

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Annual Report 2019

April 2020

Section I Important Notice, Table of Contents and Paraphrase

The Board of Directors, Board of Supervisors, all directors, supervisors and Senior Management Personnel of the Company hereby guarantee that the contents are authentic, accurate and complete, and there are no false records, misleading representations or material omissions in the Annual Report, and shall take all the joint and several legal responsibilities.

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 (accounting superintendent) hereby declare and warrant that the financial report in the Report is authentic, accurate and complete.

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

The forward-looking statements such as future plans and development strategies in the Report do not constitute a substantive commitment of the Company to investors. Investors and relevant persons should therefore be aware of risk factors attendant in investment and understand the differences between plans, forecasts and commitments.

The Company's profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as below: Based on the total stock capital of 6,015,730,878 of the Company, all directors were distributed a cash dividend of RMB 12 (tax included) per 10 stocks and given 0 bonus share (tax included). Public reserve funds were not used for capitalization.

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Paraphrase

Items	Means	Contents
Company, the Company, the enterprise, GREE ELECTRIC APPLIANCES or GREE	Means	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
GREE GROUP	Means	Zhuhai Gree Group Co., Ltd.
Zhuhai Mingjun	Means	Zhuhai Mingjun Investment Partnership (Limited Partnership)
Finance Company	Means	Zhuhai Gree Group Finance Company Limited
Jinghai Guaranteed	Means	Hebei Jinghai Guaranteed Investment Co., Ltd.
Yinlong	Means	Zhuhai Yinlong New Energy Co., Ltd.
CSRC	Means	China Securities Regulatory Commission
Report Period	Means	From 1 January, 2019 to 31 December, 2019

Section II Company Profile and Main Financial Indices

I. 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 (if any)	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI		
Name Abbreviation in Foreign Language (if any)	GREE		
Legal Representative	Dong Mingzhu		
Registered Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province		
Post Code of Registered Address	519070		
Office Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province		
Post Code of Office Address	519070		
Website	http://www.gree.com.cn		
Email	gree@gree.com.cn		

II. Contacts and contact information

	Board Secretary	Securities Affairs Representative
Name	Wang Jingdong	Zhang Zhouhu, Yan Zhangxiang
Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province
Tel	0756-8669232	0756-8669232
Fax	0756-8614998	0756-8614998
Email	gree0651@cn.gree.com	gree0651@cn.gree.com

III. Information disclosure and place of the report

Media 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	Investment Management Department of the Company
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IV. Alteration of registration

Organization code	91440400192548256N
Changes (if any) in the main business since listing of the Company	No change
Changes (if any) in the controlling shareholders	No change

V. Other related information

Accounting firm engaged by the Company

Name of the Accounting Firm	Union Power Certified Public Accountants (Special General Partnership)
Office Address	No. 169 Donghu Road, Wuchang District, Wuhan City
Names of Accountants as Signatories	Gong Jingwei, Wu Zihao

Sponsor engaged by the Company to perform continuous supervision during the Report Period

Applicable Not applicable

Name of the sponsor	Office address of the sponsor	Name of the recommended representative	Continuous supervision period
Huatai United Securities Co., Ltd.	26F, CTS Tower, No.4011, Shennan Boulevard, Futian District, Shenzhen	Gu Chongxiang, Li Shijing	From 26 July, 2019 to 25 July, 2020

Financial adviser engaged by the Company to perform continuous supervision during the Report Period

Applicable Not applicable

VI. Main accounting data and financial indices

Whether the Company has retroactive adjustment or restatement of previous accounting data

Yes No

Unit: RMB Yuan

	2019	2018	Increase/ Decrease over the previous year	2017
Operating Revenue (Yuan)	198,153,027,540.35	198,123,177,056.84	0.02%	148,286,450,009.18
Net profit attributable to shareholders of listed Company (Yuan)	24,696,641,368.84	26,202,787,681.42	-5.75%	22,400,484,001.26
Net profit attributable to	24,171,511,911.32	25,580,865,501.38	-5.51%	21,170,184,740.88

shareholders of listed Company less non-recurring gains and losses (Yuan)				
Net cash flow generated from operating activities (Yuan)	27,893,714,093.59	26,940,791,542.98	3.54%	16,338,082,774.25
Basic earnings per share (Yuan per Share)	4.11	4.36	-5.73%	3.72
Diluted earnings per share (Yuan per Share)	4.11	4.36	-5.73%	3.72
Weighted average return on net assets	25.72%	33.36%	-7.64%	37.44%
	At the end of 2019	At the end of 2018	Increase/ Decrease over the previous year	At the end of 2017
Total asset (Yuan)	282,972,157,415.28	251,234,157,276.81	12.63%	214,987,907,124.70
Net asset attributable to shareholders of listed Company (Yuan)	110,153,573,282.67	91,327,095,069.10	20.61%	65,614,913,868.06

VII. Accounting data differences under domestic and foreign accounting standards

1. Differences in net profit and net assets in the financial report disclosed under international accounting standards and that disclosed under domestic accounting standards

Applicable Not applicable

There was no difference in net profit and net assets in the financial report disclosed under international accounting standards and that disclosed under domestic accounting standards during the Report Period.

2. Differences in net profit and net assets in the financial report disclosed under overseas accounting standards and that disclosed under domestic accounting standards

Applicable Not applicable

There was no difference in net profit and net assets in the financial report disclosed under overseas accounting standards and that disclosed under domestic accounting standards during the Report Period.

