

In the Company, the positive balance between the business combination cost and the fair value of the identifiable net assets obtained by the Company from the acquired party shall be recognized as business reputation and subsequently measured after the accumulated provision for impairment is deducted from the cost; the negative balance between the business combination cost and the fair value of the identifiable net assets obtained by the Company from the acquired party shall be charged to profits or losses of the current period after being checked.

3. Principle of judging whether multiple transactions are “a package deal”

When the terms and conditions of multiple transactions and the economic impact thereof accord with one or more of the following cases, usually it indicates that these transactions shall undergo accounting treatment as “a package deal”: (1) these transactions are concluded at the same time or concluded in consideration of mutual influence; (2) only the whole of these transactions can achieve a complete business result; (3) occurrence of one transaction depends on occurrence of at least one of the other transactions; (4) one transaction is not economical when considered separately,

but economical when taken into account together with other transactions.

(5) Preparation of consolidated financial statements

1. Principle of determining the scope of consolidated financial statements

The consolidation scope of consolidated financial statements shall be determined on the basis of control. Control means that the Company owns the power to the invested entity, enjoys variable return by participating relevant activities of the invested entity, and has the capacity of using the power to the invested entity to affect its return amount.

2. Preparation of consolidated financial statements

The consolidated financial statements of the Company are prepared by the Company based on individual financial statements of the Company and subsidiaries and according to other relevant data. During preparation of consolidated financial statements, the accounting policy and accounting period of the Company shall be consistent with those of subsidiaries, and the inter-company major transactions and balances shall be offset.

For the subsidiary added due to business combination involving enterprises under common control in the Report Period, the Company adjusts the amount at the beginning of the period in the consolidated balance sheet, incorporates the revenue, expense and profit of this subsidiary from the beginning of the period for consolidation to the end of the report period into the consolidated profit statement, includes its cash flow into the consolidated cash flow statement, and adjusts relevant items in the comparative statements; for the subsidiary added due to business combination not involving enterprises under common control, the Company does not adjust the amount at the beginning of the period in the consolidated balance sheet, but only incorporates the revenue, expense and profit of this subsidiary from the date of acquisition to the end of report period into the consolidated profit statement and its cash flow into the consolidated cash flow statement.

The portion of shareholders' equity of the subsidiaries that isn't attributable to the Company shall be separately presented as the minority shareholders' equity under the shareholders' equity in the consolidated balance sheet. The share of net profits or losses of the subsidiaries in the current period that is attributable to the minority shareholders' equity shall be presented as the item of "Minority interest income" under

the net profit in the consolidated profit statement. The share of comprehensive income of the subsidiaries in the current period that is attributable to the minority shareholders' equity shall be presented as the item of "Total comprehensive income attributable to minority shareholders" under the total comprehensive income in the consolidated profit statement. Where the losses of a subsidiary undertaken by minority shareholders exceed the share enjoyed by minority shareholders in the owners' equities of this subsidiary at the beginning of the period, the balance shall be still adjusted against the minority shareholders' equity.

For acquisition of the subsidiary's stocks owned by minority shareholders thereof, in the consolidated financial statements, the difference between the long-term equity investment newly obtained because of acquisition of minority shareholders' stocks and the share of net assets of the subsidiary to be enjoyed and continuously calculated according to the proportion of newly added shares from the acquisition date or consolidation date is adjusted to capital reserve; if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

For the transaction for which a part of equity investment is disposed of but the right to control this subsidiary is not lost, in the consolidated financial statements, the difference between the disposal price and the share of net assets of the subsidiary to be enjoyed accordingly for disposal of the long-term equity investment and continuously calculated from the acquisition date or consolidation date is adjusted to capital reserve (capital premium or capital stock premium); if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Where the right to control the original subsidiary is lost due to disposal of a part of equity investment or other reasons, the remaining stocks shall be remeasured at their fair value on the date of losing the control right; the result of the sum of the consideration obtained from the equity disposal plus the fair value of remaining stocks, minus the share of net assets of the original subsidiary that should be enjoyed and is continuously calculated according to the original proportion of held shares from the acquisition date, shall be charged to the investment income in the period when the control right is lost, and adjusted against the business reputation at the same time; other comprehensive income related to the original subsidiary's equity investment shall be transferred to the investment income of the current period when the control right is lost.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and all the transactions belong to a package deal, accounting treatment shall be performed for the transactions by deeming all the transactions as one item for disposing of the subsidiary and losing the control right; however, prior to loss of the control right, the difference between every disposal price and the share of net assets of this subsidiary to be enjoyed accordingly for investment disposal shall be recognized as other comprehensive income in the consolidated financial statements and, at the time of losing the control right, be jointly transferred to the profits or losses in the period when the control right is lost.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and the transactions do not belong to a package deal, all the transactions before loss of the right to control the subsidiary shall be handled according to the regulations of the Company on partial disposal of the subsidiary's long-term equity investment provided that the Company does not lose the right to control the subsidiary.

This report period does not involve buying-in and selling-out of the same subsidiary's stocks, or selling-out and buying-in in turn.

(6) Joint arrangement classification and accounting treatment of co-management

Joint arrangement refers to the arrangement for joint control by two or more participants.

1. Joint arrangement classification

Joint arrangement is classified into co-management and contractual enterprise. Co-management refers to the joint arrangement where the parties to the venture enjoy relevant assets of this arrangement and assume relevant liabilities of this arrangement. Contractual enterprise refers to the joint arrangement where the parties to the venture only enjoy rights to net assets of this arrangement.

2. Accounting treatment of co-management

(1) The Company recognizes the following items related to quantum of interest in co-management and performs accounting treatment in accordance with provisions of the corresponding Accounting Standards for Business Enterprises:

①Independently held assets, as well as the jointly held assets to be recognized

according to the share of the Company;

②Independently undertaken liabilities, as well as the jointly undertaken liabilities to be recognized according to the share of the Company;

③Revenue generated by selling the output share of co-management that is enjoyed by the Company;

④Revenue that is generated by selling the output during co-management and recognized according to the share of the Company;

⑤ Independently incurred expense, as well as the expense incurred by co-management and recognized according to the share of the Company.

(2) Where the Company puts assets into or sells assets to the parties to co-management (except that the assets constitute business), before the said assets are sold to a third party by the parties to co-management, the Company recognizes only the part in the profits or losses arising from this transaction that is attributable to other participants in the co-management. In case that the put or sold assets involve the asset impairment loss complying with provisions in the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the Company shall recognize the said loss in full.

(3) Where the Company purchases assets from the parties to co-management (except that the assets constitute business), before said assets are sold to a third party, the Company recognizes only the part in the profits or losses arising from this transaction that is attributable to other participants in the co-management. In case that the purchased assets involve the asset impairment loss complying with provisions in the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the Company shall recognize this part of loss according to the share to undertake.

(7) Accounting measurement attribute

1). Measurement attribute

The Company takes the accrual system as the basis of accounting and measures the initial value using historical cost. The financial assets and liabilities measured at their fair value and of which the variation is recorded into the profits and losses of the current period and the financial assets available for sale and derivative instruments

shall be measured at their fair value; The inventories and fixed assets for which the payment is delayed in excess of normal credit terms while they are purchased shall be measured at their present value of their purchase price; The inventories on which an impairment loss occurs shall be measured at their net realizable value, and other assets on which an impairment loss occurs shall be measured at their recoverable amount of their fair value and present value (whichever is higher); The asset inventory surplus and other assets shall be measured at their replacement cost.

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

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

(8) Criteria for cash and cash equivalents

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

(9) Foreign currency transactions

1). Method of translation for foreign currency transactions

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

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

For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial

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

3). Translation of foreign currency financial statements

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

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

(10) Financial instruments

1). Basis for recognition of financial instruments

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

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

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

2). Classification of financial assets and financial liabilities

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

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

3). Measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities:

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

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

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

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

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

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

② For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following:

A. the amount as determined according to the Accounting Standards for Enterprises No. 13 - Contingencies; or

B. the surplus of the initially recognized amount with the subtraction of accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues.

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

The fair value refers to the amount that is agreed upon by the two parties to fair dealings who are familiar with the situation during assets exchange or performance of debt.

(1) Financial instruments with the active market

The fair values of the financial assets and financial liabilities of financial instruments which have the active market shall be recognized at their quoted prices in the active market. The quoted prices in the active market refer to the prices regularly obtained from stock exchanges, brokers, trade associations and pricing service institutions, and represent the prices of market transactions that actually occur in fair dealings. Quoted prices shall be determined according to the following principles:

① In the active market, the quoted prices of the Company for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer,

while the quoted prices of the Company for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge.

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

(2) Where there is no active market for a financial asset or financial liability, the Company shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

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

(1) Investments held until their maturity

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

maturity which has suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

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

(2) Accounts receivable

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

(3) Financial assets available for sale

① Available-for-sale financial assets measured at the fair value

When a significant or non-transient decline in the fair value of equity instrument investment available for sale is judged by comprehensively considering relevant factors, a decline in the equity instrument available for sale has occurred. Here, the “significant decline” means that the cumulative decline of fair value exceeds 20%; the “non-transient decline” means that the fair value has declined continuously for over 12 months.

When a decline in the financial assets available for sale has occurred, the cumulative loss generated from decline of fair value that had been recorded directly into the owners' equity shall be removed from the owners' equity and shall be recorded into the impairment loss. The said cumulative loss removed is the balance obtained by deducting the recovered principal and amortized amount, current fair value and the impairment loss originally charged to profits or losses from the initial acquisition cost of the said assets.

For debt instrument investment available for sale for which the impairment loss has been recognized, the recognized impairment loss shall be returned when there is an increase of fair value in a subsequent period and the increase objectively relates to events after impairment loss

being recognized. When the impairment loss reversal of the equity instrument investment available for sale is recognized as other comprehensive income, the impairment loss reversal of the debt instrument investment available for sale shall be charged to profits or losses of the current period.

② Available-for-sale financial assets measured at cost

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

6). Transfer of financial assets

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

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

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

7. Derivative instruments and embedded derivative instruments

Derivative instruments implement initial measurement at the fair value on the date of signing the contract, and also perform subsequent measurement at the fair value. Changes in the fair value of derivative instrument shall be charged to profits or losses of the current period.

For the hybrid instruments containing embedded derivative instruments, if the hybrid instruments are not specified as financial assets and financial liabilities measured at the fair value and of which the changes are recorded into the profits or losses of the current period the embedded derivative instruments are not closely related to this master contract in terms of economic characteristics and risks, and individual instruments with conditions the same as those of the embedded derivative instruments accord with the derivative instrument definition, the embedded derivative instruments shall be removed from the hybrid instruments and handled as independent derivative instruments. Where derivative instruments cannot be separately measured at the time of acquisition or the subsequent balance sheet date, the hybrid instruments shall be specified as financial assets and financial liabilities measured at the fair value as a whole and of which the changes shall be recorded into the profits or losses of the current period.

8. Offsetting financial assets with financial liabilities

When the Company has the statutory right to offset the recognized amount, this statutory right is executable at present, and the Company also plans to perform netting settlement or simultaneously realize the financial assets and liquidate the financial liabilities, the financial assets and financial liabilities shall be listed in the balance sheet using the net amount after mutual offsetting. In other cases, the financial assets and financial liabilities are presented respectively in the balance sheet and not mutually offset.

9. Equity instruments

Equity instruments refer to contracts that can prove ownership of the residual equity in assets of the Company after deduction of all the liabilities. The owners' equities are increased after the transaction expenses are deducted from the consideration received at issuance of the equity instruments. The Company completes all kinds of allocations (excluding stock dividends) for the equity instrument holding parties to reduce the owners' equities. The Company does not recognize the amount of change in the fair value of equity instruments.

(11) Receivables

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

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

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

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

On the balance sheet, the Company shall carry out an independent impairment test for the receivables with significant single amounts, where, upon independent test, the said receivables has been impaired, the negative balance between the present value of the future cash flow of the said receivables and their carrying amount shall be recognized as loss of the impairment of the said receivables, and a provision for bad debts shall be made accordingly. Where the receivables have not been impaired upon

independent test, the several combinations between the said receivables and the receivables with insignificant single amounts shall be made based on similar credit risk features, and then the loss of the impairment of the said receivables shall be calculated and recognized at a certain proportion of the combinations of these receivables in the balance on the balance sheet date, and a provision for bad debts shall be made accordingly.

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

| | |
|---|---|
| Basis for recognition of combinations | |
| Aging combination | Divided into groups based on aging of the receivables as credit risk features |
| Consolidation scope combination | Divided into groups based on the receivables related to consolidated financial statements and the receivables which can fully obtain customer's credit information |
| Accrual method of a provision for bad debts based on combinations | |
| Aging combination | Make a provision for bad debts by aging analysis |
| Consolidation scope combination | An impairment test of the receivables is carried out according to the debtor's credit, and a provision for bad debts shall not be made as per the negative balance between the present value of their future cash flow and their carrying amount. |

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

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

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

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

(12) Inventories

1). Classification of inventories

Classification of inventories: The Company's inventories are classified into raw materials, goods in process, and goods on hand.

2). Valuation for delivered inventories

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

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

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

4). Stock count system for inventories

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

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

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

(13) Assets held for sale

1. Recognition standard

The component (or non-current assets; the same below) of the Company that matches the following conditions at the same time shall be recognized as assets held for sale: the said component can be sold immediately in its current status and only according to the usual terms on sales of this kind of components; the Company has adopted a resolution on disposal of this component (where shareholder approval is required in accordance with relevant regulations, approval shall be obtained from the

general meeting of shareholders or corresponding organ of authority); the Company has signed an irrevocable transfer agreement with the transferee; such transfer will be completed within one year.

2. Accounting treatment

For the fixed assets held for sale, the Company adjusts the expected net salvage value of the fixed assets so that the expected net salvage value of the fixed assets can reflect the amount got by reducing the disposal expenses from their fair value, but cannot exceed the original carrying amount of the fixed assets when the fixed assets comply with the conditions for assets held for sale; the positive difference of the original carrying amount less the expected net salvage value after adjustment shall be charged to profits or losses of the current period as asset impairment loss.

In case that an asset or a disposal group is included in the category held for sale but subsequently fails to meet the recognition conditions for fixed assets held for sale, the Company shall stop including it in the category held for sale and measure it according to the lower of the following two amounts:

(1) The carrying amount of this asset or disposal group before it is included in the category held for sale, according to the amount after adjustment of the depreciation, amortization or impairment that should be recognized originally on the assumption that the asset or disposal group is not included in the category held for sale;

(2) Re-recovered amount on the date when a decision is made to stop sales.

Other non-current assets such as intangible assets complying with the conditions for holding for sale shall be handled in the light of the above principle.

(14) Long-term equity investments

Long-term equity investments mainly include the equity investment held by the Company that is able to control, is under common control with or has significant influences on the invested entity and the equity investment to joint ventures.

1. Judgment standards of control and significant influence

Judgment standards of control: (1) The Company owns the power to the invested entity; (2) the Company enjoys variable return by participating relevant activities of the invested entity; (3) the Company has the capacity of using the power to the invested entity to affect its return amount. The Company acknowledges the control force for the

invested entity that meets the above three conditions.

Judgment standards of significant influence: The Company has the power to participate in decision making for the financial and operations policies of the invested entity, but cannot control formulation of these policies independently or together with other parties. Where the Company can exert a great influence on the invested entity, the invested entity is an associated enterprise of the Company. The invested entity under common control by the Company and other participants is a contractual enterprise of the Company. Common control means that any participant cannot independently control this arrangement, and any participant with the right to common control on this arrangement can prevent other participants or the combination of participants from independently controlling this arrangement.

2. Investment cost recognition of long-term equity investment

The long-term equity investment of the Company is measured at the investment cost at the time of acquisition. Normally the investment cost refers to the assets paid, liabilities incurred or undertaken, and the fair value of equity securities issued for the acquisition of this investment, including the costs directly attributable to the acquisition. However, for the long-term equity investment formed by business combination involving enterprises under common control, the investment cost is the share of carrying amount of the combined party's net assets acquired on the combination date in the ultimate controlling party's consolidated financial statements.

3. Subsequent measurement of long-term equity investments and recognition of profits or losses

The Company adopts the cost method for accounting for the long-term equity investment based on which the Company is able to control the invested enterprise; the Company adopts the equity method for accounting for investments put into associated enterprises and contractual enterprises.

The price of a long-term equity investment accounted by employing the cost method shall be included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The cash dividends or profits declared to distribute by the invested entity shall be recognized as investment income and charged to profits or losses of the current period.

When the Company employs the equity method for accounting of the long-term equity investment, if the investment cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the investment cost of the long-term equity investment may not be adjusted; if the investment cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the carrying amount of the long-term equity investment shall be adjusted, and the difference shall be recorded into the profits or losses of the current period.

When the Company employs the equity method for accounting of the long-term equity investment, the Company first adjusts the invested entity's net profits or losses and other comprehensive income in the aspects such as the fair value of the invested entity's identifiable net assets at the time of investment acquisition, accounting policy and accounting period, and then recognizes the current-period investment profits or losses and other comprehensive income according to the investing enterprise' attributable or shareable share of the invested entity's net profits or losses and other comprehensive income. For other changes in owners' equities other than the net profits or losses, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recorded into the owners' equities.

For the unrealized internal transaction profits/losses that arise between the Company and the associated enterprises and contractual enterprises, the part attributable to the Company shall be calculated according to the shareholding proportion, and the investment profits/losses shall be recognized on the basis of offsetting.

For the long-term equity investments held already prior to January 1, 2007 for the associated enterprises and contractual enterprises, if there is any equity investment difference on the debit side, the investment profits/losses shall be recognized after deduction of the equity investment difference on the debit side amortized by the straight-line method according to the original residual maturity.

4). Recognition of common control and significant influences on the invested entity

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

Significant influences will be recognized where there is power to participate in making decisions on the financial and operating policies of the invested entity, but not to control or do joint control together with other parties over the formulation of these policies. When the Company holds more than 20% (included) but less than 50% of voting shares of the invested entity directly or indirectly through a subsidiary, significant influences on the invested entity shall be recognized, unless there is clear evidence indicating that the Company cannot participate in production and management decision-making of the invested entity in this situation and therefore cannot generate significant influences; if the Company holds less than 20% (excluded) of voting shares of the invested entity, usually the Company is not deemed to have a significant influence on the invested entity, unless there is clear evidence indicating that the Company can participate in production and management decision-making of the invested entity in this situation and therefore can generate significant influences.

5. Conversion of the long-term equity investment accounting method

Where the equity investment originally held by the Company, which is unable to control, is not under common control with or has no significant influences on the invested entity, is converted into an investment for an associated enterprise or contractual enterprise due to additional investment, the investment shall be accounted by the equity method instead, and the Company shall use the fair value of the original equity investment plus the fair value of the consideration paid to acquire the newly added investment as the initial investment cost accounted by the equity method instead. The difference between the fair value and carrying amount of the originally held equity investment prior to the additional investment, and the cumulative fair value changes originally recorded into other comprehensive income shall be transferred to the current-period profits or losses accounted by the equity method instead.

For the originally held investments for associated enterprises and contractual enterprises, if they are not able to be under common control with or have significant influences on the invested entity, if they are not able to be under common control with

or have significant influences on the invested entity due to reason such as partial disposal, accounting treatment must be performed for remaining equity investments according to the recognition and measurement standards for financial instruments, and the difference between the fair value and carrying amount on the date on which the common control or significant influence is lost shall be charged to profits or losses of the current period. When accounting based on the equity method is terminated for other related comprehensive income originally subject to accounting of equity method, accounting treatment is performed using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; all the owners' equities that are recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the profits or losses of the current period when accounting based on the equity method is terminated.

Where the originally held investments for associated enterprises or contractual enterprises are converted to investments for subsidiaries due to additional investment, in the individual financial statements, the sum of the carrying value of the acquired party's equity investment held prior to the acquisition date and the investment cost newly added on the acquisition date shall be used as the initial investment cost of such an investment; for the equity investment held prior to the acquisition date, other comprehensive income recognized due to accounting of the equity method shall undergo accounting treatment using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities when such an investment is disposed of.

When the influencing capability on the invested entity is converted from control to a significant influence or common control together with other investors due to investment disposal, the long-term equity investment cost, for which recognition shall be terminated, is first carried over according to the proportion of investment disposal. On such a basis, the remaining long-term equity investment cost is compared with the share attributable to the Company in the fair value of the invested entity's identifiable net assets at the time of original investment, which is calculated according to the remaining shareholding proportion. For the business reputation part to be embodied in the investment evaluation, the carrying amount of long-term equity investment shall not be adjusted; where the investment cost is less than the share attributable to the

Company in the fair value of the invested entity's identifiable net assets at the time of original investment, any excess shall be adjusted against retained earnings when the long-term equity investment cost is adjusted. For the share attributable to the Company in the invested entity's realized net profits/losses between acquisition of the original investment and conversion to accounting of the equity method due to investment disposal, the carrying amount of the long-term equity investment shall be adjusted, meanwhile, any excess shall be adjusted against retained earnings for the share attributable to the Company in the invested entity's realized net profits/losses (excluding the cash dividends or profits distributed or declared to distribute) from acquisition of the original investment to the beginning of the period in which the investment is disposed of, and the current-period profits or losses shall be adjusted for the share attributable to the Company in the invested entity's realized net profits/losses from the beginning of the period in which the investment is disposed of to the investment disposal date; the share attributable to the Company in the invested entity's changes in other comprehensive income shall be recorded into other comprehensive income when the carrying amount of the long-term equity investment is adjusted; the share attributable to the Company in the invested entity's other changes in owners' equities arising from reasons other than the net profits or losses, other comprehensive income and profit distribution shall be recorded into "Capital reserves -- Other capital reserves" when the carrying amount of the long-term equity investment is adjusted. After the cost method is converted to the equity method for the long-term equity investment, the share attributable to the Company in the invested entity's realized net profits/losses, other comprehensive income and other changes in owners' equities shall be calculated and recognized according to provisions of the standard in the future period.

For the originally held long-term equity investment that is able to control the invested entity, if the shareholding proportion declines due to reasons such as partial disposal and the investment cannot be able to control, be under common control with or have significant influences on the invested entity, accounting treatment must be performed for remaining equity investments according to the recognition and measurement standards for financial instruments. The difference between the fair value and carrying amount on the date of control loss shall be recorded into the investment income of the current period.

In the process of holding the long-term equity investment, if the Company decides to sell all or part of held stocks of the invested entity in consideration of all aspects, the carrying amount of the long-term equity investment corresponding to the sold stocks shall be carried over accordingly, and the difference between the selling price and the carrying amount of long-term equity investment for disposal shall be recognized as disposal profit or loss.