VIII. Quarter-based main financial indicators

Unit: RMB Yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating incomes	40,547,673,072.89	56,749,291,262.00	57,741,792,636.95	43,114,270,568.51

Net profit attributable to shareholders of listed company	5,671,869,041.09	8,078,325,047.80	8,367,302,278.13	2,579,145,001.82
Net profit attributable to shareholders of listed companies after deduction of non-recurring profit and loss	5,113,678,278.15	8,279,748,411.85	8,172,069,543.75	2,606,015,677.57
Net cash flows from operating activities	7,733,213,419.06	8,722,853,827.89	16,273,618,883.00	-4,835,972,036.36

Whether major differences exist between the above financial indicators or their sum and those in the disclosed quarterly report and semi-annual report

Yes No

IX. Non-recurring profit and loss items and amounts

Applicable Not applicable

Unit: RMB Yuan

Item	Amount in 2019	Amount in 2018	Amount in 2017	Description
Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part)	-9,293,929.38	-23,064,935.35	-8,463,062.31	For details, see Note (VII) 57, Note (VII) 58 and Note (VII) 59
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)	1,215,852,371.66	671,678,104.47	880,235,834.70	For details, see Note (VII) 52 and Note (VII) 58
Capital occupation fee collected from the non-financial institution and recorded into the current gains and losses	359,713.10	1,262,805.80	1,480,255.77	
All kinds of provisions for impairment of assets accrued due to force majeure factors, e.g.,			264,556.46	

suffering from natural disasters				
Net profits or losses of the subsidiaries in the current period from the beginning of the period to the combination date that are generated by business combination involving enterprises under common control		184,503.98	-757,426.22	
Gains and losses caused by fair value changes from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except for the effective hedging business related to the Company's normal business operations	1,449,722.86	151,222,484.83	399,373,171.53	
Reversal of impairment provision for the accounts receivable and contract assets for which an independent impairment test is conducted		2,320,229.26	4,225,536.19	
Non-operating incomes and expenditures other than the above items	-530,486,147.03	32,323,207.44	18,316,586.90	For details, see Note (VII) 58 and Note (VII) 59
Other profit and loss items that conform to the definition of non-recurring profit and loss	997,770.17	6,119,851.77	496,004.65	
Less: Influence amount of	147,189,032.83	170,139,883.37	55,182,008.00	

income tax				
Influence amount of minority equity (after tax)	6,561,011.03	49,984,188.79	9,690,189.29	
Total	525,129,457.52	621,922,180.04	1,230,299,260.38	--

Explanation should be given for non-recurring profit and loss items defined by the Company according to Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss and for non-recurring profit and loss items which are listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss and defined as recurring profit and loss items.

Applicable Not applicable

No non-recurring profit and loss items which are defined or listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss were defined by the Company as recurring profit and loss items during the Report Period.

Section III Corporate Business Overview

I. Major businesses engaged in during the Report Period

1. Major business and position in industry

Gree Electric Appliances, Inc. of Zhuhai is a diversified and technological global industrial group and has three major brands: Gree, TOSOT and KINGHOME. Its business scope has been expanded to cover the fields of air conditioning, home appliances, high-end equipment and communication equipment, including residential air conditioners, commercial air conditioners, freezers and refrigeration equipment, air conditioners for nuclear power projects, air conditioners for rail transit projects, and photovoltaic air conditioners in the air-conditioning field; intelligent equipment, CNC machine tools, precision moulds, and precision casting equipment in the field of high-end equipment; kitchen appliances, healthy appliances, environmental appliances, washing machines and refrigerators in the field of home appliances; as well as Internet of Things devices, mobile phones, chips, and big data in the field of communication equipment. Gree products are sold in more than 160 countries and regions, providing more than 400 million users with satisfactory products and services, for the purpose of creating a better life.

In 2019, Gree was listed in the Fortune 500 and ranked the 414th. Among the 129 Chinese enterprises on the list, the return on equity (ROE) of Gree ranks the first; according to the data released by *HVAC Information*, Gree took the lead in the central air conditioner market relying on a market share of 14.7% and has maintained the position for eight consecutive years in the Chinese market; according to the market data of AVC, Gree's share in the offline market of Chinese residential air conditioners ranked the first in 2019, with the retail sales accounting for 36.83%; among the top 20 residential air conditioner models in offline retail sales, 12 are Gree products, accounting for 60%; according to the data of Nihon Keizai Shimbun, a world renowned economic media, in 2019, Gree ranked No.1 in the field of residential air conditioners with the global market share of 20.6%.

Gree takes "building a globally advanced industrial group and making Gree a century-year world brand" as its corporate vision, and "carrying forward the industrial spirit, pursuing perfect quality, providing professional services and creating comfortable environment" as its mission. By adhering to the management philosophy that "innovation never stops", Gree focuses on independent innovation and development, in order to grasp the pulse of the times, build a world brand and create a development model with Chinese characteristics for Chinese manufacturing enterprises.

2. Overview of industry development

(1) Field of household appliances

The *Industry Analysis Report of Residential Air Conditioners in 2019* published by China Business Industry Research Institute shows that, in 2019, the total output of industry increased by 1.21% year on year, the total sales

of the industry decreased by 0.74% year on year, the total export of the industry decreased by 0.82% year on year and the total internal sales of the industry decreased by 0.69% year on year. In 2019, the total sales, export and domestic sales of the industry decreased year on year and the whole air conditioner industry felt the pressure of the market. On the other hand, according to the statistics of National Information Center for Household Appliance Industry, the retail market share of top 3 brands in the offline air conditioner market increased from 73.6% in 2018 to 76.39%, and that of top 5 brands increased from 83.8% in 2018 to 85.74%. The influence of traditional household appliance brands continued to rise, and the market share of domestic brands was further increased.