If the Company disposes of all the long-term equity investments accounted by the equity method, when accounting based on the equity method is terminated for other related comprehensive income originally subject to accounting of equity method, accounting treatment is performed using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; all the owners' equities that are recognized due to changes in other owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the investment income of the current period when accounting based on the equity method is terminated; if a part of the long-term equity investment accounted by the equity method is disposed of and the remaining stocks are still accounted using the equity method, other related comprehensive income originally subject to accounting of equity method shall be handled using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities and be carried over by proportion, and the owners' equities that are recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be carried over to the investment income of the current period according to the proportion.

(15) Investment real estate

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

The Company's investment real estate is measured at its cost, and the Company uses the cost model for a subsequent measurement of its investment real estate. The depreciation and amortization of the investment real estate shall be made in

accordance with the accounting policies of fixed assets or intangible assets of the Company.

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

(16) Fixed assets

1). Recognition standard of fixed assets

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

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

2). Measurement of fixed assets

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

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freight, loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

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

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

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

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

3). Classification of fixed assets

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

4). Depreciation of fixed assets

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

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

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

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

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

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

5). Treatment of subsequent expenditures for fixed assets

Subsequent expenditures incurred on a fixed asset refer to repair expenses, renovation expenses, repair costs and decoration expenses and otherwise incurred in the course of use of the fixed asset. Their accounting treatment is as follows: Where subsequent expenditures of a fixed asset such as renovation expenses meet the conditions of recognizing the fixed asset, they shall be recorded into the cost of the fixed asset, and the carrying amount of the replaced part of the subsequent expenditures shall be deducted; Where subsequent expenditures of a fixed asset such as repair costs do not meet the conditions of recognizing the fixed asset, they shall be recorded into the profits and losses of the current period in which they are incurred; Where the decoration expenses of a fixed asset meet the conditions of recognizing the fixed asset, they shall be measured in a single detail account of "Fixed

Assets", and the depreciation of the fixed asset shall be made separately by the straight-line method in a shorter time of the period of two decorations and remaining usable life of the fixed asset.

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

(17) Construction in progress

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

1). Valuation of construction in progress

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

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

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

(18) Capitalization of borrowing costs

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

1). Recognition of capitalization of borrowing costs

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

2). Period of capitalization of borrowing costs

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

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

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

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

3). Calculation of capitalized amounts of borrowing costs

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

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

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

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

Ancillary costs in connection with special borrowings that are incurred before the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale shall be capitalized on the basis of the incurred amount when they are incurred, and they shall be recorded into the cost of qualifying asset; those incurred after the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary costs arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(19) Intangible assets

1). Recognition of intangible assets

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

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

2). Measurement of intangible assets

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

3). Subsequent measurement

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

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

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

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

4). Estimation of service life

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

- ① General life cycle of products manufactured by using the assets and information about service life of similar assets available;
- ② Present situation of technologies and process and estimation for future development trends;
- ③ Market demand of products manufactured or services rendered by using the assets;
- ④ Expected actions of present or potential competitors;
- ⑤ Expected maintenance expenses for economic capacity from the assets and the Company's expected capability to pay relevant expenses;
- ⑥ Laws and regulations or similar restrictions relating to the control period of the assets, such as concession period and lease period;
- ⑦ Relevance with service life of other assets held by the Company, etc.

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

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

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

- ② Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ③ Intention to complete the intangible asset and use or sell it;
- ④ How the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

- ⑤ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑥ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

(20) Long-term deferred expenses

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

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

(21) Impairment of Assets

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

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

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

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

(22) Estimated liabilities

1). Recognition of estimated liabilities

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

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

2). Measurement of estimated liabilities

The estimated liabilities shall be measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally

likely to occur, the best estimate shall be recognized in accordance with the middle estimate within the range. In other cases, the best estimate shall be recognized in accordance with the following methods, respectively:

(1) If the contingencies concern a single item, it shall be recognized in the light of the most likely outcome.

(2) If the contingencies concern two or more items, the best estimate shall be calculated and recognized in accordance with all possible outcomes and the relevant probabilities.

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

(23) Employees' wages and salaries

1. The term "employees' wages and salaries" refers to all kinds of remunerations or compensations given by the enterprises in exchange of the employees' services or for cancellation of labor relationships. The employees' wages and salaries include the short-term wages and salaries, separation benefits, dismiss welfare and other long-term employee benefits, as well as the benefits provided by the enterprises to employees' spouses, children and dependants, deceased employees' survivors and other beneficiaries.

2. In addition to all the employees who have signed a labor contract with the enterprise, the scope of employees also covers members who have not signed a labor contract with the enterprise but have been formally appointed by the enterprise, and those who provide services to the enterprise which has signed an employment contract with a labor service agent.

3. In the accounting period during which employees provide services to the Company, the Company recognizes the short-term wages and salaries actually incurred as liabilities and charges them to the current-period profits and losses or relevant asset costs.

4. Separation benefits are classified into the defined contribution plan and defined benefit plan.

(1) In the accounting period during which employees provide services to the Company, the Company recognizes the amount to be deposited (calculated according to the defined contribution plan) as liabilities and charges it to the current-period profits and losses or relevant asset costs.

(2) Usually accounting treatment for the defined benefit plan consists of the following steps:

① According to the projected unit credit method, adopt the unbiased and mutually consistent actuarial assumption to estimate the demographic variables and financial variables, measure obligations generated by the defined benefit plan, and determine the period to which relevant obligations belong;

② In case that the defined benefit plan involves assets, recognize the deficit or surplus formed by reducing the fair value of assets of the defined benefit plan from the present obligation value of the defined benefit plan as one net liability or net asset of the defined benefit plan. If the defined benefit plan has any surplus, use the lower of the defined benefit plan surplus and the upper asset limit to measure net assets of the defined benefit plan. The upper asset limit refers to the present value of the economic interest that can be obtained by the Company from refund of the defined benefit plan or by reducing the fund to be deposited for the defined benefit plan in the future;

③ At the end of the period, recognize the costs of employees' wages and salaries arising from the defined benefit plan as the service costs, net interests of net liabilities or net assets of the defined benefit plan, and changes arising from remeasurement of net liabilities or net assets of the defined benefit plan, wherein the service costs and net interests of net liabilities or net assets of the defined benefit plan are recorded into the current-period profits/losses or relevant asset costs, changes arising from remeasurement of net liabilities or net assets of the defined benefit plan are recorded into other comprehensive income and cannot be reversed to profits/losses in the subsequent accounting period, but such amount recognized in other comprehensive income can be transferred within the equity scope;

④ Recognize a settlement gain or loss during settlement of the defined benefit plan.

5. If the Company provides employees with dismiss welfare, the liability of employees' wages and salaries that arises from the dismiss welfare shall be recognized on the earlier one of the following two dates and charged to the current-period profits/losses:

① when the Company cannot unilaterally cancel the dismiss welfare provided for the labor relationship cancellation plan or staff reduction suggestion; ② when the Company recognizes the cost or expense related to reconstruction involving dismiss welfare payment.

6. If other long-term benefits offered by the Company to employees comply with conditions of the defined contribution plan, accounting treatment is conducted according to the defined contribution plan; the long-term benefits other than these shall undergo accounting treatment according to the defined benefit plan, but the changes arising from remeasurement of the net liabilities or net assets of other long-term benefits for employees shall be recorded into the current-period profits/losses or relevant asset costs.

(24) Recognition of revenues

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

1). Revenue from selling goods

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

2). Revenue from rendering labor services

If the Company can, on the balance sheet date, reliably estimate the schedule of completion and outcome of a transaction concerning the labor services, and the costs related to the transaction incurred or to be incurred can be reliably measured, the Company shall recognize the revenue from rendering labor services adopting the percentage-of-completion method and shall ascertain the schedule of completion

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

3). Abalienate the right to use assets

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

(25) Government subsidies

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

The Company defines the obtained government subsidies used for purchase or construction, or forming the long-term assets by other ways as government subsidies pertinent to assets, and all the other government subsidies as government subsidies pertinent to income. If the government document does not specify the subsidy object, the following mode is adopted to classify the subsidies into government subsidies pertinent to income and government subsidies pertinent to assets: (1) if the government document specifies the project to which the subsidy aims, the amount is divided according to the relative proportion of the paid amount to form assets to the paid amount to be recorded into expenses in the budget of this specific project, and this division proportion needs to be checked on every balance sheet date and be

changed when necessary; (2) if the government document provides only a general presentation of the purpose without specifying the specific project, the subsidy shall be regarded as government subsidy pertinent to income.

The government subsidies of monetary assets shall be measured according to the amount received or receivable. Here, if there is any exact evidence showing that this subsidy is appropriated according to the fixed quota, it can be measured according to the amount receivable; otherwise it shall be measured according to the amount actually received. The government subsidies of non-monetary assets shall be measured at the fair value; if the fair value cannot be obtained in a reliable way, the subsidies shall be measured at the nominal amount of RMB1.

When a government subsidy is actually received, the Company usually recognizes and measures it according to the actually received amount. At the end of the period, however, if there is any exact evidence showing that the Company complies with relevant conditions provided in the financial supporting policy and it is expected to receive the capital support from the government, this subsidy shall be measured according to the amount receivable. The government subsidy measured according to the amount receivable shall comply with all the following conditions: (1) The amount of receivable subsidy has been confirmed by the authoritative government department by issuing a document, or the subsidy can be independently and reasonably measured and calculated in accordance with relevant provisions of the formally issued financial fund management measures and it is predicted that its amount does not involve significant uncertainty; (2) the subsidy is based on the financially supported project that is formally released by the local financial department and initiatively disclosed according to provisions of the Regulation of the People's Republic of China on the Disclosure of Government Information, as well as its financial fund management measures, and the management measures must be generous (any enterprise meeting the defined conditions can apply for the subsidy) and are not formulated specially for specific enterprises; (3) the related subsidy approval document has clearly promised the time limit of appropriation and appropriation of the fund is guaranteed by the corresponding financial budget, so it can be surely received within the defined time limit; (4) other conditions (if any) that shall be matched according to specific conditions of the Company and this matter of subsidy.

The government subsidies pertinent to assets shall be recognized as deferred income

and shall be equally distributed within the service life of the relevant assets, and recorded into the current-period profits and losses. If the government subsidies pertinent to incomes are used for compensating the related expenses or losses incurred to the Company, they shall be recorded into the current-period profits and losses; if the government subsidies pertinent to incomes are used for compensating the related future expenses or losses in the later period, the subsidies shall be recorded into the deferred income and shall be recorded into the current-period profits and losses during the period when the relevant expenses are recognized. The government subsidies measured at the nominal amount shall be directly recorded into the current-period profits and losses.

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

(26) Income taxes

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

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

(1) The recognition of business reputation;

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

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

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

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

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

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

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

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

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

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

(27) Leases

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

1). Financing leases

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

- ① The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- ② The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;
- ③ Even if the ownership of the asset is not transferred, the lease term covers the major part (over 75% (included)) of the service life of the leased asset;
- ④ In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; and
- ⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

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

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

2). Operating leases

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

be recorded into the profits and losses of the current period in which they actually arise.

(28) Hedging

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

1). Recognition condition of hedging

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

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

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

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

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

2). Measurement of hedging

The hedging instrument is measured at its fair value on the date when the hedging contract is signed, and its subsequent measurement is done at its fair value. The hedging instrument with a positive fair value shall be recognized as other current assets, and the hedging instrument with a negative fair value shall be recognized as

other current liabilities. Where a cash flow hedging meets the conditions for adopting the hedging accounting method, it shall be dealt with in accordance with the following provisions:

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

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

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

3). Evaluation of effectiveness of hedging

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

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

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

4. Conditions for terminating the fair value hedging accounting method

In case that hedging meets one of the following conditions, the Company will terminate use of fair value hedging accounting:

(1) The hedging instrument has expired or has been sold or exercised, or the relevant contract has been terminated.

(2) Where the hedging instrument has been extended or replaced by another hedging instrument and the extension or replacement is a composing part of the hedging strategy clearly stated on the Company's written document, it shall not be deemed that the hedging instrument has expired or the related contract has been terminated.

(3) This hedging does not match the conditions for using the hedging accounting method any more.

(4) The Company has cancelled specification of hedging relationship.

(29) Critical accounting estimates

The management needs to make judgments and estimates in preparation of financial statements, and these judgments and estimates will affect the statement amounts of revenues, expenses, assets and liabilities and disclosure thereof, as well as disclosure of the contingent liability on the balance sheet date. However, the result arising from uncertainty of these estimates may lead to material adjustments for the carrying amount of future affected assets or liabilities.

The Company regularly reviews aforesaid judgments, estimates and assumptions on a going concern basis. Where changes in accounting estimates influence only the current period of changes, the amount affected by changes shall be recognized in the current period of changes; where changes influence both the current period of changes and the future period, the amount affected by changes shall be recognized in the current period of changes and the future period.

On the balance sheet date, the Company needs to make judgments, estimates and

assumptions for amount of financial statement items in the following important fields:

1. Classification of leases

The Company classifies leases into operating leases and financing leases in accordance with provisions of Accounting Standards for Business Enterprises No. 21 – Leases. In classification, the management needs to make analysis and judgment based on whether all the risks and rewards related to the ownership of leased assets have been essentially transferred to the lessee or whether the Company has essentially assumed all the risks and rewards related to the ownership of leased assets.

2. Appropriation of bad debt provision

The Company adopts the allowance method to account the loss on bad debt according to the accounting policy of receivables. Impairment of accounts receivable is based on evaluation of collectability of accounts receivable. Identification of impairment of accounts receivable requires judgments and estimates made by the management. The difference between the actual result and the original estimate will affect the carrying amount of accounts receivable and appropriation or reversal of bad debt provision for accounts receivable in the period during which the estimate is changed.

3. Provision for decline in value of inventories

The company measures inventories at the lower of the cost and net realizable value according to the inventory accounting policy. If the cost of inventories is higher than the net realizable value and the inventories are obsolete and slow moving ones, a provision for decline in value of inventories shall be made. The decline in value of inventories to the net realizable value is based on evaluation of inventories' salability and realizable value. Identification of the decline in value of inventories requires the management to obtain exact evidence and make judgments and estimates on the basis of considering factors such as purposes of holding inventories and influences of events after the balance sheet date. The difference between the actual result and the original estimate will affect the carrying amount of inventories and making or reversal of provision for decline in value of inventories in the period during which the estimate is changed.

4. Fair value of financial instruments

For the financial instruments which have no active trading market, the Company uses various valuation methods such as discount cash flow model analysis to determine their fair values. In valuation, the Company needs to estimate aspects including the future cash flow, credit risk, market volatility and pertinency, and select a proper discount rate. These related hypotheses show uncertainty, and their changes will influence the fair value of a financial instrument.

5. Provision for non-financial and non-current asset impairment

On the balance sheet date, the Company judges whether the non-current assets other than financial assets may involve signs showing possible impairment. In addition to the impairment test conducted on an annual basis for the intangible assets with uncertain service life, when there is any sign showing impairment, such an asset shall also undergo an impairment test. For the non-current assets other than financial assets, if there is any sign showing that their carrying amount cannot be recovered, an impairment test shall be performed.

Where the carrying amount of an asset or asset group is higher than the recoverable amount, namely, the higher of the net amount got by reducing the disposal expenses from the fair value and the present value of the expected future cash flow, impairment has occurred.

The net amount got by reducing the disposal expenses from the fair value is recognized by referring to the sales agreement price of similar assets in a fair transaction or the observable market price and reducing the incremental cost directly attributable to disposal of this asset.

When the present value of the future cash flow is predicted, great judgments shall be made on this asset's (or asset group's) output, selling price, related operating cost and the discount rate used to calculate the present value. When estimating the recoverable amount, the Company adopts all the related data accessible, including the forecast about the output, selling price and related operating cost that is made according to the reasonable and supported hypotheses.

6. Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the company makes depreciation and amortization using the straight-line method in the service life after taking into account their salvage values. The Company regularly reviews the

service life so as to determine the amount of depreciation and amortization expenses to be recorded into every report period. The service life is determined by the Company according to the previous experience in similar assets and in combination with the expected technology update. If major changes occur in the previous estimate, the depreciation and amortization expenses will be adjusted in the future period.

7. Deferred income tax assets

Within the limit that sufficient taxable profit can be obtained very likely to deduct the loss, the Company will recognize the deferred income tax assets regarding all the unused tax losses. This requires the management of the Company to use a lot of judgments to estimate the time and amount of the future taxable profit that may be generated and combine the tax planning strategy to determine the amount of the deferred income tax assets that should be recognized.

8. Income tax

In the normal operating activities of the Company, the final tax treatment and calculation of some transactions are uncertain to some extent. Whether certain items can be charged before tax depends on examination and approval of the tax authority. If the final recognition results of these tax issues differ from the initially estimated amount, the difference will influence the current income tax and deferred income tax in the period when it is finally recognized.

9. Accrued liabilities

Based on the contract terms, present knowledge and historical experience, the Company estimates the expected contract loss, delayed delivery penalty and litigation loss and makes corresponding provision. In case that such a contingency has formed a current obligation and the fulfillment of this current obligation likely causes outflow of economic benefits from the Company, the Company shall recognize the contingency as an accrued liability according to the best estimate of the necessary expense to be paid for the performance of the current obligation. To a great extent the recognition and measurement of accrued liabilities depend on judgments made by the management. In the judging process, the management shall evaluate the associated risks, uncertainty, and currency time value of such a contingency.

(30) Changes of accounting policies and accounting estimates and early error correction

1). Changes of accounting policies

In 2014, the Ministry of Finance issued and amended the Accounting Standards for Business Enterprises - Basic Standards (Revision), Accounting Standards for Business Enterprises No.2 - Long-term Equity Investments (Revision), Accounting Standards for Business Enterprises No.9 - Employee Compensation (Revision), Accounting Standards for Business Enterprises No.30 - Presentation of Financial Statements (Revision), Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements (Revision), Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (Revision), Accounting Standards for Business Enterprises No.39 - Fair Value Measurement, Accounting Standards for Business Enterprises No.40 - Joint Arrangements, and Accounting Standards for Business Enterprise No.41 - Disclosure of Interests in Other Entities. The Company adjusted related accounting policies in accordance with the newly issued and amended Accounting Standards for Business Enterprises.

The table below provides influences on the consolidated financial statements of the current year by changes in the accounting policy arising from execution of the above accounting standards by the Company:

| Account Title | January 1, 2013/the year of 2012 | December 31, 2013/the year of 2013 |
|---|----------------------------------|------------------------------------|
| Long-term equity investment | -900,000.00 | -900,000.00 |
| Provision for impairment of long-term equity investment | -900,000.00 | -900,000.00 |
| Available-for-sale financial assets | 900,000.00 | 900,000.00 |
| Provision for impairment of available-for-sale financial assets | 900,000.00 | 900,000.00 |
| Other current assets | 38,280,236.66 | 17,175,627.86 |
| Taxes payable | 38,280,236.66 | 17,175,627.86 |
| Difference arising from translation of financial statements in foreign currency | -10,133,985.43 | 1,935,948.39 |
| Capital reserves | -15,877,173.81 | 10,386,118.84 |
| Other comprehensive income | 26,011,159.24 | 672,512.77 |
| Tradable financial assets | -263,460,017.40 | -1,246,106,661.88 |
| Derivative financial assets | 263,460,017.40 | 1,246,106,661.88 |

| Account Title | January 1, 2013/the year of 2012 | December 31, 2013/the year of 2013 |
|-------------------------------|----------------------------------|------------------------------------|
| Other non-current liabilities | -11,469,703.49 | -39,920,603.17 |
| Deferred income | 11,469,703.49 | 39,920,603.17 |
| Long-term payroll payable | 105,313,611.00 | 92,923,562.00 |
| Undistributed profit | -105,313,611.00 | -105,918,142.00 |
| Overhead expense | | -3,310,497.00 |
| Financial expense | | 3,915,028.00 |

2). Changes of accounting estimates

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

3). Early error correction

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

6. Taxes

(1) Main tax categories and tax rates of the Company

| Category | Tax Base | Tax Rate |
|--------------------------------------|--|------------------|
| Added-value tax | Value added because of sales of commodities or rendering of services | 17%, 13%, 6%, 3% |
| Business tax | Taxable turnover | 3%, 5% |
| Urban construction & maintenance tax | Circulation taxes payable | 5%, 7% |
| Educational surcharges | Circulation taxes payable | 3% |
| Local education surcharge | Circulation taxes payable | 2% |
| Embankment protection fee | Sales revenue | 0.03%-0.1% |
| Business income tax | Taxable income | 15%, 25% |

Note: The overseas subsidiary companies of the Company pay the corresponding taxes according to the local tax laws.

(2) Business income tax rates of major tax payer enterprises subject to different tax rates

| Taxpayer | Income tax rate | Taxpayer | Income tax rate |
|---|-----------------|--|-----------------|
| Gree Electric Appliances (Chongqing) Co., Ltd. | 15% | Gree Electric Appliances (Hefei) Co., Ltd. | 15% |
| Zhuhai Landa Compressor Co., Ltd. | 15% | Hong Kong Gree Electric Appliances Sales Co., Ltd. | 16.5% |
| Zhuhai Kaibang Motor Manufacture Co., Ltd. | 15% | Gree Electric Appliances (Brazil) Co., Ltd. | 34% |
| Gree Electric Appliances (Shijiazhuang) Co., Ltd. | 15% | Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai | 15% |

| Taxpayer | Income tax rate | Taxpayer | Income tax rate |
|--|-----------------|--|-----------------|
| Zhuhai Gree Xinyuan Electronics Co., Ltd. | 15% | Gree Electric Appliances (Zhengzhou) Co., Ltd. | 15% |
| Gree Electric Appliances (Wuhan) Co., Ltd. | 15% | Gree Electric Appliances (Wuhu) Co., Ltd. | 15% |

(3) Tax preferences and approval documents

1. The Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201444001043). The Company applied the income tax rate of 15%.

2. Gree Electric Appliances (Chongqing) Co., Ltd., a subsidiary company of the Company has been enjoying the country's western development policy as of 1 January 2008, and applied the income tax rate of 15%.

3. Zhuhai Landa Compressor Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201444000002). It applied the income tax rate of 15%. (Hefei Landa Compressor Co., Ltd. as its subsidiary company applied the income tax rate of 15%, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201434000075); Zhengzhou Landa Compressor Co., Ltd. as its subsidiary company applied the income tax rate of 15%, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201441000234); Wuhan Landa Compressor Co., Ltd. as its subsidiary company has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201442000567), and applied the income tax rate of 15%.)

4. Gree Electric Enterprises (Ma'anshan) Ltd., as a subsidiary company of Zhuhai Gree Electrical Co., Ltd. under the Company, has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201434000348), and applied the income tax rate of 15%.

5. Zhuhai Kaibang Motor Manufacture Co., Ltd., a subsidiary company of the Company, was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201244000068). It applied the income tax rate of 15%. Hefei

Kaibang Motor Manufacture Co., Ltd., as its subsidiary company, has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201434000014), and applied the income tax rate of 15%; Henan Kaibang Motor Manufacture Co., Ltd. has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201441000147), and applied the income tax rate of 15%; Chongqing Kaibang Motor Manufacture Co., Ltd. has been enjoying the country's western development policy as of 1 January 2013 and applied the income tax rate of 15%.