In the long run, as the upgrading process of resident consumption becomes accelerated, consumers put forward higher requirements for brand recognition and product quality and higher standards for energy saving, comfort and intelligent degree of air conditioners and show strong demand for high-quality life; as the policy of the new national standards is implemented, the proportion of energy-saving products gradually increases. According to the forecast of China National Institute of Standardization, after the new standards are implemented, the energy efficiency standard of air conditioners will be increased by 14% in 2020 and by 30% in 2022 and the existing air conditioners with low energy efficiency will be replaced by those air conditioners with high energy efficiency.

The household appliance market has entered the period in which the online and offline markets are promoted at the same time and the scale of the online market increases continuously. According to the statistics of National Information Center for Household Appliance Industry, in 2019, the online retail sales of the Chinese household appliance industry was approximately RMB 310.8 billion, a year-on-year growth of 4.2%, and the market share reached 38.7%; the offline retail sales was about RMB 492.4 billion, a year-on-year decrease of 5.8%, and the market share reached 61.3%. The importance of the online market in Chinese consumer market is self-evident. However, the offline market still has a comparative advantage. In the process in which old high-end products are replaced by new high-end products, offline stores are more flexible. The deep combination of the online market and offline market has always been the development direction of household appliance enterprises.

(2) High-end equipment field

The State Council issued "Made in China 2025" and "Development Plan for a New Generation of Artificial Intelligence" in May 2015 and July 2017, respectively; the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, Standardization Administration of the People's Republic of China and Ministry of Industry and Information Technology of the People's Republic of China jointly issued the "Standardization and Quality Improvement Plan of the Equipment Manufacturing Industry" in 2016; the Ministry of Industry and Information Technology issued the "High-End Intelligent Remanufacturing Action Plan (2018-2020)" in October 2017. Under the support of policies, intelligent manufacturing equipment develops quickly, the demand of the industry increases rapidly, the capacity increases rapidly, and industrial upgrading and technological iteration become accelerated. Intelligent manufacturing has become the core of development for China's manufacturing industry. According to the data of China Business Industry Research Institute, the global market scale of intelligent manufacturing reached USD 868.7 billion in 2016 and China's intelligent manufacturing accounts for about one fifth. In 2018, the scale exceeded USD 1 trillion. Based on the current development and trend of global intelligent manufacturing, it is estimated that the global intelligent manufacturing

industry will maintain stable growth in the coming years.

Intelligent manufacturing has become a key factor in reshaping the industrial competitiveness in the world and provides opportunities for development and transformation of countries. According to the Intelligent Manufacturing Development Plan (2016-2020) issued by the Ministry of Industry and Information Technology, the development foundation and supporting capacity of intelligent manufacturing will be significantly enhanced and digital manufacturing will be basically realized in the key areas of traditional manufacturing industry in 2020; the support system of intelligent manufacturing will be basically established, and intelligent transformation will be initially realized for the key industries in 2025.

II. Significant changes in major assets

1. Significant changes in major assets

Major assets	Significant changes
Disbursement of loans and advances	Year-on-year growth of 58.82%. See Note VII (11) of the financial report for the causes of the change.
Long-term equity investment	Year-on-year growth of 213.86%. This is mainly caused by the change in the fair value of the equity of Wingtech Technology Co., Ltd. indirectly held by the Company through "Zhuhai Ronglin Equity Investment Partnership (Limited Partnership)".
Other equity instrument investments	Year-on-year growth of 305.67%. This is mainly caused by the change in the fair value of the equity investment of Wingtech Technology Co., Ltd.
Fixed assets	Year-on-year growth of 4.00%. No significant change is made.
Intangible assets	Year-on-year growth of 1.94%. No significant change is made.
Construction in Progress	Year-on-year growth of 46.10%. This is mainly caused by the increase of investment in the infrastructure project of the current phase.

2. Major overseas assets

Applicable Not applicable

III. Core competence analysis

The mission drives creation of value and innovation makes the future of the world. In the background of the new era, Gree has developed from the period in which it catches up with leading enterprises in innovation to a new period in which it takes the lead in innovation and faces new opportunities and challenges. Gree adheres to the principle of concentration, advocates the management policy of "be fair, be open, be dedicated", promotes the code of conduct of "be truthful, work for real; be principled, work for good, be committed, work for success", follows the "eight strict policies" for quality control, takes "mastering core technologies and forging perfect

quality" as the two wheels for driving, transfers and improves the value through unique marketing model, sticks to independent people cultivation, independent innovation and independent production, and aims to achieve "Made in China, Loved by the World" by carrying forward the industrial spirit, pursuing perfect quality, providing professional services and creating comfortable environment.

1. World famous brand, adding luster to "Made in China"

Gree is a diversified technological global industrial group integrating R&D, production, sales and service. Gree won the honors such as "World Brand", "Most Competitive Brand in the Market", "National Quality Award", "Export Inspection Exemption Enterprise" and "China Brand Innovation Award". In 2019, Gree was listed in Fortune 500, ranking the 414th. Meanwhile, Gree was listed in the "China's Most Admired Companies in 2019" in the *Fortune*, ranking the third in China and continuously ranking the first in the household appliance industry. In the "2019 China Brand Value Evaluation Information Session and China Brand Building Summit Forum" held in Shanghai, Gree ranked the second in the light industry and the first in the household appliance industry. In 2019, in the People's Daily "China Brand Development Index" initiated and compiled by People's Daily, Gree ranked the seventh in the list with a total index of 917.73, ranking the first in the household appliance industry. This shows the hard strength and brand influence of Gree in its development.