6. Gree Electric Appliances (Hefei) Co., Ltd., a subsidiary company of the Company, was registered in Hefei city of Anhui province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201434000153). It applied the income tax rate of 15%.

7. Zhuhai Gree Xinyuan Electronics Co., Ltd., a subsidiary company of the Company, was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201344000373). It applied the income tax rate of 15%.

8. Zhuhai Gree Daikin Precision Mold Co., Ltd., a subsidiary company of the Company, was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201344000501). It applied the income tax rate of 15%.

9. Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai, a subsidiary company of the Company, was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201444000382). It applied the income tax rate of 15%.

10. Gree Electric Appliances (Wuhan) Co., Ltd., a subsidiary company of the Company, was registered in Wuhan city of Hubei province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201342000397). It applied the income tax rate of 15%.

11. Gree Electric Appliances (Shijiazhuang) Co., Ltd., a subsidiary company of the Company, was registered in Shijiazhuang city of Hebei province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201313000130). It applied the income tax rate of 15%.

12. Gree Electric Appliances (Zhengzhou) Co., Ltd., a subsidiary company of the Company, was registered in Zhengzhou city of Henan province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201441000307). It applied the income tax rate of 15%.

13. Gree Electric Appliances (Wuhu) Co., Ltd., a subsidiary company of the Company, was registered in Wuhu city of Anhui province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201434000562). It applied the income tax rate of 15%.

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

Unless specially indicated, the monetary unit of the data listed in this section shall be RMB yuan. "Beginning of the period" means 1 January 2014, "End of the period" means 31 December 2014, "Previous period" means the year 2013, "Current period" means the year 2014.

(1) Monetary capital

| Item | Amount at the end of the period | Amount at the beginning of the period |
|-------------------------------|---------------------------------|---------------------------------------|
| Cash | 2,003,105.00 | 2,183,756.28 |
| Bank deposits | 20,221,361,881.43 | 16,905,988,342.59 |
| Other monetary capital | 6,220,997,967.35 | 6,312,293,138.58 |
| Deposits in central bank | 4,820,704,007.82 | 2,993,409,470.37 |
| Deposits in other banks | 23,280,606,487.54 | 12,327,809,763.01 |
| Total | 54,545,673,449.14 | 38,541,684,470.83 |
| Total amount deposited abroad | 128,461,866.43 | 202,155,249.46 |

Note:

1) the margin deposit for the banker's acceptance bill in other monetary capital of the Company is RMB 2,686,959,008.66; the loan pledge margin is RMB 3,534,038,958.69;

2) the reserve requirements on deposit in the Company's deposits in central bank is RMB 4,818,204,368.70.

3. The Company did not have any amount involving potential recovery risk at the end of the period.

(2) Derivative financial assets

| Item | Amount at the end of the period | Amount at the beginning of the period |
|-----------------------------|---------------------------------|---------------------------------------|
| Derivative financial assets | 84,177,518.23 | 1,246,106,661.88 |
| Total | 84,177,518.23 | 1,246,106,661.88 |

Note: To evade the exchange rate risks associated with export collection of foreign exchange and import payment in foreign exchange, the Company has started forward foreign exchange settlement/sale and relevant portfolio businesses with banks. The Company recognized, measured and presented the started foreign exchange businesses in accordance with relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments issued by the Ministry of Finance and guidelines thereof.

(3) Notes receivable

1. Notes receivable are presented by category:

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---------------------|---------------------------------|---------------------------------------|
| Banker's acceptance | 50,480,571,355.46 | 46,297,242,328.98 |
| Total | 50,480,571,355.46 | 46,297,242,328.98 |

2. Notes receivable which have been pledged but not yet due at the end of the period:

| Item | Pledged amount at the end of the period |
|---------------------|---|
| Banker's acceptance | 1,921,147,051.00 |
| Total | 1,921,147,051.00 |

3. Notes receivable which have been endorsed or discounted but not yet due at the end of the period:

| Item | Amount whose recognition is terminated at the end of the period | Amount whose recognition is not terminated at the end of the period |
|-----------------------------|---|---|
| Banker's acceptance | 29,376,473,728.31 | |
| Wherein: Endorsed but undue | 23,376,473,728.31 | |
| Discounted but undue | 6,000,000,000.00 | |
| Total | 29,376,473,728.31 | |

4. The Company had no notes carried forward to the accounts receivable due to incapability of performance by the drawer at the end of the period.

(4) Accounts receivable

1). The accounts receivable are disclosed by type:

| Type | Amount at the end of the period | | | | |
|--|---------------------------------|----------------|--------------------|----------------|------------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Receivables with significant single amounts and single impairment provision appropriated | 455,090,253.61 | 14.42 | 335,028,479.96 | 73.62 | 120,061,773.65 |
| Accounts receivable with bad debt provision appropriated by aging combination | 2,677,694,659.56 | 84.82 | 136,408,804.52 | 5.09 | 2,541,285,855.04 |
| Other insignificant accounts receivable with single bad debt provision appropriated | 24,037,956.63 | 0.76 | 24,037,956.63 | 100.00 | |
| Total | 3,156,822,869.80 | 100.00 | 495,475,241.11 | 15.70 | 2,661,347,628.69 |

Continued

| Type | Amount at the beginning of the period | | | | |
|--|---------------------------------------|----------------|--------------------|----------------|------------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Receivables with significant single amounts and single impairment provision appropriated | 35,479,109.14 | 1.76 | 35,479,109.14 | 100.00 | |
| Accounts receivable with bad debt provision appropriated by aging combination | 1,952,883,810.66 | 97.22 | 103,608,467.87 | 5.31 | 1,849,275,342.79 |
| Other insignificant accounts receivable with single bad debt provision appropriated | 20,421,003.93 | 1.02 | 20,421,003.93 | 100.00 | |
| Total | 2,008,783,923.73 | 100.00 | 159,508,580.94 | 7.94 | 1,849,275,342.79 |

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

| Aging | Amount at the end of the period | | |
|---------------|---------------------------------|--------------------|---------------------------------|
| | Accounts receivable | Bad debt provision | Percentage of appropriation (%) |
| Within 1 year | 2,673,819,239.97 | 133,690,962.03 | 5.00 |
| 1 to 2 years | 1,446,971.38 | 289,394.28 | 20.00 |
| 2 to 3 years | | | |
| Over 3 years | 2,428,448.21 | 2,428,448.21 | 100.00 |
| Total | 2,677,694,659.56 | 136,408,804.52 | 5.09 |

3. Receivables with significant single amounts and single impairment provision appropriated

| Name of debtor | Book balance | Bad debt provision | Percentage of appropriation (%) | Reason for appropriation |
|----------------|----------------|--------------------|---------------------------------|--------------------------|
| Customer | 455,090,253.61 | 335,028,479.96 | 73.62 | Litigation |
| Total | 455,090,253.61 | 335,028,479.96 | 73.62 | |

4. Other insignificant accounts receivable with single bad debt provision appropriated

| Name of debtor | Book balance | Bad debt provision | Percentage of appropriation (%) | Reason for appropriation |
|----------------|---------------|--------------------|---------------------------------|--------------------------|
| Customer 1 | 4,715,115.32 | 4,715,115.32 | 100.00 | Insolvency |
| Customer 2 | 13,458,727.43 | 13,458,727.43 | 100.00 | Bankruptcy |
| Customer 3 | 5,556,302.40 | 5,556,302.40 | 100.00 | Bankruptcy |
| Customer 4 | 307,811.48 | 307,811.48 | 100.00 | Bankruptcy |
| Total | 24,037,956.63 | 24,037,956.63 | 100.00 | |

5. The amount of bad debt provision appropriated by the Company in the current period was RMB336,050,039.87, and there was no recovered or reversed bad debt provision.

6. The Company's accounts receivable actually written off in this period was RMB83,379.70, and there was no important accounts receivable that was written off..

7. The aggregate balance amount of accounts receivable for the Company's top 5 debtors at the end of the year was RMB1,189,180,999.56, accounting from 37.67% of the total balance of accounts receivable at the end of the year, and the aggregate balance amount of bad debt provision appropriated accordingly at the end of the year was RMB371,733,017.26.

8. The Company had no accounts receivable that were stopped from recognition due to financial asset transfer in the current period.

9. The Company had no assets or liabilities formed by transfer of accounts receivable and its continuous involvement into them in the current period.

(5) Prepayments

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

| Aging | Amount at the end of the period | | Amount at the beginning of the period | |
|---------------|---------------------------------|----------------|---------------------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 1,486,676,218.13 | 93.41 | 1,202,825,889.73 | 80.27 |
| 1 to 2 years | 48,268,461.96 | 3.03 | 228,274,823.66 | 15.23 |
| 2 to 3 years | 43,214,619.97 | 2.72 | 60,593,031.79 | 4.04 |

| Aging | Amount at the end of the period | | Amount at the beginning of the period | |
|--------------|---------------------------------|----------------|---------------------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Over 3 years | 13,328,057.88 | 0.84 | 6,955,925.46 | 0.46 |
| Total | 1,591,487,357.94 | 100.00 | 1,498,649,670.64 | 100.00 |

2. At the end of the period, the Company had no prepayments whose aging exceeded one year and amount was important.

3. The Company's total prepayment balance of top 5 prepaying entities at the end of the year was RMB413,940,605.84, accounting for 26.01% of the prepayment balance at the end of the year.

(6) Interests receivable

1. Classification of interests receivable:

| Item | Amount at the end of the period | Amount at the beginning of the period |
|-----------------------------|---------------------------------|---------------------------------------|
| Interest on deposit | 1,208,184,974.33 | 706,084,756.86 |
| Loan interest | 7,090,575.81 | 5,057,680.56 |
| Interest of bond investment | 26,870,437.51 | 18,417,205.48 |
| Total | 1,242,145,987.65 | 729,559,642.90 |

2. The Company had no overdue interests in the current period.

(7) Other receivables

1). Other receivables are disclosed by type:

| Type | Amount at the end of the period | | | | Carrying amount |
|--|---------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Other receivable with bad debt provision appropriated by aging combination | 424,566,839.97 | 100.00 | 43,968,325.92 | 10.36 | 380,598,514.05 |
| Other insignificant receivables with single bad debt provision appropriated | | | | | |
| Total | 424,566,839.97 | 100.00 | 43,968,325.92 | 10.36 | 380,598,514.05 |

Continued

| Type | Amount at the beginning of the period | | | | Carrying amount |
|--|---------------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Other receivable with bad debt provision appropriated by aging combination | 382,438,353.20 | 100.00 | 36,018,604.45 | 9.42 | 346,419,748.75 |
| Other insignificant receivables with single bad debt provision appropriated | | | | | |
| Total | 382,438,353.20 | 100.00 | 36,018,604.45 | 9.42 | 346,419,748.75 |

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

| Aging | Amount at the end of the period | | |
|---------------|---------------------------------|--------------------|----------------|
| | Other receivable | Bad debt provision | Percentage (%) |
| Within 1 year | 390,620,655.10 | 19,509,056.22 | 5.00 |
| 1 to 2 years | 3,885,594.26 | 777,118.85 | 20.00 |
| 2 to 3 years | 12,756,879.53 | 6,378,439.77 | 50.00 |
| Over 3 years | 17,303,711.08 | 17,303,711.08 | 100.00 |
| Total | 424,566,839.97 | 43,968,325.92 | 10.36 |

3. The amount of bad debt provision appropriated by the Company in the current period was RMB8,162,353.56, and there was no recovered or reversed bad debt provision.

4. The amount of other receivables actually written off by the Company in the current period was RMB212,632.09.

5. Other receivables presented by the nature of money

| Nature of money | Amount at the end of the period | Amount at the beginning of the period |
|-------------------|---------------------------------|---------------------------------------|
| Intercourse funds | 217,369,028.28 | 212,276,324.47 |
| Hedging fund | 207,197,811.69 | 170,162,028.73 |
| Total | 424,566,839.97 | 382,438,353.20 |

6. The top 5 debtors of other receivables:

| Name of entity | Relationship with the Company | Amount | Aging | Percentage to total other receivables (%) | Bad debt provision appropriated |
|----------------|-------------------------------|----------------|---------------|---|---------------------------------|
| Entity 1 | Non-related party | 207,197,811.69 | Within 1 year | 48.80 | 10,359,890.58 |
| Entity 2 | Non-related party | 14,382,900.00 | Within 1 year | 3.39 | 719,145.00 |
| Entity 3 | Non-related party | 9,274,639.79 | Within 1 year | 2.18 | 463,731.99 |
| Entity 4 | Non-related party | 6,099,618.83 | Within 1 year | 1.44 | 304,980.94 |
| Entity 5 | Non-related party | 5,395,927.85 | Within 1 year | 1.27 | 269,796.39 |
| Total | | 242,350,898.16 | | 57.08 | 12,117,544.90 |

7. The Company had no other receivables involving government subsidies in the current period.

8. The Company had no other receivables that were stopped from recognition due to financial asset transfer in the current period.

9. The Company had no assets or liabilities formed by transfer of other receivables and its continuous involvement into them in the current period.

(8) Inventories

1). Type of inventories

| Item | Amount at the end of the period | | |
|------------------|---------------------------------|--------------------------|------------------|
| | Book balance | Provision for price fall | Carrying amount |
| Raw material | 3,362,463,512.86 | 90,348,850.42 | 3,272,114,662.44 |
| Goods in process | 1,323,445,660.27 | | 1,323,445,660.27 |
| Finished goods | 4,038,235,906.49 | 34,698,133.23 | 4,003,537,773.26 |
| Total | 8,724,145,079.62 | 125,046,983.65 | 8,599,098,095.97 |

Continued

| Item | Amount at the beginning of the period | | |
|------------------|---------------------------------------|--------------------------|-------------------|
| | Book balance | Provision for price fall | Carrying amount |
| Raw material | 5,365,668,616.08 | 84,887,853.04 | 5,280,780,763.04 |
| Goods in process | 2,081,236,417.97 | | 2,081,236,417.97 |
| Finished goods | 5,848,856,641.44 | 88,143,396.67 | 5,760,713,244.77 |
| Total | 13,295,761,675.49 | 173,031,249.71 | 13,122,730,425.78 |

2). Provision for obsolete stocks

| Type of inventories | Amount at the beginning of the period | Increase for the current period | Decrease for the current period | Amount at the end of the period |
|---------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | | | |

| | | Amount of appropriation for the current period | Others | Reversed amount | Write-off amount | |
|----------------|----------------|--|--------|-----------------|------------------|----------------|
| Raw material | 84,887,853.04 | 6,228,639.01 | | | 767,641.63 | 90,348,850.42 |
| Finished goods | 88,143,396.67 | | | | 53,445,263.44 | 34,698,133.23 |
| Total | 173,031,249.71 | 6,228,639.01 | | | 54,212,905.07 | 125,046,983.65 |

Specific bases for making a provision for decline in value of inventories and reasons of reversing or writing off the provision for decline in value of inventories in the current period

| Item | Specific basis for making a provision for decline in value of inventories | Reason of reversing the provision for decline in value of inventories in the current year | Reason of writing off the provision for decline in value of inventories in the current year |
|----------------|---|---|---|
| Raw material | The lower of the inventory cost and net realizable value | | Sold in the current period |
| Goods in stock | The lower of the inventory cost and net realizable value | | Sold in the current period |

3. The inventory balance at the end of the period did not contain capitalized amounts of borrowing costs.

4. The inventory balance at the end of the period did not involve finished but unsettled assets formed under construction contract.

(9) Other current assets

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--|---------------------------------|---------------------------------------|
| Profit and loss from hedging instruments | | 15,205,287.36 |
| Hedging instrument margin | 58,510,172.50 | 85,648,602.00 |
| Subordinated bonds | 400,000,000.00 | |
| Input tax to be deducted | 99,868,743.47 | 17,175,627.86 |
| Total | 558,378,915.97 | 118,029,517.22 |

(10) Disbursement of loans and advances

1. Distribution of enterprises and individuals

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--|---------------------------------|---------------------------------------|
| Disbursement of corporate loans and advances | | |
| -Loans | 4,138,560,000.00 | 2,224,000,000.00 |
| -Discount | 2,469,011,316.19 | 2,459,347,320.64 |
| Including: discount asset interest adjustment | -27,138,892.20 | -32,317,548.53 |
| Total disbursement of corporate loans and advances | 6,607,571,316.19 | 4,683,347,320.64 |

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---|---------------------------------|---------------------------------------|
| Less: loan loss provision | 165,867,755.21 | 117,891,621.73 |
| Including: combined appropriation | 165,867,755.21 | 117,891,621.73 |
| Carrying amount of disbursement of corporate loans and advances | 6,441,703,560.98 | 4,565,455,698.91 |

2. Changes in loss provision for loans

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--------------------------------------|---------------------------------|---------------------------------------|
| Balance at the beginning of the year | 117,891,621.73 | 53,839,698.01 |
| Appropriation for the current year | 47,976,133.48 | 64,051,923.72 |
| Balance at the end of the period | 165,867,755.21 | 117,891,621.73 |

(11) Financial assets available for sale

1. Classification of financial assets available for sale

| Item | Balance at the end of the period | | | |
|--|----------------------------------|------------------|--------------------------|------------------|
| | Initial cost | Book balance | Provision for impairment | Carrying amount |
| Debt instrument available for sale | 869,780,950.00 | 888,898,940.00 | | 888,898,940.00 |
| Equity instrument available for sale | 1,236,205,799.23 | 1,262,099,993.13 | 900,000.00 | 1,261,199,993.13 |
| Including: amount measured at the fair value | 1,235,305,799.23 | 1,261,199,993.13 | | 1,261,199,993.13 |
| Amount measured by cost | 900,000.00 | 900,000.00 | 900,000.00 | |
| Total | 2,105,986,749.23 | 2,150,998,933.13 | 900,000.00 | 2,150,098,933.13 |

Continued

| Item | Balance at the beginning of the period | | | |
|--|--|----------------|--------------------------|-----------------|
| | Initial cost | Book balance | Provision for impairment | Carrying amount |
| Debt instrument available for sale | 838,013,349.99 | 805,932,600.00 | | 805,932,600.00 |
| Equity instrument available for sale | 900,000.00 | 900,000.00 | 900,000.00 | |
| Including: amount measured at the fair value | | | | |
| Amount measured by cost | 900,000.00 | 900,000.00 | 900,000.00 | |
| Total | 838,913,349.99 | 806,832,600.00 | 900,000.00 | 805,932,600.00 |

2. Available-for-sale financial assets measured at the fair value at the end of the period

| classification of financial assets available for sale | Equity instrument available for sale | Debt instrument available for sale | Total |
|---|--------------------------------------|------------------------------------|-------|
| | | | |

| classification of financial assets available for sale | Equity instrument available for sale | Debt instrument available for sale | Total |
|---|--------------------------------------|------------------------------------|------------------|
| Equity instrument cost/Debt instrument amortization cost | 1,235,305,799.23 | 872,768,741.65 | 2,108,074,540.88 |
| Fair value | 1,261,199,993.13 | 888,898,940.00 | 2,150,098,933.13 |
| Amount change in the fair value cumulatively recorded into other comprehensive income | 21,621,651.91 | 10,797,151.52 | 32,418,803.43 |
| Impairment amount appropriated | | | |

3. Available-for-sale financial assets measured at cost at the end of the period

| Invested entity | Book balance | | | | Provision for impairment | | | | Shareholding ratio in the invested entity (%) | Cash dividend for the current period |
|-------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|---|--------------------------------------|
| | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period | | |
| Zhuhai Dasheng Co. Ltd. | 900,000.00 | | | 900,000.00 | 900,000.00 | | | 900,000.00 | 3.13 | |
| Total | 900,000.00 | | | 900,000.00 | 900,000.00 | | | 900,000.00 | | |

4. Changes in impairment of available-for-sale financial assets in the Report Period

| Classification of financial assets available for sale | Equity instrument available for sale | Debt instrument available for sale | Total |
|---|--------------------------------------|------------------------------------|------------|
| Balance of impairment appropriated at the beginning of the period | 900,000.00 | | 900,000.00 |
| Appropriation for the current period | | | |
| Decrease for the current period | | | |
| Balance of impairment appropriated at the end of the period | 900,000.00 | | 900,000.00 |

5. The Company had no dramatic decrease or persistent decrease in the closing fair value of equity instrument available for sale in the current period.

(12) Long-term equity investments

| Name of invested entities | Balance at the beginning of the year | | Increase/Decrease in the current period | | | | | | | | Balance at the end of the period | Balance of provision for impairment at the end of the period |
|---|--------------------------------------|--------------------------|---|---------------|--|--|---------------------------|--|---------------------------------------|--------|----------------------------------|--|
| | Original value | Provision for impairment | Additional investment | Disinvestment | Investment profits/losses recognized under the equity method | Adjustment of other comprehensive income | Changes in other equities | Cash dividends or profits declared to distribute | Appropriated provision for impairment | Others | | |
| 1. Partnership | | | | | | | | | | | | |
| Songyuan Food Group Co., Ltd. | 58,589,481.39 | | | | -862,373.93 | | | | | | 57,727,107.46 | |
| Subtotal | 58,589,481.39 | | | | -862,373.93 | | | | | | 57,727,107.46 | |
| 2. Joint venture | | | | | | | | | | | | |
| (Vietnam) Gree Electric Appliances, Inc. | 1,940,009.35 | 1,940,009.35 | | | | | | | | | 1,940,009.35 | 1,940,009.35 |
| Zhuhai Lida International Supply China Management Co., Ltd. | 1,754,540.79 | | | 1,754,540.79 | | | | | | | | |
| Liaowang All Media Communication Co., Ltd. | 25,461,791.03 | | | | -3,129,914.80 | | | | | | 22,331,876.23 | |
| Beijing Gree Technology Co., Ltd. | 725,511.75 | | | | 353,663.63 | | | | | | 1,079,175.38 | |
| Chongqing Pargo Mechanical Equipment Co., Ltd. | 11,037,208.34 | | | | 37,730.83 | | | | | | 11,074,939.17 | |
| Subtotal | 40,919,061.26 | 1,940,009.35 | | 1,754,540.79 | -2,738,520.34 | | | | | | 36,426,000.13 | 1,940,009.35 |
| Total | 99,508,542.65 | 1,940,009.35 | | 1,754,540.79 | -3,600,894.27 | | | | | | 94,153,107.59 | 1,940,009.35 |

(13) Investment real estate

1. Information of investment real estate

| Item | Houses and buildings | Total |
|---|----------------------|----------------|
| 1. Total of original carrying amount | | |
| (1) Balance at the beginning of the year | 548,234,852.26 | 548,234,852.26 |
| (2) Increased amount in the current period | 22,653,705.06 | 22,653,705.06 |
| Including: amount transferred into construction in progress | 18,392,167.09 | 18,392,167.09 |
| Amount transferred into fixed assets | 4,261,537.97 | 4,261,537.97 |
| (3) Decreased amount in the current period | | |
| (4) Balance at the end of the period | 570,888,557.32 | 570,888,557.32 |
| 2. Accumulated depreciation and accumulated amortization | | |
| (1) Balance at the beginning of the year | 45,178,389.58 | 45,178,389.58 |
| (2) Increased amount in the current period | 17,808,665.61 | 17,808,665.61 |
| Including: appropriation or amortization | 17,808,665.61 | 17,808,665.61 |
| (3) Decreased amount in the current period | | |
| (4) Balance at the end of the period | 62,987,055.19 | 62,987,055.19 |
| 3. Provision for impairment | | |
| 4. Carrying amount | | |
| (1) Carrying amount at the end of the period | 507,901,502.13 | 507,901,502.13 |
| (2) Carrying amount at the beginning of the period | 503,056,462.68 | 503,056,462.68 |

2. The original value of the investment real estate of which the certificate of title has not yet obtained by the Company was RMB354,054,262.91 at the end of the period.