According to the customer satisfaction survey on 10 categories of household appliances in 2019 jointly issued by the Customer Satisfaction Evaluation Center of China National Institute of Standardization, Tsinghua University National Entrepreneurship Research Center and China Standard Science and Technology Group Co., Ltd., Gree ranked the first in the industry in terms of comprehensive customer satisfaction score and various indicators in the air conditioner category, ranking the first in the industry for eight consecutive years.

Gree has always been adhering to the "craftsman spirit", "innovation spirit" and "challenge spirit", insisting on establishing a brand with excellent quality and world-leading technology, demonstrating its firm belief and ambition to the society and declaring its responsibility of creating social value, environmental value and economic value for the country, society and consumers.

2. Excellent R&D system, continuously leading technological innovation and product upgrading of the industry

Gree adheres to the philosophy that "science and technology change life; science and technology create life" and insists on "independent research and development of core technologies". It firmly believes that only the real mastery of core technologies can enable us to grasp the fate of the enterprise and realize independent development of the enterprise. Meanwhile, Gree has set up a technological innovation system of "enterprise regarded as the main player, market orientation, enterprise-university-research cooperation". It insists on innovation driving, cultivates innovative talents, implements the leader strategy, and constantly consolidates its global leading position in the field of refrigeration.

Gree boasts the largest R&D center of air conditioners in the world, four national R&D centers, 15 research

institutes, more than 900 laboratories and over 14,000 R&D members. Its national R&D centers are the National Key Laboratory on Air Conditioning Equipment and Energy-saving System Operation, National Engineering Research Center of Green Refrigeration Equipment, State Recognized Enterprise Technology Center and the State-level Industrial Design Center. Meanwhile, it has been recognized as the "National Demonstration Base for Standardization of Consumer Goods" and "National Pilot Enterprise for Standardization of High-end Equipment Manufacturing Industry". In addition, Gree has established the "Motor and Control" academician workstation and has been successively approved to establish post-doctoral research centers and doctoral workstations in Guangdong Province. In 2019, Gree was approved to establish "Guangdong Key Laboratory for Enterprises of High-performance Servo System", "Guangdong Intelligent Mould Technology Innovation Center", "Guangdong Energy Internet Innovation Center" and "Guangdong Small Household Appliance Intelligent Manufacturing Regional Innovation Center".

Gree has accumulatively won 33 national, provincial or ministerial and industrial awards. In 2019, Gree won seven awards, including one national second prize for technological invention and three provincial and ministerial first prizes. Gree's "key technology and application of large-capacity and high-efficiency centrifugal air-conditioning equipment" project won the second prize of national technological invention in 2019; Gree's "key technology and application of direct current in optical storage air conditioners" project won the first prize of Guangdong provincial technological invention, China Patent Gold Award and other awards.

3. Industry leading PQAM perfect quality assurance mode, shaping China's quality image with high standards

"Quality is crucial to two lives: one is the life of consumers and the other is the life of enterprises". Gree always considers product quality as the lifeline and insists on "not taking consumers as test targets". Gree adheres to the quality policy of "pursuing the perfect quality, creating an international brand, and forging a century enterprise", sticks to the quality culture of "strict, true and new" oriented to customer demand and social responsibility, sets no upper limit of investment in the basic capacity building of quality, implements all-round quality training for all staff, and extensively carries out QCC quality improvement activities and Six Sigma quality improvement projects. It gradually forms a comprehensive quality management mode with independent innovation as the core.

Gree has strong consciousness of reform in quality management. It promoted quality management reform, focusing on promoting the systematic development of Gree's quality management to deepen the construction of high quality enterprise. On the basis of learning and absorbing the advantages of ISO9000, Six Sigma, performance excellence model, and other management systems, Gree put forward the unique PQAM. Starting from the quality management process, it used the five-step method of quality prevention to strictly control the pre-event process, and adopted the quality technology innovation cycle D-CTFP to perform post-event tracking. Gree ensured the applicability and reliability of products through active prevention and control and avoided quality problems during use of products.

Under the guidance of the perfect quality philosophy, Gree runs quality management through the value chain links such as product R&D and design, parts procurement, production and manufacturing, and marketing service and

continuously improves the technical basis, standard system, rules and regulations, information systems and organizational guarantee of quality management, forming a comprehensive quality control system. Gree regards "pursuing perfect quality" as the quality policy and "zero defect" and "best service not requiring after-sales service" as the quality objectives, considers the "five-step method of quality prevention" and "quality technology innovation cycle D-CTFP method" as the methods and summarizes and refines the perfect quality management mode of Gree.

Gree's quality standards follow two principles: one is that the quality standards must be stricter than international standard and national standards and the other is that the quality standards must be consumer-oriented. Gree participated in the drafting and development of the *Quality Management — Innovation Cycle Guide Based on Customer Demand* as a national standard, which sets Gree's quality management experience as a model in the whole industry. Gree attaches great importance to quality management. It promotes and escalates quality construction of the enterprise to the national standards, shapes an industry development benchmark relying on the ingenuity of manufacturing, further improves the quality management system of China, and creates a more competitive image of Chinese manufacturing quality.

4. Efficient and in-depth sales network and deep integration of online and offline channels lay a solid foundation for the growth of Gree

Gree insists on the sales channel construction and sales model of independent management, mutual benefit and win-win and creates a solid online and offline business layout. The two channels complement each other and are deeply integrated to create a full channel sales platform. Gree has constructed competitive product experience halls, Gree living centers and Gree exclusive shops all over the country to provide consumers with integrated smart home solutions and bring consumers comfortable enjoyment and the experience of home.

As the business scale of the Company expands, the marketing mode of its "self-built channel" enables the "integrity" concept of the enterprise to run through all phases from production to sales. Gree maintains good cooperation with distributors and provides great support for terminal channel construction and advertising. Gree has established a joint-stock regional sales company, which greatly enhances the motive power of distributors. Through an established sound market management system, Gree guides sales companies to lead various channels to carry out large diversified and rich promotional activities by using policies and constantly increases the market share and improves corporate reputation. As a result, Gree stands out in the fierce channel competition and realizes independent management and control of sales channels.

At present, Gree has accelerated expansion of its online sales channels and realized rapid expansion through distribution stores. In addition, it realizes big data analysis, allocation and circulation of stock products with the help of the cloud platform, further promotes optimization of the inventory structure and reduces the risk of unsalable sales by reversing production plans through low inventory warning. Meanwhile, the Company carries out further cooperation with major e-commerce platforms and actively holds large activities during festivals, achieving extraordinary results. Big data analysis is carried out offline through a digital management system to realize dynamic statistics and display of sales data. Market trends and problems can be found in time through

observation of dynamic data and strategic deployment can be adjusted in time.

5. Precise industrial layout and perfect supply chain system lay a solid foundation for business development

Gree now has 14 production bases in the world, located in Zhuhai, Chongqing, Hefei, Zhengzhou, Wuhan, Shijiazhuang, Wuhu, Changsha, Hangzhou, Luoyang, Nanjing, Chengdu, Brazil and Pakistan, and the production capacity ranks the first in the world.

In 2019, Gree further improved its structure layout, production capacity layout and variety layout, promoted the upgrading of sales logistics services and coordinated to reduce the overall logistics operating cost based on the new trend and new demand of e-commerce development. All bases spare no effort to produce low-end and middle-range air conditioners, and high-end and medium-range air conditioners are produced in a centralized manner in regions such as Wuhan, Hefei and Zhengzhou, radiating the whole country and giving full play to the advantages of economic regions. E-commerce centers on nearby distribution with the platform transferring goods from warehouses and the production bases of e-commerce products are deployed in Wuhan, Hefei and Zhengzhou. Meanwhile, Gree accelerates construction of the bases in Changsha, Chengdu and Luoyang and accelerates the product layout of refrigerators and washing machines. Gree has built upstream plants for raw materials of household appliances, for example, compressors, motors, capacitors and enameled wires, in various bases, which greatly enhances the control capability of the Company for upstream and downstream supply chain, guarantees the efficient operation of production and meets the needs of consumers in a timely manner. Moreover, the Company has built five renewable resource bases in Changsha, Zhengzhou, Shijiazhuang, Wuhu and Tianjin, covering the whole industrial chain from upstream production to downstream recycling, and achieving green, cyclic and sustainable development.

6. Refined cost control capability to provide guarantee for the steady development of the Group

Gree has been committed itself to establishing and improving the cost control system. It adheres to the philosophy of refined cost control and saves unnecessary costs. The Company aims to increase the value by improving the production efficiency, gradually optimizes the manufacturing system, implements full-process cost control and routinizes the work of cost analysis relying on "quota management".

In 2019, Gree gradually optimized the lean manufacturing system (GMS), established an integrated human demand assessment and allocation management mechanism and improved the production efficiency and human resource utilization. By innovating in production automation, the Company improves the level of automation, promotes the transformation and upgrading of intelligent manufacturing and reduces the demand for production personnel; through digital innovation in production, the Company improves the level of production informatization and lays a solid information foundation for intelligent manufacturing. In addition, to strengthen the research of new technologies and eliminate high-cost technologies, Gree holds a lean design competition every year to commend excellent lean products.

Through continuous application of lean, automation and digital technology, Gree's per capita efficiency increased by 7.1% in 2019. In December 2019, the "2019 Chinese Enterprise Reform and Development Summit and

Achievement Press Conference" organized by China Enterprise Reform and Development Society released the "3rd Excellent Achievements of Chinese Enterprise Reform and Development". Gree's "Lean Management Innovation Practice for Intelligent Manufacturing of Large Household Appliance Manufacturing Enterprises" program won the first prize.

7. Adhere to independent training of talents and continuously upgrade the talent structure

Gree always adheres to the principle of "focusing on the strategic layout of the Company and adhering to independent training of talents" and gradually forms an independent talent training mode with independent talent introduction channel, independent training and development mechanism and all-round incentive and guarantee system as the core based on the development experience and cultural deposit of the Company, striving to make employees and the Company make progress and develop together.

Gree's talent team has been growing and its talent structure has been upgraded over the years. By the end of 2019, the Company had about 90,000 employees, including more than 14,000 technological R&D personnel and more than 30,000 skilled workers. During the process of talent introduction, Gree gives consideration to ideology and morality, cultural identification, professional competence and development potential. The Company cooperates with universities to carry out a variety of science and technology competition programs, arouse the enthusiasm of students' invention and creation and explore outstanding talents with innovative ability; the Company actively sets up an exchange platform between universities and the enterprise, invites teachers and students of universities across the country to go into Gree and go into "Intelligent manufacturing in China", feel the unique industrial culture of Gree and the development pulse of China's advanced manufacturing industry and set up a goal of serving the country by devoting to the industry.