(14) Fixed assets

1. Information of fixed assets

| Item | Houses and buildings | Machinery equipment | Means of transportation | Electronic equipment | Other equipments | Total |
|---|----------------------|---------------------|-------------------------|----------------------|------------------|-------------------|
| 1. Total of original carrying amount: | | | | | | |
| (1) Balance at the beginning of the year | 9,561,522,192.03 | 7,529,773,297.30 | 449,820,126.51 | 611,744,951.58 | 331,280,231.40 | 18,484,140,798.82 |
| (2) Increased amount in the current period | 1,096,360,978.98 | 975,001,554.54 | 46,127,344.10 | 130,030,959.52 | 40,614,935.41 | 2,288,135,772.55 |
| ① Procurement | | 784,816,894.20 | 46,127,344.10 | 130,030,959.52 | 40,614,935.41 | 1,001,590,133.23 |
| ② Amount transferred into construction in progress | 1,096,360,978.98 | 190,184,660.34 | | | | 1,286,545,639.32 |
| (3) Decreased amount in the current period | 4,261,537.97 | 263,971,502.48 | 7,981,458.27 | 51,430,089.69 | 13,758,097.07 | 341,402,685.48 |
| ① Disposal or scrap | | 263,971,502.48 | 7,981,458.27 | 51,430,089.69 | 13,758,097.07 | 337,141,147.51 |
| ② Amount transferred into investment real estate | 4,261,537.97 | | | | | 4,261,537.97 |
| (4) Balance at the end of the period | 10,653,621,633.04 | 8,240,803,349.36 | 487,966,012.34 | 690,345,821.41 | 358,137,069.74 | 20,430,873,885.89 |
| 2. Accumulated depreciation | | | | | | |
| (1) Balance at the beginning of the year | 1,125,994,587.76 | 2,621,348,319.60 | 184,545,685.73 | 355,314,510.54 | 155,917,137.62 | 4,443,120,241.25 |
| (2) Increased amount in the current period | 332,098,173.84 | 716,544,616.16 | 67,321,918.49 | 92,187,840.27 | 49,752,675.15 | 1,257,905,223.91 |
| ① Appropriation | 332,098,173.84 | 716,544,616.16 | 67,321,918.49 | 92,187,840.27 | 49,752,675.15 | 1,257,905,223.91 |
| (3) Decreased amount in the current period | 135,090.75 | 189,892,580.21 | 5,196,128.26 | 25,572,367.39 | 8,607,356.43 | 229,403,523.04 |
| ① Disposal or scrap | | 189,892,580.21 | 5,196,128.26 | 25,572,367.39 | 8,607,356.43 | 229,268,432.29 |
| ② Amount transferred into investment real estate | 135,090.75 | | | | | 135,090.75 |
| (4) Balance at the end of the period | 1,457,957,670.85 | 3,148,000,355.55 | 246,671,475.96 | 421,929,983.42 | 197,062,456.34 | 5,471,621,942.12 |
| 3. Provision for impairment | | | | | | |
| (1) Balance at the beginning of the year | | 6,402,565.57 | | 125,195.63 | 354,381.92 | 6,882,143.12 |
| (2) Increased amount in the current period | 13,995,429.77 | | | | | 13,995,429.77 |
| ① Increased by amount transferred into construction in progress | 13,995,429.77 | | | | | 13,995,429.77 |
| (3) Decreased amount in the current period | | 890,390.75 | | 950.28 | 13,935.97 | 905,277.00 |
| ① Disposal or scrap | | 890,390.75 | | 950.28 | 13,935.97 | 905,277.00 |
| (4) Balance at the end of the period | 13,995,429.77 | 5,512,174.82 | | 124,245.35 | 340,445.95 | 19,972,295.89 |
| 4. Carrying amount | | | | | | |
| (1) Carrying amount at the end of the period | 9,181,668,532.42 | 5,087,290,818.99 | 241,294,536.38 | 268,291,592.64 | 160,734,167.45 | 14,939,279,647.88 |
| (2) Carrying amount at the beginning of the period | 8,435,527,604.27 | 4,902,022,412.13 | 265,274,440.78 | 256,305,245.41 | 175,008,711.86 | 14,034,138,414.45 |

Notes: 1. The depreciation appropriated in the current period was RMB1,257,905,223.91. The original price of construction in progress transferred into fixed assets during the period was RMB1,286,545,639.32. As of December 31, 2014, the original value of houses and buildings of which the certificate of title has not yet obtained by the Company is RMB7,140,869,403.28.

2. The Company had no temporary idle fixed assets in the current period.

3. The Company had no fixed assets leased in through financing leases.

4. The Company had no fixed assets leased out through operating leases.

(15) Construction in progress

1. Information of construction in progress

| Item | Amount at the end of the period | | | Amount at the beginning of the period | | |
|--------------------------------|---------------------------------|--------------------------|------------------|---------------------------------------|--------------------------|------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Chongqing Gree project | 480,696,655.26 | | 480,696,655.26 | 448,557,795.71 | | 448,557,795.71 |
| Wuhu Gree project | 384,789,476.28 | | 384,789,476.28 | 477,497,048.75 | | 477,497,048.75 |
| Zhengzhou Gree Phase I project | 197,206,192.92 | | 197,206,192.92 | 437,082,841.96 | | 437,082,841.96 |
| Gree Hong Lok Yuen Phase II | | | | 203,843,263.06 | | 203,843,263.06 |
| Shijiazhuang Gree project | 51,621,044.84 | | 51,621,044.84 | 138,526,433.14 | | 138,526,433.14 |
| Others | 140,033,834.80 | | 140,033,834.80 | 170,165,060.91 | 13,995,429.77 | 156,169,631.14 |
| Total | 1,254,347,204.10 | | 1,254,347,204.10 | 1,875,672,443.53 | 13,995,429.77 | 1,861,677,013.76 |

2. Changes in construction projects in progress

| Item Name | Amount at the beginning of the year | Increase in the current period | Amount transferred into fixed assets | Amount transferred into investment real estate | Amount of capitalization of interests | Including: Amount of capitalization of interests for the current period | Interest capitalization rate for the current period (%) | Amount at the end of the period |
|--------------------------------|-------------------------------------|--------------------------------|--------------------------------------|--|---------------------------------------|---|---|---------------------------------|
| Chongqing Gree project | 448,557,795.71 | 32,138,859.55 | | | | | | 480,696,655.26 |
| Wuhu Gree project | 477,497,048.75 | 125,535,075.93 | 218,242,648.40 | | | | | 384,789,476.28 |
| Zhengzhou Gree Phase I project | 437,082,841.96 | 44,996,179.71 | 284,872,828.75 | | | | | 197,206,192.92 |
| Gree Hong Lok Yuen Phase II | 203,843,263.06 | 9,600,987.54 | 213,444,250.60 | | | | | |
| Shijiazhuang Gree project | 138,526,433.14 | 51,059,882.28 | 137,965,270.58 | | | | | 51,621,044.84 |
| Other projects | 170,165,060.91 | 420,281,581.97 | 432,020,640.99 | 18,392,167.09 | | | | 140,033,834.80 |
| Total | 1,875,672,443.53 | 683,612,566.98 | 1,286,545,639.32 | 18,392,167.09 | | | | 1,254,347,204.10 |

3. Provision for impairment of construction in progress

| Item | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period | Cause of decrease |
|--------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|---|
| Electrical plant project | 13,995,429.77 | | 13,995,429.77 | | Project put into use and carried over into fixed assets |
| Total | 13,995,429.77 | | 13,995,429.77 | | |

(16) Intangible assets

| Item | Land use rights | Patent rights | Total |
|--|------------------|---------------|------------------|
| 1. Total of original carrying amount | | | |
| (1) Balance at the beginning of the year | 2,546,544,585.14 | 17,692,359.60 | 2,564,236,944.74 |
| (2) Increased amount in the current period | 164,505,539.15 | 604,868.30 | 165,110,407.45 |
| Including: Procurement | 164,505,539.15 | 604,868.30 | 165,110,407.45 |
| (3) Decreased amount in the current period | | | |
| (4) Balance at the end of the period | 2,711,050,124.29 | 18,297,227.90 | 2,729,347,352.19 |
| 2. Accumulated amortization | | | |
| (1) Balance at the beginning of the year | 186,077,178.48 | 7,980,090.97 | 194,057,269.45 |
| (2) Increased amount in the current period | 53,522,436.80 | 1,473,616.91 | 54,996,053.71 |
| Including: appropriation | 53,522,436.80 | 1,473,616.91 | 54,996,053.71 |
| (3) Decreased amount in the current period | | | |
| (4) Balance at the end of the period | 239,599,615.28 | 9,453,707.88 | 249,053,323.16 |
| 3. Provision for impairment | | | |
| 4. Carrying amount | | | |
| (1) Carrying amount at the end of the period | 2,471,450,509.01 | 8,843,520.02 | 2,480,294,029.03 |
| (2) Carrying amount at the beginning of the period | 2,360,467,406.66 | 9,712,268.63 | 2,370,179,675.29 |

(17) Long-term deferred expenses

| Item | Amount at the beginning of the period | Increase for the current period | Amortization for the current period | Other decreases | Amount at the end of the period |
|-----------------------------|---------------------------------------|---------------------------------|-------------------------------------|-----------------|---------------------------------|
| Long-term deferred expenses | 42,665,255.34 | 4,437,913.04 | 26,154,900.89 | | 20,948,267.49 |
| Total | 42,665,255.34 | 4,437,913.04 | 26,154,900.89 | | 20,948,267.49 |

(18) Deferred income tax assets/Deferred income tax liabilities

1. Deferred income tax assets not offset

| Item | Balance at the end of the period | | Balance at the beginning of the period | |
|--|----------------------------------|----------------------------|--|----------------------------|
| | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets |
| Assets depreciation reserves | 374,892,157.41 | 68,963,151.96 | 383,478,965.39 | 68,759,284.04 |
| Deductible loss | 151,616,423.99 | 37,904,105.98 | 66,911,547.28 | 16,244,325.84 |
| Accrued expenses | 48,342,150,490.18 | 7,253,156,000.51 | 33,737,663,547.17 | 5,061,994,433.94 |
| Payroll payable | 1,121,610,218.73 | 171,167,851.84 | 1,328,321,713.94 | 216,054,032.89 |
| Changes in fair value of financial assets available for sale | | | 34,824,445.33 | 8,706,111.33 |
| Amortization of long-term assets | 931,735,439.22 | 140,132,322.27 | 1,188,986,320.05 | 184,551,430.08 |
| Hedging instruments | 49,990,204.44 | 7,498,530.67 | | |
| Others | 3,414,868,337.46 | 514,140,040.13 | 739,853,265.24 | 126,303,563.79 |
| Total | 54,386,863,271.43 | 8,192,962,003.36 | 37,480,039,804.40 | 5,682,613,181.91 |

2. Deferred income tax liabilities not offset

| Item | Balance at the end of the period | | Balance at the beginning of the period | |
|--|----------------------------------|---------------------------------|--|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Interests receivable | 1,242,145,987.65 | 235,903,584.94 | 729,559,642.90 | 130,189,704.17 |
| Hedging instruments | | | 15,205,287.36 | 2,280,793.10 |
| Changes in fair value of derivative financial assets | 84,177,518.23 | 12,626,627.73 | 1,246,106,661.88 | 191,862,108.86 |
| Changes in fair value of financial assets available for sale | 42,024,392.25 | 8,305,091.58 | | |
| Others | 75,915.80 | 11,387.37 | 18,458,185.41 | 4,610,448.36 |
| Total | 1,368,423,813.93 | 256,846,691.62 | 2,009,329,777.55 | 328,943,054.49 |

(19) Short-term borrowings

1. Classification of short-term borrowings:

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---------------------|---------------------------------|---------------------------------------|
| Pledge loans | 3,578,773,331.48 | 2,716,971,153.31 |
| Borrowing on credit | | 600,000,000.00 |
| Total | 3,578,773,331.48 | 3,316,971,153.31 |

Notes: 1. As of December 31, 2014, the pledge loans with a balance of RMB3,578,773,331.48 were foreign exchange loans pledged by time deposit certificate; among the ending balance of the short-term borrowings, there was no any borrowing that has expired but not yet repaid.

2. There was no short-term borrowing that has been overdue but not yet repaid in the current period.

(20) Borrowings from central bank

| Item | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period |
|--------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Bills rediscounted | 37,413,972.46 | 399,192,075.07 | 419,149,047.53 | 17,457,000.00 |
| Total | 37,413,972.46 | 399,192,075.07 | 419,149,047.53 | 17,457,000.00 |

(21) Deposits from customers and interbank

| Item | Amount at the end of the period | Amount at the beginning of the period |
|------------------|---------------------------------|---------------------------------------|
| Current deposits | 3,920,497.99 | 2,214,780.74 |
| Time deposits | 61,992,626.49 | 40,050,715.00 |
| Draft deposits | 740,600,000.00 | 500,000,000.00 |
| Total | 806,513,124.48 | 542,265,495.74 |

(22) Loans from other banks

| Item | Amount at the end of the period | Amount at the beginning of the period |
|----------------|---------------------------------|---------------------------------------|
| Credit lending | | 300,000,000.00 |
| Total | | 300,000,000.00 |

(23) Derivative financial liabilities

| Item | Balance at the end of the period | Balance at the beginning of the period |
|----------------------------------|----------------------------------|--|
| Derivative financial liabilities | 215,703,496.13 | |
| Total | 215,703,496.13 | |

Note: For details, see Notes 7 (2).

(24) Notes payable

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--------------------------|---------------------------------|---------------------------------------|
| Banker's acceptance bill | 6,881,963,087.81 | 8,230,208,196.99 |
| Total | 6,881,963,087.81 | 8,230,208,196.99 |

Note: There were no due and unpaid notes payable at the end of the period.

(25) Accounts payable

1. Classification

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---------------|---------------------------------|---------------------------------------|
| Within 1 year | 26,475,850,893.28 | 26,752,894,610.94 |

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--------------|---------------------------------|---------------------------------------|
| 1 to 2 years | 206,745,263.04 | 537,921,487.11 |
| 2 to 3 years | 41,537,766.93 | 99,399,179.52 |
| Over 3 years | 60,818,558.38 | 44,279,388.15 |
| Total | 26,784,952,481.63 | 27,434,494,665.72 |

2. There were no important accounts payable with aging exceeding 1 year at the end of the period.

(26) Advance received from customers

1. Classification

| Item | Amount at the end of the period | Amount at the beginning of the period |
|-------------------|---------------------------------|---------------------------------------|
| Payment for goods | 6,427,722,358.11 | 11,986,433,741.28 |
| Total | 6,427,722,358.11 | 11,986,433,741.28 |

2. There was no advance received from customers with aging exceeding 1 year at the end of the period.

(27) Financial assets sold for repurchase

| Item | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period |
|---------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Bonds (Pledge-style Repo) | 186,000,000.00 | 15,584,934,590.69 | 15,184,934,590.69 | 586,000,000.00 |
| Total | 186,000,000.00 | 15,584,934,590.69 | 15,184,934,590.69 | 586,000,000.00 |

(28) Payroll payable

1. Presentation by category

| Item | Balance at the beginning of the year | Increase in the current period | Decrease for the current period | Balance at the end of the period |
|--|--------------------------------------|--------------------------------|---------------------------------|----------------------------------|
| 1. Short-term wages and salaries | 1,638,534,069.65 | 5,380,512,249.14 | 5,468,610,157.96 | 1,550,436,160.83 |
| 2. Separation benefits - defined contribution plan | 1,621,508.74 | 389,330,359.37 | 390,889,810.26 | 62,057.85 |
| Total | 1,640,155,578.39 | 5,769,842,608.51 | 5,859,499,968.22 | 1,550,498,218.68 |

2. Short-term wages and salaries

| Item | Balance at the beginning of the year | Increase in the current period | Decrease for the current period | Balance at the end of the period |
|---|--------------------------------------|--------------------------------|---------------------------------|----------------------------------|
| 1. Wages, bonuses, subsidies and allowances | 1,384,347,823.68 | 4,527,460,495.71 | 4,683,021,522.61 | 1,228,786,796.78 |
| 2. Employee welfares | | 453,138,949.16 | 453,138,949.16 | |

| Item | Balance at the beginning of the year | Increase in the current period | Decrease for the current period | Balance at the end of the period |
|--|--------------------------------------|--------------------------------|---------------------------------|----------------------------------|
| 3. Social insurance premiums | 582,731.92 | 173,490,876.80 | 174,058,173.52 | 15,435.20 |
| Including: Medical insurance premium | 501,654.93 | 137,660,956.51 | 138,151,405.37 | 11,206.07 |
| Industrial injury insurance premium | 40,658.38 | 19,339,580.07 | 19,378,124.30 | 2,114.15 |
| Birth insurance premium | 40,418.61 | 16,490,340.22 | 16,528,643.85 | 2,114.98 |
| 4. Housing accumulation funds | 494,888.83 | 95,943,401.10 | 95,672,886.55 | 765,403.38 |
| 5. Labor union expenditures and employee education funds | 253,108,625.22 | 130,478,526.37 | 62,718,626.12 | 320,868,525.47 |
| Total | 1,638,534,069.65 | 5,380,512,249.14 | 5,468,610,157.96 | 1,550,436,160.83 |

3. Separation benefits - defined contribution plan

| Item | Balance at the beginning of the period | Increase in the current period | Decrease for the current period | Balance at the end of the period |
|--------------------------------------|--|--------------------------------|---------------------------------|----------------------------------|
| 1. Basic endowment insurance premium | 1,540,406.65 | 353,479,452.19 | 354,961,514.80 | 58,344.04 |
| 2. Unemployment insurance premium | 81,102.09 | 35,850,907.18 | 35,928,295.46 | 3,713.81 |
| Total | 1,621,508.74 | 389,330,359.37 | 390,889,810.26 | 62,057.85 |

(29) Taxes payable

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---|---------------------------------|---------------------------------------|
| 1. Added-value tax | 3,072,507,673.38 | 2,149,354,717.92 |
| 2. House property tax | 34,935,279.03 | 34,638,527.54 |
| 3. Urban construction & maintenance tax | 328,518,864.22 | 248,410,886.12 |
| 4. Educational surcharges | 233,009,565.71 | 175,830,346.56 |
| 5. Business tax | 5,472,074.09 | 5,272,881.54 |
| 6. Business income tax | 4,484,494,127.05 | 3,533,566,618.60 |
| 7. Individual income tax | 25,583,825.95 | 15,824,926.39 |
| 8. Land use tax | 15,631,963.43 | 7,784,719.68 |
| 9. Embankment protection fee | 5,156,500.80 | 7,493,497.52 |
| 10. Stamp duty | 920,523.26 | 791,624.76 |
| 11. Others | 102,641,729.08 | -4,306,501.40 |
| Total | 8,308,872,126.00 | 6,174,662,245.23 |

(30) Interests payable

| Item | Amount at the end of the period | Amount at the beginning of the period |
|------|---------------------------------|---------------------------------------|
|------|---------------------------------|---------------------------------------|

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--|---------------------------------|---------------------------------------|
| Loan interest | 23,991,864.93 | 20,392,906.45 |
| Interest on customer bank deposits | 5,038,203.42 | 4,985,085.83 |
| Interest from financial assets sold for repurchase | 7,147,857.55 | 102,300.00 |
| Total | 36,177,925.90 | 25,480,292.28 |

Note: There was no overdue and unpaid interest at the end of the period.