In order to continuously improve the level of technological innovation of the Company, enhance the core competence of the Company and encourage the technological talents with outstanding technology and outstanding abilities to make greater contributions to independent innovation of the Company, Gree insists on the principles of "be fair, be open, be dedicated" and selects technological experts every year through internal recommendation of each department, section review, on-site defense and publicity of selection results based on the technological level, post value and performance level so as to further expand the team of technological experts and optimize the structure of experts at all levels. Meanwhile, the Company applies the evaluation results to various personnel decisions such as salary, further optimizes the salary adjustment mechanism and stimulates staff capacity improvement in an all-around manner. Gree now has two leading talents in science and technology innovation under the National 10000 Talents Program, one young and middle-aged expert with outstanding contributions to the nation, three experts enjoying the special allowance of the State Council, one talent winning the Outstanding Contribution Award of South Guangdong, one Guangdong special support program outstanding talent, 62 high-level talents of Zhuhai, more than 300 young outstanding talents and more than 470 science and technology experts.

Gree has designed three career development paths for technical management employees, namely "professional, management and comprehensive development", and designed a skill rating mechanism for front-line employees.

Based on staff competence, performance and determination, Gree creates a fair and just development environment, which makes Gree have a large number of talents in all fields.

Section IV Discussion and Analysis of Business Operation

I. Overview

In 2019, Gree steadfastly followed the development path of "independent innovation, winning by technology, driving by two efficiency and global leading", improved the four business fields: air conditioning, home appliances, high-end equipment and communication equipment, which are the main pillars, centered on users, insisted on technological innovation, optimized the quality control system, strengthened the online and overseas layout, promoted enterprise transformation and upgrading and created a more competitive and diversified technological global industrial group. In 2019, the Company achieved the total operating revenue of RMB 200.508 billion, an increase of 0.24% year on year, and a net profit attributable to the parent company of RMB 24.697 billion, a decrease of 5.75% year on year.

1. Center on users, continuously improve product competitiveness and meet new needs of users

(1) Residential air conditioner sector

Gree insists on centering on user needs for development of new products, creates perfect quality management and fully considers new needs of users. Based on the product R&D idea of "Study one generation, reserve one generation and develop one generation", Gree made significant breakthroughs in product intelligence, comfort and energy savings. In order to meet the needs of different consumers, Gree divides the market based on three dimensions: region, climate and economy, and strives to fully understand the market under the condition of market segmentation. In response to the new needs of consumers, Gree focuses on the innovation and upgrading of technologies and products from the aspects such as air supply comfort, heating comfort, healthy air and intelligent interaction. It has developed new products such as fresh air conditioners, AI voice air conditioners, constant-warm defrosting air conditioners and high-end art air conditioners to resolve pain points of users and improve user experience.

For the problems such as indoor and outdoor air pollution and harm to people's health due to increase of carbon dioxide concentration caused by long-term stay of people in closed rooms, the Company developed the "Freair" series wall-mounted and floor-standing fresh air conditioners. The products provide the function of supplying fresh air in two ways. The products can introduce outdoor fresh air after multi-stage of filtration and discharge indoor dirty air at the same time, which enables the products to effectively and permanently keep the indoor air fresh. Meanwhile, the built-in air quality sensor of the air conditioner can monitor the indoor air quality and the intelligent opening and closing of the fresh air system brings convenient and healthy enjoyment to users.

For the problems that many steps are required to remotely control an air conditioner, user operation is inconvenient and functions of the air conditioner are monotonous, Gree developed a series of AI voice air conditioners such as Gree Kimbe II floor-standing unit, I-Poem II floor-standing unit, LEAD ROYAL

floor-standing unit and Kimbe wall-mounted unit. Equipped with the AI voice technology, the air conditioners provide interactive functions such as music play, news broadcast, encyclopedia query and social chat and can even link all home appliances in the house, making air conditioners become intelligent home terminals.

For the problem that frosting easily occurs on traditional air conditioners in winter and heat is absorbed from indoors during defrosting, resulting in drop of indoor temperature and poor experience, Gree developed the constant-warm defrosting air conditioners i-Yao floor-standing unit and Runyao wall-mounted unit. The heating efficiency of the products is 32.4% higher than that of traditional air conditioners. During defrosting, the air conditioners do not stop working or absorb heat from indoors. After defrosting, the air conditioners blow out hot air immediately, effectively improving the heating comfort of air conditioners.

The innovative design of air outlet and the integration of romantic art elements create Rose III floor-standing air conditioner, the current peak of Gree. The air conditioner inherits the romantic spirit and adopts the distributed air supply technology uniquely developed by Gree. Cold air is not blowing people, the temperature is more uniform, and the heat and cold air is more comfortable. The air conditioner can keep warm during defrosting and keep heating. It provides strong heating under ultra-low temperature and improves the heating capacity and the degree of comfort. In addition, the air conditioner is also equipped with the AI voice control system, which realizes human-computer interaction and adds fun and convenience to our life.

Gree silent window-type air conditioner is a brand-new window-type air conditioner featuring novel appearance, low noise and superior performance. In appearance, the panel adopts an inclined upward air outlet so that people do not feel blowing wind, which improves user comfort. The new design of the honeycomb air inlet panel highlights simplicity and fashion and the control area adopts touch buttons that are reasonably arranged and light transmission display to highlight user-friendly operation. It is the first time that two motors and the brand-new air duct system structure with cross-flow fan blades and axial flow fan blades are adopted in window-type air conditioners of the Company. The refrigeration noise of the product is 42 dB, which is the industry leading level. The environmental-friendly R32 refrigerant is adopted to realize high energy efficiency and meet the requirements of North America E-STAR. The silent window-type air conditioner enriches the window-type air conditioner product line of the Company and improves the market competitiveness of the corporate brand.

In 2019, Gree won the bid for the project of Shanghai Jiaotong University. Gree adopted split air conditioners and VRF air conditioners to provide 12,000 dormitory rooms, classrooms, dinning halls and office rooms in multiple campuses, totaling about 3 million square meters, with high-quality integrated air-conditioning guarantee services. The project won the high praise of "providing first-class products for first-class universities and allowing first-class teachers and students to enjoy first-class services". In addition, Gree signed strategic framework agreements with large enterprises such as State Grid Corporation of China, Evergrande Real Estate Group, R&F Properties and Huawei, laying a foundation for the continuous growth of air conditioner sales in the future.

(2) HVAC equipment sector

In 2019, Gree adhered to the orientation that products meet the needs of consumers, insisted on technological innovation, continuously strengthened the planning and layout of technological research and development,

constantly made breakthroughs in key technologies, formed a strong technical reserve and promoted product upgrading.

Gree's high-efficiency oil-free dynamic air bearing compressor breaks through the high-end air bearing technology, develops the foil gas bearing with high loading capacity and long service life, which is suitable for refrigerants, and breaks the monopoly of foreign technologies; Gree researches the ultra-high speed and high stability air bearing rotor dynamics technology, micro flow coefficient and efficient pneumatic design technology and greatly improves the performance and reliability of the compressor. The full load of the unit is COP6.35 W/W and the IPLV reaches 10.15 W/W. On 7 December, 2019, the unit was identified by China Machinery Industry Federation to reach the "world-leading" level.

Gree's luxury air conditioners for passenger trains break through the high-efficiency and high-reliability technology of compressor under all working conditions, low-noise and high-efficiency wind blade technology, high-strength frame anti-seismic structure design technology, 1 mm stainless steel sheet welding technology and EMC anti-interference design and meet the requirements for high reliability and safety. In 2019, Gree completed a series of work such as TS22163 rail transit quality management system certification, EN15085 welding system certification and FAI first product quality appraisal. The Company has obtained the qualification to supply train air conditioners and achieved the technological breakthrough of the Company's commercial air conditioners from station air conditioners to vehicle-mounted air conditioners.

Through innovation and breakthrough of the magnetic bearing motor system, Gree magnetic bearing inverter centrifugal chillers have completed the development and successful application of the 1300RT magnetic bearing centrifugal chiller with the highest cooling capacity in the world and won the bid for Beijing Xinghuo High-speed Railway Station project. This marks that Gree's magnetic bearing centrifugal technology advances to the "depopulated zone" again and continues to lead in the field of central air-conditioning technology. By the end of 2019, Gree completed the development of the 80-1300RT full series magnetic bearing systems, including 6 series and 28 models, becoming the only manufacturer in the world with the single compressor of high cooling capacity and full series of magnetic bearing compressors and units. The project won the Gold Award of International Exhibition of Inventions of Geneva, Morocco Special Gold Award and the first prize of the Fourth National Quality Innovation Competition.

In 2019, closely catering to the market demand, Gree established the Institute of Building Environment and Energy, launched the professional system solution of central air conditioners, continuously made breakthroughs in the key technologies of system energy conservation and created the benchmarking project of efficient refrigeration room. Gree provided ultra-high efficiency and large temperature difference centrifugal chillers for the ultra-high efficiency air-conditioning system of Wuyi University, realizing the breakthrough of the annual average energy efficiency of the refrigeration room higher than 6.0 and the average energy efficiency in September higher than 7.0, establishing a new benchmark of the domestic high-efficiency air-conditioning system and creating a new record of the high-efficiency refrigeration room.

Gree's high-efficiency permanent magnetic synchronous inverter screw chiller won the bid for the Holiday Inn Orchard Hotel Project in Singapore. The overall energy efficiency of the refrigeration room reaches 5.41, reaching

the highest level of Green Mark in Singapore: platinum certification. The project is recognized as a "high-performance energy-saving project" by the National Construction Energy Conservation Quality Supervision and Inspection Center. Chengdu National New Drug Safety Evaluation Center is currently the largest professional institution for preclinical research and technical services of new drugs in China, which has high requirements for the stability and safety of indoor environmental control. Gree provided the project with an efficient system solution centering on high-efficiency permanent magnetic synchronous inverter centrifuge, which is recognized in the field of high-end biopharmaceuticals and fills in the gap of domestic equipment in this field.

Gree building management system (GBMS) is a building management engine independently developed and produced by Gree. It implements the functions such as integration, monitoring, alarm, operation and maintenance of building equipment and creates a full building ecological intelligent management system, including five-constant health system, eight-dimension safety system, multi-dimensional energy saving system and intelligent and efficient system. The GBMS platform supports distributed and centralized scenario application and can be widely used in different industries such as smart park, smart hotel, smart campus, smart community, smart hospital and smart fire fighting. At present, the GBMS accumulatively has 26 patents for invention and 2 software copyrights.