(31) Dividends payable

| Name of entity | Amount at the end of the period | Amount at the beginning of the period | Cause of nonpayment in excess of 1 year |
|-----------------------|---------------------------------|---------------------------------------|---|
| Corporate shareholder | 105,031.73 | 105,031.73 | Temporarily unable to confirm |
| Public shareholder | 602,881.87 | 602,881.87 | Temporarily unable to confirm |
| Total | 707,913.60 | 707,913.60 | |

(32) Other payables

1. Classification

| Item | Balance at the end of the period | Balance at the beginning of the year |
|-------------------|----------------------------------|--------------------------------------|
| Intercourse funds | 2,066,958,841.51 | 4,366,388,897.88 |
| Deposit | 479,418,446.91 | 427,389,587.47 |
| Total | 2,546,377,288.42 | 4,793,778,485.35 |

2. Other important payables with aging exceeding 1 year

| Name of entity | Balance at the end of the period | Aging | Cause of failing to repay or carry over |
|----------------|----------------------------------|--------------|---|
| Entity 1 | 792,244,629.76 | 2 to 3 years | Amount unsettled |
| Entity 2 | 551,669,050.00 | Over 3 years | Amount unsettled |
| Entity 3 | 188,000,000.00 | 2 to 3 years | Amount unsettled |
| Total | 1,531,913,679.76 | | |

(33) Non-current liabilities due within one year

| Item | Amount at the end of the period | Amount at the beginning of the period |
|---|---------------------------------|---------------------------------------|
| Long-term borrowings due within one year | 2,061,490,867.16 | 923,447,998.14 |
| Including: Long-term pledge loans due within one year | 1,173,337,146.11 | 923,447,998.14 |
| Long-term credit loans due within one year | 888,153,721.05 | |
| Total | 2,061,490,867.16 | 923,447,998.14 |

(34) Other current liabilities

| Item | Amount at the end of the period | Amount at the beginning of the period |
|-----------------------------------|---------------------------------|---------------------------------------|
| Installation and repair costs | 1,834,570,397.52 | 1,796,367,522.09 |
| Sales rebate | 46,658,544,443.77 | 28,827,378,989.77 |
| Fair value of hedging instruments | 49,990,204.44 | |
| Others | 42,207,823.20 | 292,622,951.82 |
| Total | 48,585,312,868.93 | 30,916,369,463.68 |

(35) Long-term borrowings

| Item | Amount at the end of the period | Amount at the beginning of the period | Interest rate range |
|---------------------|---------------------------------|---------------------------------------|---------------------|
| Pledge loans | 2,258,969,252.88 | 1,168,772,867.59 | 1.5%-2.9% |
| Borrowing on credit | | 206,575,575.20 | 1.59%-2% |
| Total | 2,258,969,252.88 | 1,375,348,442.79 | |

(36) Long-term payroll payable

1. Long-term payroll payable

| Item | Amount at the end of the period | Amount at the beginning of the period |
|----------------------|---------------------------------|---------------------------------------|
| Defined benefit plan | 106,716,248.00 | 92,923,562.00 |
| Total | 106,716,248.00 | 92,923,562.00 |

2. Changes in the defined benefit plan

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| 1. Beginning balance | 92,923,563.00 | 105,313,611.00 |
| 2. Defined benefit cost recorded in the current profits and losses | 5,602,592.00 | 5,399,823.00 |
| 1) Service cost of the current period | 1,241,025.00 | 1,484,795.00 |
| 2) Net interest | 4,361,567.00 | 3,915,028.00 |
| 3. Defined benefit cost recorded in other comprehensive income | 12,874,330.00 | -12,994,580.00 |
| Including: actuarial gains (losses represented by "-") | 12,874,330.00 | -12,994,580.00 |
| 4. Other changes | -4,684,237.00 | -4,795,291.00 |
| Including: paid benefits (payment represented by "-") | -4,684,237.00 | -4,795,291.00 |
| 5. Balance at the end of the period | 106,716,248.00 | 92,923,563.00 |

3. Net liabilities (net assets) of the defined benefit plan

| Item | Amount for the current period | Amount for the previous period |
|----------------------|-------------------------------|--------------------------------|
| 1. Beginning balance | 92,923,563.00 | 105,313,611.00 |

| | | |
|--|----------------|----------------|
| 2. Defined benefit cost recorded in the current profits and losses | 5,602,592.00 | 5,399,823.00 |
| 3. Defined benefit cost recorded in other comprehensive income | 12,874,330.00 | -12,994,580.00 |
| 4. Other changes (payment represented by "-") | -4,684,237.00 | -4,795,291.00 |
| 5. Balance at the end of the period | 106,716,248.00 | 92,923,563.00 |

4. Notes for the defined benefit plan

(1) Contents and associated risks of the defined benefit plan, and its influences on the Company's future cash flow, time and uncertainty

The Company's defined benefit plan is a supplementary post-retirement pension plan for some retirees, early retirees and serving officers after normal retirement. The present obligation value of this defined benefit plan was recognized by Towers-Watson actuarial company using the projected unit credit method on December 31, 2014. This defined benefit plan didn't involve big amount, so it didn't lead to significant influence on the future cash flow the Company.

(2) Significant actuarial assumptions and sensitivity analysis results of the defined benefit plan

According to requirements of the Accounting Standards for Business Enterprises No. 9 - Employee Compensation, the discount rate adopted by the Company at the time of discount is recognized by the market yields of high-quality corporate bonds in the treasury bonds or active market that match the obligatory term and currency of the defined benefit plan on the balance sheet date; the annual growth rates and annual separation rates of all benefits are based on the actual measurement data of the Company; the death rate is recognized by referring to the experience life table for insurance business of China Life Insurance (Group) Company.

Sensitivity analysis of discount rate:

| Sensitivity analysis of discount rate | Influence on the amount at the end of the period |
|--|--|
| Influence on the present obligation value of defined welfare benefit by increase of one percentage point | -12,874,330.00 |
| Influence on the present obligation value of defined welfare benefit by decrease of one percentage point | 16,039,734.00 |
| Influence on the service cost by increase of one percentage point | -298,267.00 |
| Influence on the service cost by decrease of one percentage point | 399,672.00 |

(37) Deferred income

| Item | Balance at the beginning of | Increase in the | Decrease for the | Balance at the end |
|------|-----------------------------|-----------------|------------------|--------------------|
|------|-----------------------------|-----------------|------------------|--------------------|

| | the period | current period | current period | of the period |
|----------------------|---------------|----------------|----------------|---------------|
| Government subsidies | 39,920,603.17 | 49,887,171.60 | 1,364,585.90 | 88,443,188.87 |
| Total | 39,920,603.17 | 49,887,171.60 | 1,364,585.90 | 88,443,188.87 |

Items involving government subsidies:

| Item | Balance at the beginning of the year | Amount of subsidies added in the current period | Amount recorded into non-operating revenue in the current period | Change (Increase: +; Decrease: -) | Balance at the end of the period | Pertinent to assets/ pertinent to incomes |
|--|--------------------------------------|---|--|-----------------------------------|----------------------------------|---|
| Environmental protection upgrade project | 21,865,230.90 | 39,795,272.13 | 307,829.90 | | 61,352,673.13 | Pertinent to incomes |
| Scientific research project of refrigerating field | 12,665,372.27 | 9,859,410.58 | 758,350.64 | | 21,766,432.21 | Pertinent to incomes |
| Others | 5,390,000.00 | 232,488.90 | 298,405.37 | | 5,324,083.53 | Pertinent to incomes |
| Total | 39,920,603.17 | 49,887,171.61 | 1,364,585.91 | | 88,443,188.87 | |

(38) Stock capital

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

(39) Capital reserves

| Item | Amount at the beginning of the | Increase in the current period | Decrease for the current period | Amount at the end of the period |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Capital premium (capital stock premium) | 3,114,318,892.05 | 45,636.78 | | 3,114,364,528.83 |
| Other capital reserves | 72,181,536.88 | 4,720,000.00 | | 76,901,536.88 |
| Total | 3,186,500,428.93 | 4,765,636.78 | | 3,191,266,065.71 |

(40) Other comprehensive income

| Item | Balance at the beginning of the period | Amount for the current period | | | | | Balance at the end of the period |
|---|--|---|--|---------------------------|---|--|----------------------------------|
| | | Amount incurred before income tax in the current period | Less: Amount recognized into other comprehensive income in previous period and transferred to the current profits and losses | Less: Income tax expenses | Amount attributable to the parent company after tax | Amount attributable to minority shareholders after tax | |
| 1. Other comprehensive income not to be reclassified to profit or loss in subsequent periods | 12,994,580.00 | -12,874,330.00 | | | -12,874,330.00 | | 120,250.00 |
| Including: Changes due to recalculating and redefining net liabilities and net assets of the benefit plan | 12,994,580.00 | -12,874,330.00 | | | -12,874,330.00 | | 120,250.00 |
| Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method | | | | | | | 0.00 |
| 2. Other comprehensive income to be reclassified to profit or loss in subsequent periods | -12,322,067.23 | 56,879,809.03 | 15,591,186.97 | 7,231,879.13 | 29,948,524.77 | 4,108,218.16 | 17,626,457.54 |
| Including: Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method | | | | | | | 0.00 |
| Gains and losses from changes in fair value of financial assets available for sale | -23,310,613.10 | 81,984,732.76 | 5,135,895.17 | 17,011,202.90 | 55,729,416.53 | 4,108,218.16 | 32,418,803.43 |
| Gains and losses from held-to-maturity investments reclassified as financial assets available for sale | | | | | | | 0.00 |
| Effective part of cash flow hedging gains and losses | 12,924,494.26 | -54,740,200.00 | 10,455,291.80 | -9,779,323.77 | -55,416,168.03 | | -42,491,673.77 |
| Difference arising from translation of financial statements in foreign currency | -1,935,948.39 | 29,635,276.27 | | | 29,635,276.27 | | 27,699,327.88 |
| Total | 672,512.77 | 44,005,479.03 | 15,591,186.97 | 7,231,879.13 | 17,074,194.77 | 4,108,218.16 | 17,746,707.54 |

(41) Surplus reserves

| Item | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period |
|-------------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Statutory surplus reserve | 1,989,000,298.98 | | | 1,989,000,298.98 |
| Discretionary surplus reserve | 969,088,265.45 | | | 969,088,265.45 |
| Total | 2,958,088,564.43 | | | 2,958,088,564.43 |

(42) General Risk Provisions

| Item | Amount at the beginning of the period | Increase in the current period | Decrease for the current period | Amount at the end of the period |
|-------------------------|---------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| General risk provisions | 47,114,066.72 | 89,250,000.00 | | 136,364,066.72 |
| Total | 47,114,066.72 | 89,250,000.00 | | 136,364,066.72 |

(43) Undistributed profit

| Item | Amount for the current period | Amount for the previous period | Proportion of appropriation or distribution |
|--|-------------------------------|--------------------------------|--|
| Undistributed profit at the end of previous year before adjustment | 25,395,563,880.38 | 17,572,277,003.95 | |
| Total amount of adjusted undistributed profit at the beginning of the year (profit increase adjusted expressed with "+" and profit decrease adjusted expressed with "-") | -105,918,142.00 | -105,313,611.00 | |
| Undistributed profit at the beginning of the year after adjustment | 25,289,645,738.38 | 17,466,963,392.95 | |
| Add: Net profit attributable to owners of parent company for the current period | 14,155,167,229.36 | 10,870,068,311.47 | |
| Less: Appropriation of statutory surplus reserve | | | |
| Appropriation of general risk provisions | 89,250,000.00 | 39,520,527.04 | |
| Ordinary stock dividends payable | 4,511,798,158.50 | 3,007,865,439.00 | Distribute RMB15.00 per 10 stocks (tax included) |
| Others | 2,440,827.96 | | |
| Undistributed profit at the end of the period | 34,841,323,981.28 | 25,289,645,738.38 | |

Note for adjustment of undistributed profit at the beginning of the period:

In accordance with the revised Accounting Standards for Business Enterprises No. 9 - Employee Compensation, the Company performed actuarial confirmation for the defined benefit plan, made adjustment using the retrospective method and caused a

decrease of RMB105,313,611.00 in the undistributed profit at the beginning of the period in 2013, made adjustment to cause a decrease of RMB3,310,497.00 in the overhead expense in 2013, and made adjustment to cause an increase of RMB3,915,028.00 in the financial expense in 2013.

(44) Operating revenues and operating costs

1). Operating revenues and operating costs

| Item | Amount for the current period | | Amount for the previous period | |
|------------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 122,745,036,614.31 | 74,740,318,035.83 | 108,052,844,520.69 | 71,219,846,531.15 |
| Other businesses | 15,005,321,781.39 | 13,281,809,635.65 | 10,575,103,687.90 | 9,166,093,291.46 |
| Total | 137,750,358,395.70 | 88,022,127,671.48 | 118,627,948,208.59 | 80,385,939,822.61 |

2). Main business (classified by industry)

| Item | Amount for the current period | | Amount for the previous period | |
|------------------------------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| Household appliances manufacturing | 122,745,036,614.31 | 74,740,318,035.83 | 108,052,844,520.69 | 71,219,846,531.15 |
| Total | 122,745,036,614.31 | 74,740,318,035.83 | 108,052,844,520.69 | 71,219,846,531.15 |

3). Main business (classified by product)

| Name of product | Amount for the current period | | Amount for the previous period | |
|----------------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| Air Conditioner | 118,719,140,613.15 | 71,472,207,409.57 | 105,487,901,617.95 | 69,085,322,534.06 |
| Household Appliances | 1,786,123,170.24 | 1,369,321,266.99 | 1,617,926,821.24 | 1,296,614,727.67 |
| Others | 2,239,772,830.92 | 1,898,789,359.27 | 947,016,081.50 | 837,909,269.42 |
| Total | 122,745,036,614.31 | 74,740,318,035.83 | 108,052,844,520.69 | 71,219,846,531.15 |

4). Main business (classified by region)

| Name of region | Amount for the current period | | Amount for the previous period | |
|----------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| Domestic | 108,934,550,640.47 | 63,652,951,884.61 | 92,051,726,504.66 | 57,156,463,906.86 |
| Overseas | 13,810,485,973.84 | 11,087,366,151.22 | 16,001,118,016.03 | 14,063,382,624.29 |

| Name of region | Amount for the current period | | Amount for the previous period | |
|----------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| Total | 122,745,036,614.31 | 74,740,318,035.83 | 108,052,844,520.69 | 71,219,846,531.15 |

(45) Interest revenue and interest expense

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Interest revenue | 2,254,051,643.70 | 1,414,765,072.50 |
| Including: interest revenue from deposits in other banks | 1,133,419,013.21 | 631,991,604.98 |
| Interest revenue from loans and advances | 1,115,006,908.01 | 777,233,277.28 |
| Others | 5,625,722.48 | 5,540,190.24 |
| Interest expense | 709,764,677.17 | 491,963,953.22 |
| Including: expense from transactions with financial institutions | 695,571,352.90 | 486,076,423.13 |
| Others | 14,193,324.27 | 5,887,530.09 |
| Net interest revenue | 1,544,286,966.53 | 922,801,119.28 |

(46) Business tax and surcharges

| Item | Amount for the current period | Amount for the previous period | Calculation and payment standard |
|--|-------------------------------|--------------------------------|----------------------------------|
| Urban maintenance & construction tax | 671,163,654.03 | 507,123,737.67 | See the Notes 6 |
| Educational surcharges | 486,753,032.07 | 366,116,172.32 | See the Notes 6 |
| Embankment protection fee | 31,654,654.55 | 35,599,887.70 | See the Notes 6 |
| Business tax | 23,905,688.40 | 21,394,317.85 | See the Notes 6 |
| Channel maintenance fee | 1,021,873.43 | 2,143,186.34 | |
| Commodity circulation tax and industrial product tax of Brazil | 147,925,949.35 | 23,792,514.64 | |
| Others | 1,362,424,851.83 | 956,169,816.52 | |

(47) Sales expenses

| Item | Amount for the current period | Amount for the previous period |
|---------------|-------------------------------|--------------------------------|
| Sales expense | 28,889,995,658.43 | 22,508,931,701.70 |
| Total | 28,889,995,658.43 | 22,508,931,701.70 |

(46) Overhead expenses

| Item | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Overhead Expense | 4,818,168,572.74 | 5,086,262,055.73 |
| Total | 4,818,168,572.74 | 5,086,262,055.73 |

(47) Financial expenses

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Interest expense | 228,427,977.62 | 227,072,467.38 |
| Less: Interest revenue | 1,249,561,657.50 | 834,845,293.21 |
| Exchange gain and loss | 48,020,859.16 | 439,755,351.61 |
| Bank charges | 25,023,582.50 | 30,584,714.76 |
| Interest charges for defined welfare benefit obligations | 4,361,567.00 | 3,915,028.00 |
| Others | 1,482,986.84 | 158,754.73 |
| Total | -942,244,684.38 | -133,358,976.73 |

(50) Asset impairment loss

| Item | Amount for the current period | Amount for the previous period |
|------------------------------|-------------------------------|--------------------------------|
| Loss on bad debt | 344,212,393.43 | 63,714,878.83 |
| Inventory falling price loss | 6,228,639.01 | 64,626,181.07 |
| Loan loss | 47,976,133.48 | 64,051,923.72 |
| Total | 398,417,165.92 | 192,392,983.62 |

(51) Incomes from changes in fair value

| Sources of incomes from changes in fair value | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Derivative financial instruments | -1,381,551,572.38 | 990,563,610.10 |
| Total | -1,381,551,572.38 | 990,563,610.10 |

(52) Income from investments

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Long-term equity investment income measured by equity method | -3,600,894.26 | 2,855,797.81 |
| Investment income from disposal of long-term equity investment | -203,389.23 | |
| Investment income from derivative financial instruments | 673,093,382.28 | 672,623,590.17 |
| Investment income from held-to-maturity investment | 5,301,232.87 | |
| Investment income from financial assets available for sale | 48,584,216.84 | 38,901,351.78 |
| Investment income from financing products | 1,189,889.41 | 2,956,502.87 |
| Total | 724,364,437.91 | 717,337,242.63 |

(53) Non-operating revenue

| Item | Amount for the current period | Amount for the previous period | Amount recorded into the current non-recurring profit and loss |
|---|-------------------------------|--------------------------------|--|
| Gains from disposal of non-current assets | 1,460,226.01 | 2,022,174.47 | 1,460,226.01 |

| Item | Amount for the current period | Amount for the previous period | Amount recorded into the current non-recurring profit and loss |
|--|-------------------------------|--------------------------------|--|
| Including: Gains from disposal of fixed assets | 1,460,226.01 | 2,022,174.47 | 1,460,226.01 |
| Government subsidies | 681,875,856.67 | 660,482,277.34 | 681,875,856.67 |
| Others | 22,727,702.28 | 21,695,171.29 | 22,727,702.28 |
| Total | 706,063,784.96 | 684,199,623.10 | 706,063,784.96 |

Including the schedule of government subsidies:

| Item | Amount for the current period | Amount for the previous period | Pertinent to assets/Pertinent to incomes |
|--|-------------------------------|--------------------------------|--|
| Financial rewards | 265,232,374.28 | 240,678,609.24 | Pertinent to incomes |
| Capital allowance for development projects | 371,617,950.04 | 375,730,312.57 | Pertinent to incomes |
| Technological innovation subsidies income | 22,878,551.75 | 5,158,962.93 | Pertinent to incomes |
| Others | 22,146,980.60 | 38,914,392.60 | Pertinent to incomes |
| Total | 681,875,856.67 | 660,482,277.34 | |

(54) Non-operating expenses

| Item | Amount for the current period | Amount for the previous period | Amount recorded into the current non-recurring profit |
|--|-------------------------------|--------------------------------|---|
| Total losses from disposal of non-current assets | 15,064,547.24 | 3,782,455.16 | 15,064,547.24 |
| Including: Losses from disposal of fixed assets | 15,064,547.24 | 3,782,455.16 | 15,064,547.24 |
| Foreign donations | 930,087.47 | 632,244.48 | 930,087.47 |
| Other expenses | 26,865,745.49 | 50,871,077.07 | 26,865,745.49 |
| Total | 42,860,380.20 | 55,285,776.71 | 42,860,380.20 |

(55) Income tax expenses

1. Classification

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Current income tax stipulated by Enterprise Income Tax Law | 5,089,152,937.28 | 4,549,107,038.58 |
| Deferred income tax adjustment | -2,589,677,063.46 | -2,592,938,270.45 |
| Total | 2,499,475,873.82 | 1,956,168,768.13 |

2. Adjustment process of accounting profits and income tax expenses

| Item | Amount for the current period |
|---|-------------------------------|
| Total profit | 16,752,430,685.78 |
| Income tax expenses calculated by the statutory/applicable tax rate | 2,512,864,602.87 |
| Impact by different tax rates applicable to subsidiaries | 38,783,807.90 |

| Item | Amount for the current period |
|--|-------------------------------|
| Impact by non-deductible costs, expenses and losses | 1,263,737.60 |
| Impact by deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period | -48,834,810.88 |
| Impact on the deferred income tax by changes in the income tax rate | 17,588,928.53 |
| Others | -22,190,392.20 |
| Income tax expenses | 2,499,475,873.82 |

(56) Notes to cash flow statement

1). Other cash receipts relating to operating activities

| Item | Amount for the current period | Amount for the previous period |
|------------------------|-------------------------------|--------------------------------|
| Government subsidies | 695,329,156.68 | 630,872,384.27 |
| Interest revenue | 736,975,312.75 | 816,151,233.88 |
| Project funds advanced | | 1,199,230,415.18 |
| Others | 702,062,379.80 | 386,202,905.20 |
| Total | 2,134,366,849.23 | 3,032,456,938.53 |

2). Other cash payments relating to operating activities

| Item | Amount for the current period | Amount for the previous period |
|---------------------------------------|-------------------------------|--------------------------------|
| Cash repayments for selling expenses | 5,541,947,240.86 | 2,947,384,204.17 |
| Cash repayments for overhead expenses | 980,455,921.26 | 952,377,574.66 |
| Net increase in margin of bill pledge | 165,421,518.92 | 2,213,878,597.46 |
| Returned project funds advanced | 2,109,570,643.57 | |
| Other expenses | 473,059,192.35 | 280,028,497.71 |
| Total | 9,270,454,516.96 | 6,393,668,874.00 |

3). Other cash receipts relating to investing activities

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Receipts from forward foreign exchange settlement and sales | 661,065,307.05 | 574,064,670.90 |
| Total | 661,065,307.05 | 574,064,670.90 |

4). Other cash payments relating to investing activities

| Item | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Decrease in monetary funds at the beginning of consolidation period not recorded by Gree (USA) Sales Co., Ltd. | 124,336,597.02 | |
| Total | 124,336,597.02 | |

5). Other cash receipts relating to financing activities

| Item | Amount for the current period | Amount for the previous period |
|---------------------------------------|-------------------------------|--------------------------------|
| Net decrease in margin of loan pledge | 235,620,087.87 | 1,996,700,658.64 |
| Total | 235,620,087.87 | 1,996,700,658.64 |

(57) Supplementary information about cash flow statement

1). Supplementary information about cash flow statement

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities: | | |
| Net profit | 14,252,954,811.96 | 10,935,150,646.19 |
| Add: Assets depreciation reserves | 398,417,165.92 | 192,392,983.62 |
| Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation | 1,275,713,889.52 | 1,145,755,451.56 |
| Amortization of intangible assets | 54,996,053.71 | 49,107,763.02 |
| Amortization of long-term deferred expenses | 26,154,900.89 | 35,297,385.63 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-") | 13,604,321.23 | 1,760,280.69 |
| Losses on disposal of fixed assets (incomes expressed with "-") | | |
| Losses from changes in fair value (incomes expressed with "-") | 1,381,551,572.38 | -990,563,610.10 |
| Financial expenses (incomes expressed with "-") | 283,163,426.86 | 621,934,236.21 |
| Investment losses (incomes expressed with "-") | -724,364,437.91 | -717,337,242.63 |
| Decrease in deferred income tax assets (increase expressed with "-") | -2,511,556,402.11 | -2,762,821,872.35 |
| Increase in deferred income tax liabilities (decrease expressed with "-") | -78,120,661.35 | 169,883,601.90 |
| Decrease of inventories (increase expressed with "-") | 4,571,616,595.87 | 4,047,685,955.85 |
| Decrease in operating receivables (increase expressed with "-") | -5,979,294,766.01 | -15,181,805,520.62 |
| Increase in operating payables (decrease expressed with "-") | 7,966,604,416.69 | 19,129,164,126.30 |
| Others | -1,992,275,379.92 | -3,705,767,055.44 |
| Net cash flow from operating activities | 18,939,165,507.73 | 12,969,837,129.83 |
| 2. Major investing and financing activities not involving cash receipts and payment: | | |
| Conversion of debt into capital | | |
| Convertible bonds expiring within one year | | |
| Fixed assets acquired under finance leases | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 43,506,471,113.09 | 29,259,183,063.61 |

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Less: Beginning balance of cash | 29,259,183,063.61 | 21,370,486,691.03 |
| Add: Ending balance of cash equivalents | | |
| Less: Beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 14,247,288,049.48 | 7,888,696,372.58 |

Note: "others" includes RMB 165,421,518.92 net increase of bank's acceptance bills and RMB 1,826,853,861.00 net increase of legal deposit reserved.

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

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Information about disposal of subsidiaries and other business units: | | |
| (1) Price of disposal of subsidiaries and other business units | 23,186,651.22 | 17,263,912.34 |
| (2) Cash and cash equivalents received from disposal of subsidiaries and other business units | 1,754,209.96 | |
| Less: Cash and cash equivalents held by subsidiaries and other business units | | |
| (3) Net cash received from disposal of subsidiaries and other business units | 1,754,209.96 | |
| (4) Net asset from disposal of subsidiaries | 23,734,792.31 | 17,263,912.34 |
| Current assets | 23,734,792.31 | 17,412,797.34 |
| Non-current assets | | |
| Current liabilities | | 148,885.00 |
| Non-current liabilities | | |

3). Composition of cash and cash equivalents

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--|---------------------------------|---------------------------------------|
| 1. Cash | 43,506,471,113.09 | 29,259,183,063.61 |
| Including: Cash on hand | 2,003,105.00 | 2,183,756.28 |
| Bank deposit for payment at any time | 20,221,361,881.43 | 16,905,988,342.59 |
| Other monetary capital for payment at any time | | 21,142,239.06 |
| Deposit in the central bank for payment | 2,499,639.12 | 2,058,962.67 |
| Deposits in other banks | 23,280,606,487.54 | 12,327,809,763.01 |
| Inter-bank lending | | |
| 2. Cash equivalents | | |
| Including: Bond investments maturing within three months | | |

| Item | Amount at the end of the period | Amount at the beginning of the period |
|--|---------------------------------|---------------------------------------|
| 3. Ending balance of cash and cash equivalents | 43,506,471,113.09 | 29,259,183,063.61 |

(58) Assets with restricted ownerships or use rights

| Item | Amount | Cause of restriction |
|-------------------------------------|-------------------|---------------------------------|
| Monetary capital | 11,039,202,336.05 | Pledged |
| Bills receivable | 1,921,147,051.00 | Pledged |
| Available-for-sale financial assets | 1,261,199,993.13 | Restricted period of six months |
| Total | 14,221,549,380.18 | |

(59) Monetary items of foreign currencies

1. Monetary items of foreign currencies:

| Item | Balance in foreign currency at the end of period | Exchange rate for conversion | Balance of RMB converted at the end of period |
|---|--|------------------------------|---|
| Monetary capital | | | 20,674,314,812.66 |
| Wherein: USD | 2,628,793,235.80 | 6.1190 | 16,085,585,809.86 |
| Euro | 1,274,537.98 | 7.4556 | 9,502,445.36 |
| HKD | 5,772,473,623.92 | 0.7889 | 4,553,904,441.91 |
| JPY | 7,614,548.49 | 0.0514 | 391,387.79 |
| Rupee | 20,000.00 | 0.0982 | 1,964.00 |
| Singapore Dollar | 3.5 | 4.6396 | 16.24 |
| BRL | 10,826,817.59 | 2.3025 | 24,928,747.50 |
| Accounts receivable | | | 2,386,689,957.23 |
| Wherein: USD | 343,401,017.68 | 6.119 | 2,101,270,827.16 |
| Euro | 1,747,241.61 | 7.4556 | 13,026,734.55 |
| HKD | 203,614,303.53 | 0.7889 | 160,631,324.05 |
| BRL | 48,539,010.41 | 2.3025 | 111,761,071.47 |
| Other receivables | | | 7,536,473.89 |
| Wherein: USD | 1,016,132.88 | 6.1190 | 6,217,717.09 |
| HKD | 1,671,640.01 | 0.7889 | 1,318,756.80 |
| Prepaid accounts | | | 329,107,087.04 |
| Wherein: USD | 38,391,272.90 | 6.1190 | 234,916,198.88 |
| Euro | 1,711,538.55 | 0.7889 | 1,350,232.76 |
| JPY | 1,806,238,432.00 | 0.0514 | 92,840,655.40 |
| Non-current liabilities due within one year | | | 2,061,490,867.17 |

| Item | Balance in foreign currency at the end of period | Exchange rate for conversion | Balance of RMB converted at the end of period |
|---------------------------------|--|------------------------------|---|
| Wherein: USD | 336,899,961.95 | 6.1190 | 2,061,490,867.17 |
| Short-term borrowing | | | 3,578,773,331.49 |
| Wherein: USD | 584,862,449.99 | 6.1190 | 3,578,773,331.49 |
| Long-term borrowing | | | 2,258,969,252.90 |
| Wherein: USD | 369,172,945.40 | 6.1190 | 2,258,969,252.90 |
| Accounts payable | | | 200,154,274.01 |
| Wherein: USD | 18,735,669.99 | 6.119 | 114,643,564.67 |
| Euro | 624,764.50 | 7.4556 | 4,657,994.21 |
| HKD | 37,094,082.89 | 0.7889 | 29,263,521.99 |
| BRL | 22,405,729.92 | 2.3025 | 51,589,193.14 |
| Other payables | | | 4,682,107.41 |
| Wherein: USD | 435,511.94 | 7.4556 | 3,247,002.82 |
| BRL | 623,281.04 | 2.3025 | 1,435,104.59 |
| Advance received from customers | | | 103,396,340.86 |
| Wherein: USD | 15,553,112.62 | 6.1190 | 95,169,496.12 |
| Euro | 839,131.09 | 7.4556 | 6,256,225.75 |
| BRL | 855,860.58 | 2.3025 | 1,970,618.99 |

8. Change in the consolidation scope

(1) Business combination not involving enterprises under common control

There was no business combination not involving enterprises under common control in the current period.

(2) Business combination involving enterprises under common control

There was no business combination involving enterprises under common control in the current period.

(3) Counter purchase

Counter purchase did not occur in the current period.

(4) Changes in the consolidation scope

1. Establishment of subsidiaries

| Company Name | Equity acquisition mode | Time point of equity acquisition | Amount of contribution (ten thousand Yuan) | Ratio of contribution (%) | Net assets of the end of the period (ten thousand Yuan) | Net profit of the period (ten thousand Yuan) |
|---|-------------------------|----------------------------------|--|---------------------------|---|--|
| Changsha Gree HVAC Equipment Co., Ltd. | Establishment | May 2014 | 5,000.00 | 100.00 | 4,936.70 | -63.30 |
| Zhuhai IVP Information Technology Co., Ltd. | Establishment | June 2014 | 10,000.00 | 100.00 | 9,059.0,50 | -940.95 |
| Gree TOSOT (Suqian) Home Appliances Co., Ltd. | Establishment | September 2014 | 10,000.00 | 100.00 | 10,002.32 | 2.32 |

2. Disposal of subsidiaries

| Name | Equity disposal price | Proportion of equity disposal (%) | Equity disposal mode | Time point of losing the control power | Determination basis for the time point of losing the control power | Difference between disposal price and share of net assets of the subsidiary shared at consolidated financial statements level corresponding to disposal of investments |
|---|-----------------------|-----------------------------------|----------------------|--|--|--|
| Shenzhen Gree Electric Appliances Sales Co., Ltd. | 5,232,204.48 | 90.00 | Cancellation | September 2014 | Cancellation of the company | -733,395.14 |
| Zhuhai Zhengang Foundry Co., Ltd. | 18,484,452.65 | 100.00 | Cancellation | September 2014 | Cancellation of the company | 530,005.91 |

Continued

| Proportion of remaining equity on the date of losing the control power (%) | Carrying amount of remaining equity on the date of losing the control power | Fair value of remaining equity on the date of losing the control power | Gains or losses from remeasurement of the remaining equity at the fair value | Recognition method and main hypothesis for the fair value of remaining equity on the date of losing the control power | Amount of other comprehensive income that is related to the equity investment of original subsidiary and transferred into investment profits and losses |
|--|---|--|--|---|---|
| 0.00 | 5,965,599.62 | 5,965,599.62 | -733,395.14 | | |
| 0.00 | 17,954,446.74 | 17,954,446.74 | 530,005.91 | | |

3. Changes in the consolidation scope arising from other causes

Gree (USA) Sales Co., Ltd., a sub-subsidiary company of the Company was not incorporated in the consolidation scope in this period due to restriction on transfer of funds.

9. Equity in other subjects

(I) Equity in subsidiaries

1. Composition of the enterprise group

| Name | Main location of operation | Place of registration | Nature of business | Shareholding ratio (%) | | Voting right percentage (%) | Acquisition mode |
|--|----------------------------|-----------------------|------------------------|------------------------|----------|-----------------------------|------------------|
| | | | | Direct | Indirect | | |
| Gree Electric Appliances (Hefei) Co., Ltd. | Hefei City | Hefei City | Commercial manufacture | 100.00 | | 100.00 | Establishment |

| Name | Main location of operation | Place of registration | Nature of business | Shareholding ratio (%) | | Voting right percentage (%) | Acquisition mode |
|---|----------------------------|-----------------------|------------------------|------------------------|----------|-----------------------------|---|
| | | | | Direct | Indirect | | |
| Gree Electric Appliances (Chongqing) Co., Ltd. | Chongqing City | Chongqing City | Commercial manufacture | 97.00 | | 97.00 | Establishment |
| Gree Electric Appliances (Wuhu) Co., Ltd. | Wuhu City | Wuhu City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Gree Electric Appliances (Wuhan) Co., Ltd. | Wuhan City | Wuhan City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Gree Electric Appliances (Zhengzhou) Co., Ltd. | Zhengzhou City | Zhengzhou City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Gree Electric Appliances (Shijiazhuang) Co., Ltd. | Shijiazhuang City | Shijiazhuang City | Commercial manufacture | 100.00 | | 100.00 | Business combination not involving enterprises under common control |
| Gree Electric Appliances (Brazil) Co., Ltd. | Manaus, Brazil | Manaus, Brazil | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai Gree Group Finance Company Limited | Zhuhai City | Zhuhai City | Finance | 88.31 | 0.94 | 89.25 | Business combination involving enterprises under common control |
| Zhuhai Landa Compressor Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| Hefei Landa Compressor Co., Ltd. | Hefei City | Hefei City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhengzhou Landa Compressor Co., Ltd. | Zhengzhou City | Zhengzhou City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Chongqing Landa Compressor Co., Ltd. | Chongqing City | Chongqing City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Wuhan Landa Compressor Co., Ltd. | Wuhan City | Wuhan City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai Kaibang Motor Manufacture Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination not involving enterprises under common control |
| Hefei Kaibang Motor Manufacture Co., Ltd. | Hefei City | Hefei City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Henan Kaibang Motor Manufacture Co., Ltd. | Zhengzhou City | Zhengzhou City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Chongqing Kaibang Motor Manufacture Co., Ltd. | Chongqing City | Chongqing City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai Gree Electrical Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| Gree Electric Enterprises (Ma'anshan) Ltd. | Ma'anshan City | Ma'anshan City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| GREE (Zhongshan) Small Home Appliances Co., Ltd. | Zhongshan City | Zhongshan City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Shijiazhuang Gree Small Home Appliances Co., Ltd. | Shijiazhuang City | Shijiazhuang City | Commercial manufacture | 100.00 | | 100.00 | Establishment |

| Name | Main location of operation | Place of registration | Nature of business | Shareholding ratio (%) | | Voting right percentage (%) | Acquisition mode |
|---|----------------------------|-----------------------|------------------------------------|------------------------|----------|-----------------------------|---|
| | | | | Direct | Indirect | | |
| Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai | Zhuhai City | Zhuhai City | Technical research and development | 100.00 | | 100.00 | Establishment |
| Zhengzhou Gree Green Resources Recycling Co., Ltd. | Zhengzhou City | Zhengzhou City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Shijiazhuang Green Resources Recycling Co., Ltd. | Shijiazhuang City | Shijiazhuang City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Hunan Green Resources Recycling Co., Ltd. | Ningxiang County | Ningxiang County | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Tianjin Green Resources Recycling Co., Ltd. | Tianjin City | Tianjin City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai Gree Daikin Precision Mold Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 51.00 | | 51.00 | Establishment |
| Zhuhai Gree Dakin Device Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 51.00 | | 51.00 | Establishment |
| Zhuhai Ligao Precision Manufacturing Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai HVAC Equipment Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai TOSOT Home Appliances Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Changsha Gree HVAC Equipment Co., Ltd. | Changsha City | Changsha City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai IVP Information Technology Co., Ltd. | Zhuhai City | Zhuhai City | IT | 100.00 | | 100.00 | Establishment |
| Gree TOSOT (Suqian) Home Appliances Co., Ltd. | Suqian City | Suqian City | Commercial manufacture | 100.00 | | 100.00 | Establishment |
| Zhuhai Gree Xinyuan Electronics Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| Zhuhai Meilingda Refrigeration Technology Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| Zhuhai Meiling General Motors Co., Ltd. | Zhuhai City | Zhuhai City | Commercial manufacture | 100.00 | | 100.00 | Business combination involving enterprises under common control |
| Hong Kong Gree Electric Appliances Sales Co., Ltd. | Kowloon, Hong Kong | Kowloon, Hong Kong | Sales | 100.00 | | 100.00 | Business combination not involving enterprises under common control |
| Zhuhai Gree Electric Appliances Sales Co., Ltd. | Zhuhai City | Zhuhai City | Sales | 100.00 | | 100.00 | Establishment |
| Brazil United Electric Appliances Industry and Commerce Co., Ltd. | Sao Paulo, Brazil | Sao Paulo, Brazil | Sales | 100.00 | | 100.00 | Establishment |
| Shanghai Gree Air Conditioners Sales Co., Ltd. | Shanghai City | Shanghai City | Sales | 90.00 | 9.70 | 99.70 | Establishment |
| Gree (USA) Sales Co., Ltd. | California, USA | California, USA | Sales | 51.00 | | 51.00 | Establishment |

Note: The Company directly holds 90% of total stocks of Shanghai Gree Air Conditioners Sales Co., Ltd., and Gree Electric Appliances (Chongqing) Co., Ltd. as

the subsidiary of the Company holds its remaining 10% stocks, so the Company holds its 99.7% stocks in the direct and indirect ways.

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

2. Important non-wholly owned subsidiaries

| Name | Shareholding ratio of minority shareholders (%) | Voting right percentage of minority shareholders (%) | Profits or losses attributable to minority shareholders in the current period | Dividends declared to distribute to minority shareholders in the current period | Equity balance of minority shareholders at the end of the period |
|--|---|--|---|---|--|
| Gree Electric Appliances (Chongqing) Co., Ltd. | 3.00 | 3.00 | 14,070,575.16 | | 109,267,056.02 |
| Zhuhai Gree Group Finance Company Limited | 10.75 | 10.75 | 46,698,851.03 | | 303,807,863.68 |

3. Main financial information of important non-wholly owned subsidiaries

(1) Financial status

| Name | Balance at the end of the period | | | |
|--|----------------------------------|--------------------|---------------------|-------------------------|
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
| Gree Electric Appliances (Chongqing) Co., Ltd. | 4,467,979,135.44 | 1,174,878,866.57 | 1,999,453,614.68 | 1,169,186.73 |
| Zhuhai Gree Group Finance Company Limited | 28,595,408,542.11 | 8,450,041,986.19 | 34,091,775,035.21 | 127,555,830.91 |

Continued

| Name | Balance at the beginning of the period | | | |
|--|--|--------------------|---------------------|-------------------------|
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities |
| Gree Electric Appliances (Chongqing) Co., Ltd. | 4,218,119,132.51 | 1,150,648,174.26 | 2,194,749,550.48 | 801,727.74 |
| Zhuhai Gree Group Finance Company Limited | 15,592,589,119.62 | 6,307,250,972.13 | 19,483,520,460.64 | 62,823,868.22 |

(2) Operating results

| Name | Amount for the current period | | | |
|--|-------------------------------|----------------|----------------------------|--------------------------------------|
| | Operating incomes | Net profits | Total comprehensive income | Cash flows from operating activities |
| Gree Electric Appliances (Chongqing) Co., Ltd. | 8,673,211,778.92 | 469,019,172.05 | 469,019,172.05 | 78,425,721.98 |

| Name | Amount for the current period | | | |
|---|-------------------------------|----------------|----------------------------|--------------------------------------|
| | Operating incomes | Net profits | Total comprehensive income | Cash flows from operating activities |
| Zhuhai Gree Group Finance Company Limited | 2,316,356,062.79 | 434,407,916.53 | 472,623,899.29 | 11,319,373,473.72 |

Continued

| Name | Amount for the previous period | | | |
|--|--------------------------------|----------------|----------------------------|--------------------------------------|
| | Operating incomes | Net profits | Total comprehensive income | Cash flows from operating activities |
| Gree Electric Appliances (Chongqing) Co., Ltd. | 7,131,915,600.38 | 484,940,959.45 | 484,940,959.45 | 120,020,800.76 |
| Zhuhai Gree Group Finance Company Limited | 1,508,636,963.91 | 267,746,267.40 | 236,936,421.25 | 7,119,242,928.17 |

(II) Equities in associated enterprises or contractual enterprises

1. Important associated enterprises or contractual enterprises

| Name of associated enterprise or contractual enterprise | Main location of operation | Place of registration | Nature of business | Shareholding ratio (%) | | Voting right percentage (%) |
|---|----------------------------|-----------------------|--------------------|------------------------|----------|-----------------------------|
| | | | | Direct | Indirect | |
| Songyuan Food Group Co., Ltd. | Songyuan City | Songyuan City | Food manufacture | 50.00 | | 50.00 |

2. Main financial information of important contractual enterprises

| Item | Balance at the end of the period/Amount for the current period | Balance at the beginning of the period/Amount for the previous period |
|---|--|---|
| Current assets | 388,652,805.83 | 116,792,722.22 |
| Including: cash and cash equivalents | 43,167,221.04 | 72,113,428.51 |
| Non-current assets | 13,357,386.48 | 4,726,540.74 |
| Total assets | 402,010,192.31 | 121,519,262.96 |
| Current liabilities | 275,835,638.47 | 4,340,300.18 |
| Non-current liabilities | 2,866,800.00 | |
| Total liabilities | 278,702,438.47 | 4,340,300.18 |
| Minority equity | 8,123,162.98 | |
| Equity attributable to the shareholders of the parent company | 115,184,590.86 | 117,178,962.78 |
| Share of net assets calculated by the shareholding ratio | 57,592,295.43 | 58,589,481.39 |
| Operating incomes | 78,943,052.92 | 9,644,221.44 |
| Financial expense | -1,064,295.78 | -98,514.26 |

| Item | Balance at the end of the period/Amount for the current period | Balance at the beginning of the period/Amount for the previous period |
|----------------------------|--|---|
| Income tax expenses | 23,762.04 | 3,533.18 |
| Net profits | -1,724,747.86 | -2,797,553.37 |
| Total comprehensive income | -1,724,747.86 | -2,797,553.37 |

3. The Company has no important associated enterprises.

9. Risk associated with financial instruments

Main financial instruments of the Company include monetary capital, derivative financial assets, notes receivable, interests receivable, loans, receivables, buying back the sale of financial assets, financial assets available for sale, other financial liabilities (e.g., payables) arising from operation, etc. These financial instruments aim to provide funds for operation of the Company.

The financial instruments of the Company may lead to the main risks of credit risks, liquidity risks and market risks.

Set out below are changes in the Company's financial instruments at the beginning and end of the period:

| Item | Financial assets | |
|-------------------------------------|---------------------------------|---------------------------------------|
| | Amount at the end of the period | Amount at the beginning of the period |
| Monetary capital | 54,545,673,449.14 | 38,541,684,470.83 |
| Derivative financial assets | 84,177,518.23 | 1,246,106,661.88 |
| Bills receivable | 50,480,571,355.46 | 46,297,242,328.98 |
| Accounts receivable | 2,661,347,628.69 | 1,849,275,342.79 |
| Prepayment | 1,591,487,357.94 | 1,498,649,670.64 |
| Interests receivable | 1,242,145,987.65 | 729,559,642.90 |
| Other receivables | 380,598,514.05 | 346,419,748.75 |
| Disbursement of loans and advances | 6,441,703,560.98 | 4,565,455,698.91 |
| Available-for-sale financial assets | 2,150,098,933.13 | 805,932,600.00 |
| Other current assets | 558,378,915.97 | 118,029,517.22 |
| Total | 120,136,183,221.24 | 95,998,355,682.90 |

Continued

| Item | Financial liabilities |
|------|-----------------------|
|------|-----------------------|

| | Amount at the end of the period | Amount at the beginning of the period |
|---|---------------------------------|---------------------------------------|
| Short-term borrowing | 3,578,773,331.48 | 3,316,971,153.31 |
| Borrowings from the central bank | 17,457,000.00 | 37,413,972.46 |
| Deposits from customers and interbank | 806,513,124.48 | 542,265,495.74 |
| Loans from other banks | | 300,000,000.00 |
| Derivative financial liabilities | 215,703,496.13 | |
| Bills payable | 6,881,963,087.81 | 8,230,208,196.99 |
| Accounts payable | 26,784,952,481.63 | 27,434,494,665.72 |
| Advances from customers | 6,427,722,358.11 | 11,986,433,741.28 |
| Financial assets sold for repurchase | 586,000,000.00 | 186,000,000.00 |
| Interests payable | 36,177,925.90 | 25,480,292.28 |
| Other payables | 2,546,377,288.42 | 4,793,778,485.35 |
| Non-current liabilities due within one year | 2,061,490,867.16 | 923,447,998.14 |
| Long-term borrowing | 2,258,969,252.88 | 1,375,348,442.79 |
| Other current liabilities | 48,585,312,868.93 | 30,916,369,463.68 |
| Total | 100,787,413,082.93 | 90,068,211,907.74 |

(1) Credit risks

Credit risks refer to financial losses suffered by one party to the financial instrument due to the other party's inability to fulfill obligations.

The Company will have transactions with recognized customers with a good reputation only. According to the policy of the Company, all the customers who require the credit form for transactions shall undergo credit review. Besides, the Company implements continuous monitoring on the balance of accounts receivable to ensure that the Company is not confronted with the major risk of bad debts.

Financial assets of the Company include monetary capital, accounts receivable, etc. The credit risks of these financial assets come from nonperformance of the transaction counterparty, and the maximum risk exposure is equal to the carrying amount of these instruments. Trade terms between the Company and customers focus on advances, banker's acceptance bill or the mode of pay on delivery, assisted by deal on credit.

The monetary capital is deposited in state-owned financial institutions with a higher

credit rating, minimizing the risk; all the notes receivable are banker's acceptance bills, and the risk exposure is rather small. The carrying amount of interests receivable, accounts receivable, prepayments and other receivables in the consolidated balance sheet is the highest credit risk with which the Company may be confronted. As of the end of the report period, the total of the Company's accounts receivable, prepayments and other receivables accounted for 2.97% (which was 2.76% at the end of the previous year) of the total assets, and the Company was not confronted with any major credit risk within one year due to the above amounts. For the Company's credit risk exposures arising from the accounts receivable, prepayments and other receivables, refer to the disclosed information in "7 (4) Accounts receivable, (5) Prepayments, (7) Other receivables".

(2) Liquidity risks

Liquidity risks refer to risks of fund shortage generated when the enterprise performs the obligation to settle accounts by cash payment or other financial assets. The Company will minimize the exchange risk through forward transaction in foreign currency and control over the scale of foreign currency assets and liabilities according to changes in the market exchange rate.

As indicated by changes in the Company's financial instruments at the beginning and end of the period, the proportion of the Company's "Financial assets" to "Financial liabilities" at the end of the report period is 1.19, which shows that the Company has adequate liquidity and the risk in shortage of liquidity is low.

(3) Market risks

Market risks refer to fluctuation risks of the fair value or future cash flow of financial instrument due to changes in the market price, including exchange rate risk and interest rate risk.

1. Exchange rate risk

For presented amounts in RMB converted from foreign currency financial assets and foreign currency financial liabilities held by the Company as of December 31, 2014, see the "Notes 7 (59) Monetary items of foreign currencies".

The Company will minimize the exchange risk by carrying out the forward exchange transaction business and controlling the scale of foreign currency assets and liabilities

according to changes in the market exchange rate.

2. Interest rate risks

Interest rate risk refers to the fluctuation risk of the fair value or future cash flow of financial instruments due to changes in the market rate of interest.

Set out below are the Company's liabilities with interests as of December 31, 2014:

| Report item | Amount | Interest rate range | Remarks |
|---|------------------|---------------------|------------------------|
| Short-term borrowing | 3,578,773,331.48 | 1.5%-2.9% | Floating interest rate |
| Non-current liabilities due within one year | 2,061,490,867.16 | 1.5%-2.9% | Floating interest rate |
| Long-term borrowing | 2,258,969,252.88 | 1.5%-2.9% | Floating interest rate |

11. Fair value

(1) Fair values of assets and liabilities at the end of period that are measured at the fair value

| Item | Fair value at the end of period | | | |
|---|--|---|--|------------------|
| | Measurement of the fair value at the first layer | Measurement of the fair value at the second layer | Measurement of the fair value at the third layer | Total |
| Continuous fair value measurement | | | | |
| (1) Financial assets available for sale | 2,150,098,933.13 | | | 2,150,098,933.13 |
| 1. Equity instrument investment | 1,261,199,993.13 | | | 1,261,199,993.13 |
| 2. Debt instrument investment | 888,898,940.00 | | | 888,898,940.00 |
| (2) Derivative financial assets | 84,177,518.23 | | | 84,177,518.23 |
| (3) Derivative financial liabilities | 215,703,496.13 | | | 215,703,496.13 |

(2) Determination basis for the market price of continuous and non-continuous fair value measurement items at the first layer

The Company's continuous fair value measurement items at the first layer focus on the held derivative financial instruments with an active market, all of which can obtain the quoted price unadjusted for the same assets or liabilities in the active market.

12. Related parties and related transaction

(1) Parent company of the Company

| Name | Incidence relation | Enterprise type | Place of registration | Corporate representative | Nature of business | Registered capital |
|-----------------------------|--------------------|-------------------------------|-----------------------|--------------------------|---------------------------------|--------------------|
| Zhuhai Gree Group Co., Ltd. | Parent company | Wholly state-owned enterprise | Zhuhai | Dong Mingzhu | Investment and asset management | RMB 800 million |

Continued

| Name | Shareholding ratio of parent company to the Company (%) | Percentage of voting rights of parent company to the Company (%) | Ultimate controlling party of the Company | Organization Code |
|-----------------------------|---|--|---|-------------------|
| Zhuhai Gree Group Co., Ltd. | 18.22 | 18.22 | Zhuhai Municipal State-owned Assets Supervision and Administration Commission | 19253718-6 |

(2) Subsidiaries of the Company

For details, see the Company's equities in subsidiaries provided in Notes 9 (1).

(3) Joint venture and partnership of the Company

For details about the Company's important contractual enterprises and associated enterprises, see the Company's equities in contractual enterprises and associated enterprises provided in Notes 9 (2).

(4). Other related parties of the Company

| Name of other related parties | Relationship between other related parties and the Company | Organization Code |
|---|---|-------------------|
| Hebei Jinghai Guaranteed Investment Co., Ltd. | The second largest shareholder of the company | 792675304 |
| Zhuhai Gree Building Materials Co., Ltd. | Grandson company of holding subsidiary of the parent company | 192528060 |
| Zhuhai Gree Zhiye Co., Ltd. | Holding subsidiary of the parent company | 19255108-4 |
| Zhuhai Gree Island Investment Co. Ltd. | Grandson company of holding subsidiary of the parent company | 698148911 |
| Zhuhai Jianan Group Co., Ltd. | Holding subsidiary of the parent company | 192528511 |
| Zhuhai Gree Property Management Co., Ltd. | Holding subsidiary of the parent company | 192559457 |
| Zhuhai Gree New Technology Development Co., Ltd. | Holding subsidiary of the parent company | 752091347 |
| Zhuhai Gree Magneto-Electric Co., Ltd. | Holding subsidiary of the parent company | 61751538-9 |
| Zhuhai Gree Service Co., Ltd. | Wholly-owned subsidiary of the parent company | 19255590-7 |
| Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. | The company in which the Company's supervisor serves as general manager | 66466462-7 |
| Henan Shengshi Xinxing Gree Trading Co., Ltd. | The company in which the Company's supervisor serves as general manager | 57920725-3 |
| Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | The company in which the Company's director serves as general manager | 574384699 |

(5). Related transactions

(1) Purchase of commodities/receiving of services

| Related parties | Type of related | Contents of related | Related transaction | Amount for the current period | Amount for the previous period |
|-----------------|-----------------|---------------------|---------------------|-------------------------------|--------------------------------|
|-----------------|-----------------|---------------------|---------------------|-------------------------------|--------------------------------|

| | transactions | transactions | pricing principle | Amount | Proportion to amount of similar transaction (%) | Amount | Proportion to amount of similar transaction (%) |
|---|-----------------------|---------------------------|-------------------|---------------|---|---------------|---|
| Zhuhai Gree Group Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 528,367.56 | 0.03 | 439,790.82 | 0.09 |
| Zhuhai Gree Zhiye Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 381.49 | 0.00 | 992.87 | 0.00 |
| Zhuhai Gree Magneto-Electric Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 190.45 | 0.00 | 188.26 | 0.00 |
| Zhuhai Gree Property Management Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 35.51 | 0.00 | 79.79 | 0.00 |
| Zhuhai Gree New Technology Research Institute Co., Ltd. | Deposit-taking | Interest expense | Fair market price | | | 5.32 | 0.00 |
| Zhuhai Gree Service Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 124,711.64 | 0.01 | 141,951.06 | 0.03 |
| Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 10.94 | 0.00 | 245.47 | 0.00 |
| Henan Shengshi Xinxing Gree Trading Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 2,036,644.96 | 0.12 | | |
| Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 1,946,732.79 | 0.11 | 52.60 | 0.00 |
| Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. | Deposit-taking | Interest expense | Fair market price | 53.20 | | | |
| Zhuhai Gree Island Investment Co. Ltd. | Deposit-taking | Interest expense | Fair market price | 52.52 | | 213.28 | 0.00 |
| Zhuhai Jianan Group Co., Ltd. | Purchase of services | Infrastructure project | Fair market price | 9,205,698.06 | 0.73 | 13,857,683.22 | 0.89 |
| Liaowang All Media Communication Co., Ltd. | Service sourcing | Publicity and advertising | Fair market price | 16,881,027.90 | 0.06 | 13,128,555.48 | 0.06 |
| Beijing Gree Technology Co., Ltd. | Materials procurement | Fittings | Fair market price | 18,394,787.96 | 0.01 | 11,598,711.40 | 0.01 |

2. Sales of commodities/rendering of services

| Related party | Type of related transactions | Contents of related transactions | Related transaction pricing principle | Amount for the current period | | Amount for the previous period | |
|---|------------------------------|----------------------------------|---------------------------------------|-------------------------------|---|--------------------------------|---|
| | | | | Amount | Proportion to amount of similar transaction (%) | Amount | Proportion to amount of similar transaction (%) |
| Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. | Loan | Interest revenue | Fair market price | | | 2,881,666.66 | 0.35 |
| Henan Shengshi Xinxing Gree Trading Co., Ltd. | Discounted value | Interest revenue | Fair market price | 956,169.02 | 0.69 | | |

| Related party | Type of related transactions | Contents of related transactions | Related transaction pricing principle | Amount for the current period | | Amount for the previous period | |
|--|------------------------------|----------------------------------|---------------------------------------|-------------------------------|---|--------------------------------|---|
| | | | | Amount | Proportion to amount of similar transaction (%) | Amount | Proportion to amount of similar transaction (%) |
| Henan Shengshi Xinxing Gree Trading Co., Ltd. | Sales of commodities | Sales revenue | Market price | 11,177,450,876.23 | 7.98 | 8,533,547,842.68 | 7.11 |
| Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | Sales of commodities | Sales revenue | Market price | 6,892,131,704.23 | 4.92 | 6,370,617,685.02 | 5.31 |

3. The Company was not involved in associated trusteeship management/contracting or entrusted management/contracting-out in the current period.

4. The Company was not involved in associated lease in the current period.

5. The Company was not involved in associated guarantee in the current period.

6. Remunerations for key management

| Item | Amount for the current period |
|--|-------------------------------|
| Total remuneration payable by the Company within the report period | 20,835,626.00 |
| Total remuneration actually received from the Company within the report period | 12,685,210.00 |

(6) Accounts receivable and payable by related parties

| Item Name | Related party | Amount at the end of the period | Amount at the beginning of the period |
|------------------------------------|---|---------------------------------|---------------------------------------|
| Customer deposit | Zhuhai Gree Group Co., Ltd. | 2,029,539.42 | 958,929.78 |
| | Zhuhai Gree Zhiye Co., Ltd. | | 254,946.92 |
| | Zhuhai Gree Service Co., Ltd. | 3,633,655.54 | 3,878,565.91 |
| | Zhuhai Gree Magneto-Electric Co., Ltd. | 48,528.28 | 48,338.37 |
| | Zhuhai Gree Property Management Co., Ltd. | | 20,484.77 |
| | Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. | | 7,574.06 |
| | Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | 13,555.24 | 13,502.19 |
| | Zhuhai Gree Island Investment Co. Ltd. | 1,921.70 | 1,921.70 |
| Disbursement of loans and advances | Henan Shengshi Xinxing Gree Trading Co., Ltd. | 81,500,790.00 | |
| Bills receivable | Henan Shengshi Xinxing Gree Trading Co., Ltd. | 6,171,909,741.00 | 5,314,346,552.98 |
| | Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | 4,148,299,025.00 | 3,670,279,163.99 |
| Accounts payable | Beijing Gree Technology Co., Ltd. | 6,768,953.89 | 2,073,136.52 |
| Advance received from customers | Henan Shengshi Xinxing Gree Trading Co., Ltd. | 666,746,829.45 | 1,613,575,660.06 |
| | Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | 61,707,763.48 | 380,233,447.68 |
| Interests payable | Zhuhai Gree Zhiye Co., Ltd. | 0.69 | 29.99 |

| Item Name | Related party | Amount at the end of the period | Amount at the beginning of the period |
|-----------|---|---------------------------------|---------------------------------------|
| | Zhuhai Gree Service Co., Ltd. | 83,784.19 | 67,385.19 |
| | Zhuhai Gree Magneto-Electric Co., Ltd. | 6.23 | 5.69 |
| | Zhuhai Gree Property Management Co., Ltd. | | 2.41 |
| | Zhuhai Gree Group Co., Ltd. | 1,096.08 | 947.22 |
| | Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. | 1.74 | 1.59 |
| | Henan Chengxin Gree Electric Appliances Marketing Co., Ltd. | | 0.89 |
| | Zhuhai Gree Island Investment Co. Ltd. | 2.19 | 1.28 |

13. Share-based payments

The Company had no share-based payments in the current period.

14. Contingencies

On 12 September 2013, the Company initiatively applied for and gained permission of the US Consumer Product Security Commission (CPSC) and Health Canada to recall dehumidifiers sold in the US and Canada. The Company has accrued sufficient expenses based on the estimated loss.

MJC (also called Soleus), shareholder of United States Gree Ltd. (GREE USA INC) sues the company and its subsidiary Hong Kong Gree Electric Appliances Co., Ltd. (HK GREE ELECTRIC APPLIANCES), seeking USD 0.15 billion compensation for MJC'S loss. This lawsuit came to trial on April 21, 2015. No result regarding this lawsuit has been received by the approval date of this report. The Company has hired professional lawyers to actively respond to the litigation. The lawyers hold that the situation of this lawsuit cannot be predicted for the time being.

15. Commitments

As of 31 December 2014, the Company had no significant commitments to be disclosed.

16. Events after the balance sheet date

According to the resolution passed at the eighth meeting of the ninth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2014 is as follows: calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 30.00 (tax

included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317 and the balance to be carried forward to the next year; capital reserve funds are used for capitalization, and 10 stocks will be added per 10 stocks for all directors based on the total stock capital of the Company equivalent to 3,007,865,439 stocks.

17. Other matters

As of December 21, 2014, the Company had no other matters to be disclosed.

18. Notes to main items of financial statements of the parent company

(1) Accounts receivable

1. The accounts receivable are disclosed by type:

| Type | Balance at the end of the period | | | | |
|--|----------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Accounts receivable with impairment provision appropriated by combination | 899,791,647.32 | 99.48 | 32,272,041.80 | 3.59 | 867,519,605.52 |
| Including: aging combination | 639,171,988.53 | 70.67 | 32,272,041.80 | 5.05 | 606,899,946.73 |
| Combination in the consolidation scope | 260,619,658.79 | 28.81 | | | 260,619,658.79 |
| Other insignificant accounts receivable with single bad debt provision appropriated | 4,715,115.32 | 0.52 | 4,715,115.32 | 100.00 | |
| Total | 904,506,762.64 | 100.00 | 36,987,157.12 | 4.09 | 867,519,605.52 |

Continued

| Type | Balance at the beginning of the year | | | | |
|--|--------------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Accounts receivable with impairment provision appropriated by combination | 800,464,672.11 | 99.41 | 27,709,519.02 | 3.46 | 772,755,153.09 |
| Including: aging combination | 547,791,894.09 | 68.03 | 27,709,519.02 | 5.06 | 520,082,375.07 |

| Type | Balance at the beginning of the year | | | | |
|---|--------------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Combination in the consolidation scope | 252,672,778.02 | 31.38 | | | 252,672,778.02 |
| Other insignificant accounts receivable with single bad debt provision appropriated | 4,715,115.32 | 0.59 | 4,715,115.32 | 100.00 | |
| Total | 805,179,787.43 | 100.00 | 32,424,634.34 | 4.03 | 772,755,153.09 |

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

| Aging | Amount at the end of the period | | |
|---------------|---------------------------------|--------------------|-----------------------------|
| | Accounts receivable | Bad debt provision | Percentage of appropriation |
| Within 1 year | 638,693,376.27 | 31,934,668.82 | 5.00 |
| 1 - 2 years | 176,549.10 | 35,309.82 | 20.00 |
| 2 - 3 years | | | |
| Over 3 years | 302,063.16 | 302,063.16 | 100.00 |
| Total | 639,171,988.53 | 32,272,041.80 | 5.05 |

3. Accounts receivable with insignificant amounts but an independent impairment test conducted at the end of the period

| Contents of accounts receivable | Book balance | Bad debt amount | Percentage of appropriation (%) | Cause |
|-------------------------------------|--------------|-----------------|---------------------------------|-----------------------|
| Vietnam HOMEAPPLIANCE (MHI) -HKGREE | 4,715,115.32 | 4,715,115.32 | 100.00 | Corporate liquidation |
| Total | 4,715,115.32 | 4,715,115.32 | 100.00 | |

4. Bad debt provision appropriated, recovered or reversed by the Company in the current period

The amount of bad debt provision appropriated by the Company in the current period was RMB4,567,429.96, and the amount of bad debt provision reversed in the current period was RMB4,907.18.

5. Top 5 debtors in the balance of accounts receivable at the end of the period:

| Name of entity | Relationship with the Company | Amount | Years | Percentage to total accounts receivable (%) | Bad debt provision appropriated |
|----------------|-------------------------------|----------------|---------------|---|---------------------------------|
| First | Non-related party customer | 243,542,413.14 | Within 1 year | 26.93 | 12,177,120.66 |
| Second | Related party customer | 138,035,030.81 | Within 1 year | 15.26 | |

| | | | | | |
|--------|----------------------------|----------------|---------------|-------|---------------|
| Third | Related party customer | 122,584,627.98 | Within 1 year | 13.55 | |
| Fourth | Non-related party customer | 52,055,968.21 | Within 1 year | 5.76 | 2,602,798.41 |
| Fifth | Non-related party customer | 27,954,737.81 | Within 1 year | 3.09 | 1,397,736.89 |
| Total | -- | 584,172,777.95 | | 64.59 | 16,177,655.96 |

6. The Company had no accounts receivable that were stopped from recognition due to financial asset transfer in the current period.

7. The Company had no assets or liabilities formed by transfer of accounts receivable and its continuous involvement into them.

(2) Other receivables

1. Other receivables are disclosed by type:

| Type | Balance at the end of the period | | | | |
|--|----------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Other receivables with impairment provision appropriated by combination | 704,457,194.49 | 100.00 | 14,028,590.14 | 1.99 | 690,428,604.35 |
| Including: aging combination | 271,093,038.09 | 38.48 | 14,028,590.14 | 5.17 | 257,064,447.95 |
| Combination in the consolidation scope | 433,364,156.40 | 61.52 | | | 433,364,156.40 |
| Other insignificant receivables with single bad debt provision appropriated | | | | | |
| Total | 704,457,194.49 | 100.00 | 14,028,590.14 | 1.99 | 690,428,604.35 |

Continued

| Type | Balance at the beginning of the year | | | | |
|--|--------------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables with significant single amounts and single impairment provision appropriated | | | | | |
| Other receivables with impairment provision appropriated by combination | 815,439,571.07 | 100.00 | 10,893,019.07 | 1.34 | 804,546,552.00 |
| Including: aging combination | 209,508,326.57 | 25.69 | 10,893,019.07 | 5.20 | 198,615,307.50 |

| Type | Balance at the beginning of the year | | | | |
|---|--------------------------------------|----------------|--------------------|----------------|-----------------|
| | Book balance | | Bad debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Combination in the consolidation scope | 605,931,244.50 | 74.31 | | | 605,931,244.50 |
| Other insignificant receivables with single bad debt provision appropriated | | | | | |
| Total | 815,439,571.07 | 100.00 | 10,893,019.07 | 1.34 | 804,546,552.00 |

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

| Aging | Amount at the end of the period | | |
|---------------|---------------------------------|--------------------|-----------------------------|
| | Other receivables | Bad debt provision | Percentage of appropriation |
| Within 1 year | 270,552,601.75 | 13,527,630.08 | 5.00 |
| 1 to 2 years | 39,157.85 | 7,831.57 | 20.00 |
| 2 to 3 years | 16,300.00 | 8,150.00 | 50.00 |
| Over 3 years | 484,978.49 | 484,978.49 | 100.00 |
| Total | 271,093,038.09 | 14,028,590.14 | 5.17 |

3. Bad debt provision appropriated, recovered or reversed by the Company in the current period

The amount of bad debt provision appropriated by the Company in the current period was RMB3,135,571.07, and there was no bad debt provision reversed in the current period.

4. There were no other receivables actually written off by the Company in the current period.

5. Other receivables presented by the nature of money

| Nature of money | Book balance at the end of the period | Book balance at the beginning of the period |
|--------------------------|---------------------------------------|---|
| Intercourse funds | 497,259,382.80 | 644,256,130.57 |
| Hedging instrument funds | 207,197,811.69 | 171,183,440.50 |
| Total | 704,457,194.49 | 815,439,571.07 |

6. Top 5 debtors in the balance of other receivables at the end of the period:

| Name of entity | Relationship with the Company | Amount | Aging | Percentage to total other receivables (%) | Bad debt provision appropriated |
|----------------|-------------------------------|--------|-------|---|---------------------------------|
|----------------|-------------------------------|--------|-------|---|---------------------------------|

| Name of entity | Relationship with the Company | Amount | Aging | Percentage to total other receivables (%) | Bad debt provision appropriated |
|--|-------------------------------|----------------|---------------|---|---------------------------------|
| Jinrui Futures Co., Ltd. | Non-related party | 207,197,811.69 | Within 1 year | 29.41 | 10,359,890.58 |
| Hunan Gree Green Resources Recycling Co., Ltd. | Related party | 148,310,378.29 | Within 1 year | 21.05 | |
| Zhengzhou Gree Green Resources Recycling Co., Ltd. | Related party | 140,648,203.17 | Within 1 year | 19.97 | |
| Tianjin Green Resources Recycling Co., Ltd. | Related party | 54,331,200.00 | Within 1 year | 7.71 | |
| Shijiazhuang Green Resources Recycling Co., Ltd. | Related party | 37,695,632.00 | Within 1 year | 5.35 | |
| Total | | 588,183,225.15 | - | 83.49 | 10,359,890.58 |

(3) Long-term equity investment



| Name of invested entities | Accounting method | Investment cost | Beginning Balance | Increase/ decrease | Balance at the end of the period | Shareholding ratio in the invested entity (%) | Percentage of voting rights in the invested entity (%) | Provision for impairment | Appropriation of provision for impairment for the current period | Cash dividend |
|--|-------------------|------------------|-------------------|--------------------|----------------------------------|---|--|--------------------------|--|---------------|
| Zhuhai Gree Group Finance Company Limited | Cost method | 1,400,371,239.99 | 1,400,371,239.99 | | 1,400,371,239.99 | 89.25 | 89.25 | | | |
| Zhuhai Landa Compressor Co., Ltd. | Cost method | 950,180,791.37 | 909,327,471.21 | 40,853,320.16 | 950,180,791.37 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Zhengzhou) Co., Ltd. | Cost method | 720,000,000.00 | 720,000,000.00 | | 720,000,000.00 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Wuhan) Co., Ltd. | Cost method | 510,000,000.00 | 510,000,000.00 | | 510,000,000.00 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Hefei) Co., Ltd. | Cost method | 505,370,626.10 | 505,370,626.10 | | 505,370,626.10 | 100.00 | 100.00 | | | |
| Zhuhai Gree Dakin Device Co., Ltd. | Cost method | 283,117,574.47 | 283,117,574.47 | | 283,117,574.47 | 51.00 | 51.00 | | | 61,435,888.43 |
| Gree Electric Appliances (Chongqing) Co., Ltd. | Cost method | 223,100,000.00 | 223,100,000.00 | | 223,100,000.00 | 97.00 | 97.00 | | | |
| Zhuhai Green Refrigeration Technology Center Co., Ltd. | Cost method | 600,426,941.26 | 324,633,748.49 | 275,793,192.77 | 600,426,941.26 | 100.00 | 100.00 | | | |
| Zhuhai Gree Daikin Precision Mold Co., Ltd. | Cost method | 201,911,186.86 | 201,911,186.86 | | 201,911,186.86 | 51.00 | 51.00 | | | |
| Zhuhai Gree Electrical Co., Ltd. | Cost method | 184,680,359.95 | 184,680,359.95 | | 184,680,359.95 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Brazil) Co., Ltd. | Cost method | 130,239,414.36 | 130,239,414.36 | | 130,239,414.36 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Shijiazhuang) Co., Ltd. | Cost method | 98,940,059.97 | 98,940,059.97 | | 98,940,059.97 | 100.00 | 100.00 | | | |
| Zhuhai Kaibang Motor Manufacture Co., Ltd. | Cost method | 83,860,929.67 | 83,860,929.67 | | 83,860,929.67 | 100.00 | 100.00 | | | |
| Zhuhai Gree Xinyuan Electronics Co., Ltd. | Cost method | 54,290,096.61 | 54,290,096.61 | | 54,290,096.61 | 100.00 | 100.00 | | | |
| GREE (Zhongshan) Small Home Appliances Co. | Cost method | 30,000,000.00 | 30,000,000.00 | | 30,000,000.00 | 100.00 | 100.00 | | | |
| Gree Electric Appliances (Wuhu) Co., Ltd. | Cost method | 20,000,000.00 | 20,000,000.00 | | 20,000,000.00 | 100.00 | 100.00 | | | |
| Gree (Shijiazhuang) Small Home Appliances Co., Ltd. | Cost method | 10,000,000.00 | 10,000,000.00 | | 10,000,000.00 | 100.00 | 100.00 | | | |



| Name of invested entities | Accounting method | Investment cost | Beginning Balance | Increase/ decrease | Balance at the end of the period | Shareholding ratio in the invested entity (%) | Percentage of voting rights in the invested entity (%) | Provision for impairment | Appropriation of provision for impairment for the current period | Cash dividend |
|--|-------------------|------------------|-------------------|--------------------|----------------------------------|---|--|--------------------------|--|---------------|
| Zhuhai Gree Electric Appliances Sales Co., Ltd. | Cost method | 5,000,000.00 | 5,000,000.00 | | 5,000,000.00 | 100.00 | 100.00 | | | |
| Zhengzhou Gree Green Resources Recycling Co., Ltd | Cost method | 5,000,000.00 | 5,000,000.00 | | 5,000,000.00 | 100.00 | 100.00 | | | |
| Hunan Green Resources Recycling Co., Ltd | Cost method | 5,000,000.00 | 5,000,000.00 | | 5,000,000.00 | 100.00 | 100.00 | | | |
| Shenzhen Gree Electric Appliances Sales Co., Ltd | Cost method | 4,500,000.00 | 4,500,000.00 | -4,500,000.00 | 0.00 | 90.00 | 90.00 | | | |
| Wuhu Green Resources Recycling Co., Ltd. | Cost method | 2,000,000.00 | 2,000,000.00 | | 2,000,000.00 | 100.00 | 100.00 | | | |
| Shijiazhuang Green Resources Recycling Co., Ltd. | Cost method | 2,000,000.00 | 2,000,000.00 | 3,000,000.00 | 5,000,000.00 | 100.00 | 100.00 | | | |
| Shanghai GREE Air Conditioners Sales Co., Ltd | Cost method | 1,800,000.00 | 1,800,000.00 | | 1,800,000.00 | 99.70 | 100 | | | |
| Hong Kong Gree Electric Appliances Sales Co., Ltd. | Cost method | 472,879.08 | 472,879.08 | | 472,879.08 | 100.00 | 100.00 | | | |
| Zhuhai TOSOT Life Electric Appliances Co., Ltd. | Cost method | 30,000,000.00 | 30,000,000.00 | | 30,000,000.00 | 100.00 | 100.00 | | | |
| Zhuhai Ligao Precision Manufacturing Co., Ltd. | Cost method | 30,000,000.00 | 30,000,000.00 | | 30,000,000.00 | 100.00 | 100.00 | | | |
| Zhuhai HVAC Equipment Co., Ltd. | Cost method | 100,000,000.00 | 100,000,000.00 | | 100,000,000.00 | 100.00 | 100.00 | | | |
| Tianjin Green Resources Recycling Co., Ltd. | Cost method | 5,000,000.00 | 5,000,000.00 | | 5,000,000.00 | 100.00 | 100.00 | | | |
| Changsha Gree HVAC Equipment Co., Ltd. | Cost method | 50,000,000.00 | | 50,000,000.00 | 50,000,000.00 | 100.00 | 100.00 | | | |
| Zhuhai IVP Information Technology Co., Ltd. | Cost method | 100,000,000.00 | | 100,000,000.00 | 100,000,000.00 | 100.00 | 100.00 | | | |
| Gree TOSOT (Suqian) Home Appliances Co., Ltd. | Cost method | 100,000,000.00 | | 100,000,000.00 | 100,000,000.00 | 100.00 | 100.00 | | | |
| Subtotal | | 6,447,262,099.69 | 5,880,615,586.76 | 565,146,512.93 | 6,445,762,099.69 | | | | | 61,435,888.43 |



| Name of invested entities | Accounting method | Investment cost | Beginning Balance | Increase/ decrease | Balance at the end of the period | Shareholding ratio in the invested entity (%) | Percentage of voting rights in the invested entity (%) | Provision for impairment | Appropriation of provision for impairment for the current period | Cash dividend |
|---|-------------------|------------------|-------------------|--------------------|----------------------------------|---|--|--------------------------|--|---------------|
| Chongqing Pargo Mechanical Equipment Co., Ltd. | Equity method | 8,503,918.85 | 11,037,208.34 | 37,730.84 | 11,074,939.18 | 38.70 | 38.70 | | | |
| Songyuan Food Group Co., Ltd. | Equity method | 60,600,000.00 | 58,589,481.39 | -862,373.93 | 57,727,107.46 | 50.00 | 50.00 | | | |
| Liaowang All Media Communication Co., Ltd. | Equity method | 24,500,000.00 | 25,461,791.02 | -3,129,914.80 | 22,331,876.22 | 49.00 | 49.00 | | | |
| Beijing Gree Technology Co., Ltd. | Equity method | 300,000.00 | 725,511.75 | 353,663.54 | 1,079,175.29 | 15.00 | 15.00 | | | |
| Zhuhai Lida International Supply China Management Co., Ltd. | Equity method | 1,760,000.00 | 1,754,540.79 | -1,754,540.79 | | 30.00 | 30.00 | | | |
| (Vietnam) Gree Electric Appliances, Inc. | Equity method | 10,572,422.97 | 1,940,009.35 | | 1,940,009.35 | 31.25 | 33.75 | 1,940,009.35 | | |
| Subtotal | | 106,236,341.82 | 99,508,542.64 | -5,355,435.14 | 94,153,107.50 | | | 1,940,009.35 | | |
| Total | | 6,553,498,441.51 | 5,980,124,129.40 | 559,791,077.79 | 6,539,915,207.19 | | | 1,940,009.35 | | 61,435,888.43 |

(4) Total operating revenues and costs

| Item | Amount for the current period | | Amount for the previous period | |
|------------------|-------------------------------|-------------------|--------------------------------|-------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 119,675,142,186.39 | 81,218,003,671.78 | 105,681,479,447.51 | 76,223,302,551.28 |
| Other businesses | 10,711,730,325.41 | 10,295,900,873.74 | 7,770,079,581.96 | 7,299,731,399.39 |
| Total | 130,386,872,511.80 | 91,513,904,545.52 | 113,451,559,029.47 | 83,523,033,950.67 |

(5) Investment income

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Long-term equity investment income measured by cost method | 31,332,303.10 | 332,986,160.68 |
| Long-term equity investment income measured by equity method | -3,600,894.26 | 2,855,797.81 |
| Investment income from disposal of long-term equity investment | 732,204.48 | 6,986,389.75 |
| Investment income from disposal of derivative financial instruments | 529,347,334.05 | 235,870,752.91 |
| Total | 557,810,947.37 | 578,699,101.15 |

(6) Supplementary information about cash flow statement

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Net profits | 7,080,003,599.12 | 5,986,301,007.79 |
| Add: Assets depreciation reserves | 10,746,773.18 | 139,947.16 |
| Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation | 299,716,963.81 | 305,254,794.85 |
| Amortization of intangible assets | 6,321,103.53 | 6,092,577.96 |
| Amortization of long-term deferred expenses | | |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-") | 154,190.40 | 657,579.32 |
| Losses on disposal of fixed assets (incomes expressed with "-") | | |
| Losses from changes in fair value (incomes expressed with "-") | 832,188,505.49 | -839,260,888.59 |
| Financial expenses (incomes expressed with "-") | 183,982,453.50 | 522,587,827.78 |
| Investment losses (incomes expressed with "-") | -557,810,947.37 | -578,699,101.15 |
| Decrease in deferred income tax assets (increase expressed with "-") | -2,253,385,695.04 | -2,583,363,156.04 |
| Increase in deferred income tax liabilities (decrease expressed with "-") | -27,290,022.75 | 141,875,657.40 |
| Decrease of inventories (increase expressed with "-") | 2,670,980,573.46 | 3,475,855,769.13 |

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Decrease in operating receivables (increase expressed with "-") | -6,536,217,206.16 | -11,160,521,611.09 |
| Increase in operating payables (decrease expressed with "-") | 18,450,932,102.58 | 18,756,733,371.64 |
| Others | -165,421,518.92 | -2,180,646,937.55 |
| Net cash flows from operating activities | 19,994,900,874.83 | 11,853,006,838.61 |
| 2. Major investing and financing activities not involving cash receipts and payment: | | |
| Conversion of debt into capital | | |
| Convertible bonds expiring within one year | | |
| Fixed assets acquired under finance leases | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 50,371,823,085.36 | 33,405,450,196.45 |
| Less: Beginning balance of cash | 33,405,450,196.45 | 24,582,887,186.53 |
| Add: Ending balance of cash equivalents | | |
| Less: Beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 16,966,372,888.91 | 8,822,563,009.92 |

Note: "other" is RMB 165,421,518.92 net increase of banks' acceptance bill.

19. Supplementary information

1). Schedule of non-recurring profit and loss for the year

| Item | Amount | Description |
|--|---------------------|--|
| Profit and loss from disposal of non-current assets | -13,604,321.23 | Profit and loss from disposal of fixed assets |
| Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies) | 681,875,856.67 | Financial rewards, technological innovation subsidies and development project grants, etc. |
| Gains and losses of the fair value change of the derivative financial instruments held by the Company, investment income from disposal of the derivative financial instruments, held-to-maturity investments and financial assets available for sale, except for the effective hedging business in relation to the normal operation of the Company | -653,382,850.98 | Investment income, gains and losses from changes in fair value |
| Non-operating incomes and expenditures other than the above items | -5,068,130.68 | |
| Total non-recurring profit and loss | 9,820,553.78 | |

| Item | Amount | Description |
|---|----------------------|-------------|
| Less: Influence amount of income tax | -4,880,796.83 | |
| Net non-recurring profit and loss | 14,701,350.61 | |
| Including: non-recurring profit and loss attributable to minority shareholders | 4,484,583.29 | |
| Including: non-recurring profit and loss attributable to owners of the parent company | 10,216,767.32 | |

(2) Calculating process of basic earnings per share and diluted earnings per share

1) Basic earnings per share

| Item | Serial Number | Amount for the current period | Amount for the previous period |
|--|---|-------------------------------|--------------------------------|
| Total stocks at the beginning of the period | a | 3,007,865,439.00 | 3,007,865,439.00 |
| The increased stocks by capitalization of capital reserves or distribution of stock dividend during the report period | b | | |
| The increased stocks by issuance of new stocks or debt-equity swap during the report period | c | | |
| The number of months from the next month after increase of stocks to the end of the report period | d | | |
| The number of months of the report period | e | 12 | 12 |
| The decreased stocks by repurchase during the report period | f | | |
| The number of months from the next month after decrease of stocks to the end of the report period | g | | |
| The number of shrunk stocks during the report period | h | | |
| The weighted average number of outstanding ordinary shares | $i = a + b + c \times d \div e - f \times g - e - h$ | 3,007,865,439.00 | 3,007,865,439.00 |
| Net profit attributable to shareholders of ordinary stocks of the Company | j | 14,155,167,229.3 6 | 10,870,068,311.4 7 |
| Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss | k | 14,144,950,462.0 4 | 8,907,238,576.98 |
| Basic earnings per share | Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company $l = j \div i$ | 4.71 | 3.61 |
| | Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss $m = k \div i$ | 4.70 | 2.96 |

2) Diluted earnings per share

| Item | Serial Number | Amount for the current period | Amount for the previous period | |
|--|---|-------------------------------|--------------------------------|------|
| Total stocks at the beginning of the period | a | 3,007,865,439.00 | 3,007,865,439.00 | |
| The increased stocks by capitalization of capital reserves or distribution of stock dividend during the report period | b | | | |
| The increased stocks by issuance of new stocks or debt-equity swap during the report period | c | | | |
| The number of months from the next month after increase of stocks to the end of the report period | d | | | |
| The number of months of the report period | e | 12 | 12 | |
| The decreased stocks by repurchase during the report period | f | | | |
| The number of months from the next month after decrease of stocks to the end of the report period | g | | | |
| The number of shrunk stocks during the report period | h | | | |
| The weighted average number of outstanding ordinary shares | $i = \frac{a+b+c \times d}{e - f \times g + e - h}$ | 3,007,865,439.00 | 3,007,865,439.00 | |
| The weighted average number of increased ordinary shares by warrants, stock option and convertible bonds | j | | | |
| Net profit attributable to shareholders of ordinary stocks of the Company | k | 14,155,167,229.36 | 10,870,068,311.47 | |
| Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss | l | 14,144,950,462.04 | 8,907,238,576.98 | |
| Diluted earnings per share | Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company | $m = k \div (i+j)$ | 4.71 | 3.61 |
| | Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss | $n = l \div (i+j)$ | 4.70 | 2.96 |

3) Rate of return on net assets and earnings per share

| Profit during the report period | Weighted average return on net assets | Earnings per share | |
|--|---------------------------------------|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to shareholders of ordinary stocks of the Company | 35.23 | 4.71 | 3.61 |
| Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss | 35.20 | 4.70 | 2.96 |

(3) Supplementary information related to changes in the accounting policy

The Company changed the related accounting policy and performed a retrospective restatement for the comparative financial statements in accordance with eight accounting standards such as Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments released by the Ministry of Finance in 2014. Set out below is the consolidated balance sheets on January 1, 2013 and December 31, 2013 after the restatement:

| Assets | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|--|-------------------------|-------------------------|-----------------------|
| Current assets: | | | |
| Monetary capital | 54,545,673,449.14 | 38,541,684,470.83 | 28,943,921,701.45 |
| Settlement reserves | | | |
| Lending funds | | | |
| Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial assets | 84,177,518.23 | 1,246,106,661.88 | 263,460,017.40 |
| Bills receivable | 50,480,571,355.46 | 46,297,242,328.98 | 34,292,168,999.99 |
| Accounts receivable | 2,661,347,628.69 | 1,849,275,342.79 | 1,474,872,971.56 |
| Prepayment | 1,591,487,357.94 | 1,498,649,670.64 | 1,739,713,886.10 |
| Premiums receivable | | | |
| Reinsurance accounts receivable | | | |
| Reinsurance contract reserve | | | |
| Interests receivable | 1,242,145,987.65 | 729,559,642.90 | 710,865,583.57 |
| Dividends receivable | | | |
| Other receivables | 380,598,514.05 | 346,419,748.75 | 290,356,401.60 |
| Buying back the sale of financial assets | | | |
| Inventories | 8,599,098,095.97 | 13,122,730,425.78 | 17,235,042,562.70 |
| Assets classified as held for sale | | | |
| Non-current assets due within one year | | | |
| Other current assets | 558,378,915.97 | 118,029,517.22 | 175,523,234.42 |
| Total current assets | 120,143,478,823.10 | 103,749,697,809.77 | 85,125,925,358.79 |

| Assets | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|-------------------------------------|--------------------|--------------------|--------------------|
| Non-current assets: | | | |
| Disbursement of loans and advances | 6,441,703,560.98 | 4,565,455,698.91 | 2,088,903,434.99 |
| Available-for-sale financial assets | 2,150,098,933.13 | 805,932,600.00 | 554,912,450.00 |
| Held-to-maturity investments | | | |
| Long-term accounts receivable | | | |
| Long-term equity investment | 92,213,098.24 | 97,568,533.30 | 28,159,992.30 |
| Investment property | 507,901,502.13 | 503,056,462.68 | 208,009,129.76 |
| Fixed assets | 14,939,279,647.88 | 14,034,138,414.45 | 12,700,394,289.32 |
| Construction in progress | 1,254,347,204.10 | 1,861,677,013.76 | 2,304,317,913.92 |
| Material of works | | | |
| Liquidation of fixed assets | 7,721,410.44 | 6,294,341.99 | 110,093.59 |
| Productive bio-material assets | | | |
| Oil and gas assets | | | |
| Intangible assets | 2,480,294,029.03 | 2,370,179,675.29 | 1,635,272,965.12 |
| Development expenditures | | | |
| Business reputation | | | |
| Long-term deferred expenses | 20,948,267.49 | 42,665,255.34 | 48,089,330.59 |
| Deferred income tax assets | 8,192,962,003.36 | 5,682,613,181.91 | 2,911,085,198.23 |
| Other non-current assets | | | |
| Total non-current assets | 36,087,469,656.78 | 29,969,581,177.63 | 22,479,254,797.82 |
| Total assets | 156,230,948,479.88 | 133,719,278,987.40 | 107,605,180,156.61 |

Continued

| Liabilities and owners' (or shareholders') equity | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|------------------|------------------|------------------|
| Current liabilities: | | | |
| Short-term borrowing | 3,578,773,331.48 | 3,316,971,153.31 | 3,520,642,063.91 |
| Borrowings from the central bank | 17,457,000.00 | 37,413,972.46 | |
| Deposits from customers and interbank | 806,513,124.48 | 542,265,495.74 | 81,078,010.98 |
| Loans from other banks | | 300,000,000.00 | |

| Liabilities and owners' (or shareholders') equity | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|--------------------|-------------------|-------------------|
| Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses | | | |
| Derivative financial liabilities | 215,703,496.13 | | |
| Bills payable | 6,881,963,087.81 | 8,230,208,196.99 | 7,983,581,180.17 |
| Accounts payable | 26,784,952,481.63 | 27,434,494,665.72 | 22,665,011,613.66 |
| Advances from customers | 6,427,722,358.11 | 11,986,433,741.28 | 16,630,113,200.83 |
| Financial assets sold for repurchase | 586,000,000.00 | 186,000,000.00 | 350,000,000.00 |
| Handling charges and commissions payable | | | |
| Payroll payable | 1,550,498,218.68 | 1,640,155,578.39 | 1,357,672,403.95 |
| Taxes payable | 8,308,872,126.00 | 6,174,662,245.23 | 2,560,380,588.11 |
| Interests payable | 36,177,925.90 | 25,480,292.28 | 20,199,098.55 |
| Dividends payable | 707,913.60 | 707,913.60 | 707,913.60 |
| Other payables | 2,546,377,288.42 | 4,793,778,485.35 | 5,441,614,890.93 |
| Reinsurance accounts payable | | | |
| Insurance contract reserves | | | |
| Customer brokerage deposits | | | |
| Securities underwriting brokerage deposits | | | |
| Liabilities classified as held for sale | | | |
| Non-current liabilities due within one year | 2,061,490,867.16 | 923,447,998.14 | 2,513,763,694.23 |
| Other current liabilities | 48,585,312,868.93 | 30,916,369,463.68 | 15,743,875,054.32 |
| Total current liabilities | 108,388,522,088.33 | 96,508,389,202.17 | 78,868,639,713.24 |
| Non-current liabilities: | | | |
| Long-term borrowing | 2,258,969,252.88 | 1,375,348,442.79 | 984,463,173.32 |
| Bonds payable | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Long-term payables | | | |
| Long-term payroll payable | 106,716,248.00 | 92,923,562.00 | 105,313,611.00 |

| Liabilities and owners' (or shareholders') equity | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|--------------------|--------------------|--------------------|
| Special payables | | | |
| Accrued liabilities | | | |
| Deferred income | 88,443,188.87 | 39,920,603.17 | 11,469,703.49 |
| Deferred income tax liabilities | 256,846,691.62 | 328,943,054.49 | 160,405,437.91 |
| Other non-current liabilities | | | |
| Total non-current liabilities | 2,710,975,381.37 | 1,837,135,662.45 | 1,261,651,925.72 |
| Total liabilities | 111,099,497,469.70 | 98,345,524,864.62 | 80,130,291,638.96 |
| Owners' equity (or Shareholders' equity): | | | |
| Paid-up capital (or stock capital) | 3,007,865,439.00 | 3,007,865,439.00 | 3,007,865,439.00 |
| Other equity instruments | | | |
| Including: Preferred stock | | | |
| Perpetual bond | | | |
| Capital reserves | 3,191,266,065.71 | 3,186,500,428.93 | 3,171,298,698.47 |
| Less: Treasury stock | | | |
| Other comprehensive income | 17,746,707.54 | 672,512.77 | 26,011,159.24 |
| Special reserves | | | |
| Surplus reserve | 2,958,088,564.43 | 2,958,088,564.43 | 2,958,088,564.43 |
| General risk provisions | 136,364,066.72 | 47,114,066.72 | 7,593,539.68 |
| Undistributed profit | 34,841,323,981.28 | 25,289,645,738.38 | 17,466,963,392.95 |
| Total owners' equity attributable to parent company | 44,152,654,824.68 | 34,489,886,750.23 | 26,637,820,793.77 |
| Minority equity | 978,796,185.50 | 883,867,372.55 | 837,067,723.88 |
| Total owners' equity | 45,131,451,010.18 | 35,373,754,122.78 | 27,474,888,517.65 |
| Total liabilities and owners' equity | 156,230,948,479.88 | 133,719,278,987.40 | 107,605,180,156.61 |

20. Approval of financial report

The financial report for this year has been approved by the Board of Directors of the Company as of 25 April 2015.

Section XI Index of documents

- (1) The accounting statements signed and sealed by Dong Mingzhu, the Company's legal representative, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution.
- (2) The original audit report sealed by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants Han Zhenping and Gong Jingwei.
- (3) Originals and original drafts of all the Company's documents and announcements published on the newspapers designated by CSRC within the Report Period.

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Board of Directors

25 April 2015