To solve user problems of low temperature adaptability, limited hot water consumption and slow heating that occur on air source water heaters, the Company completed the development of Mu Zun air source water heater series in 2019. Mu Zun air source water heater adopts the independently-developed and world-leading inverter two-stage compression EVI heat pump technology and realizes abundant heat water during use, without being limited by the volume of water tank. In addition, Mu Zun air source water heater saves energy by up to 75% compared with electric water heaters and won the AWE2019 Award - Environmental Protection Award.

Gree U series close control air conditioners was listed in the *Product Catalog of Advanced Applicable Technologies for Green Data Center (Version 2019)* prepared by the Ministry of Industry and Information Technology and the product energy-saving index is recognized by experts in the HVAC construction industry, safeguarding data centers.

(3) Home appliances sector

Relying on the deep understanding of fashion, international advanced technologies, attitude of constantly striving for perfection and excellent detail control capability, Gree R&D team created high-quality home appliances for global users and achieved perfect integration of technologies and fashion. In 2019, Gree micro-pressure IH electric rice cooker GDCF-4009C won the "Copper Award" of the 71st Nuremberg International Invention Exhibition in Germany; micro-pressure cooker and TOSOT multi-cooker were included in the *Guide to Upgraded and Innovative Consumer Products in the Light Industry*.

In 2019, in the "15th China Household Appliances Innovation Result Selection" activity organized by China Household Electric Appliances Research Institute, Gree's water purifier with the filter cartridge serviceable in three years won the award of annual outstanding innovation results. In addition, relying on its advantages of small size and long service life and 360-degree convenient operation for ring blind assembly and core replacement,

Gree's two-core large-flow water purifier won the Thales Outstanding Product Award of GWPS Global Water Purifier Market Summit in 2019. Relying on the reverse-osmosis engineering water purification equipment, Gree successfully completed the demonstration projects of Diaoyutai State Guesthouse and Foreign Language School Affiliated to Beijing Foreign Studies University. In "2019 Golden Tripod Award Ceremony for Two National Purification Industries and Industry Leader Summit" organized by the Golden Tripod Award Organizing Committee for Two National Purification Industries, Gree won the 2019 technological innovation brand in the national water purification industry.

Gree's foldable baseboard electric heater adopts the innovative design of multi-angle folding and is applicable to more scenarios in family use. It is convenient and easy to store the product. The baseboard is designed with an innovative air-guide structure, which controls efficient heat dissipation at 45° of hot air and realizes carpet-type heat transfer. Relying on the unremitting pursuit for innovation and quality, Gree's electric heater won the "Industry Craftsmanship Brand of the Year" awarded by China Association for Quality Promotion in 2019.

The brand-new series of dishwashers developed by Gree includes Jinghuan series of embedded dishwashers and Jingyun series of small table dishwashers. Jinghuan series of embedded dishwashers adopt the C-Max intelligent washing system and dual-swirl heat drying technology to provide users with better washing and drying effect and obtain 6A+ certification. Meanwhile, in order to meet the needs of different users, Gree developed Jingyun series of small table dishwashers, which adopt 72℃ high temperature for washing and the hot air drying system. The sterilization rate reaches up to 99.99%.

In 2019, the Company completed the design of new categories of home appliances (such as piglet rice cooker, portable juicer and electric teapot). Of these products, the piglet rice cooker adopts bionic design and its shape is small and lovely; the portable juicer is colorful and the hidden hand strap design is unique and ingenious. The two products won 2020 Red Dot Product Award at the same time. Gree electric teapot is the first automatic water filling intelligent electric teapot independently developed by the Company. It is equipped with high-altitude adaptive recognition and real-time variable frequency and adjustable power heating technology. While solving the problem of continuous boiling under high altitude, the product guarantees the accuracy of temperature control. The technology for accuracy of temperature control reaches the leading level in the industry.

(4) Refrigerator and washing machine sector

In 2019, Gree Kinghome continued to deepen and mine the application of three meat preservation technologies, namely -3℃ tender freezing, -5℃ instant freezing and -33℃ deep freezing. The high-end line-up of magic refrigerators was upgraded: for the users' feedback on the demand for high capacity and long-term preservation of meat, Kinghome developed a T-type variable temperature side-by-side door refrigerator supporting -33℃ deep freezing; for the need for different meat storage time in different usage scenarios, Kinghome developed a large-capacity French multi-door refrigerator supporting tender freezing and instant freezing magic preservation; for the decoration need of customers' integrated cupboards, Kinghome developed different series of thin products; Gree Kinghome insists on leading green development relying on innovation, adheres to the ecological production philosophy of environment-friendly and sustainable development of resources and implements energy saving, emission reduction and green production. In 2019, Kinghome won the title of "First Batch Certified Enterprises of

CQC Certified Green Products". Meanwhile, Kinghome adheres to the modern enterprise craftsmanship, practices the perfect quality mode of Gree, and strengthens the foundation of enterprise manufacturing relying on lean quality and intelligent manufacturing. According to the statistics of ChinaIOL.com, under the situation that the refrigerator sales in the whole industry increased by 3.1% year on year in 2019, the sales of Kinghome refrigerators achieved a year-on-year growth of 28.1%, with the growth rate ranking top 4 in the industry and the total sales ranking No.9 in the industry.

The upgraded version of Jingrou washing machine is equipped with a silver ion sterilization device. The silver ion crystal is released slowly when it meets water, penetrates into the clothing fiber and kills bacteria on the clothing efficiently. According to the test conducted by a third-party agency, the silver ion sterilization rate of Jingrou upgraded version reaches as high as 99%. In addition, Jingrou washing machine adopts the new anti-mildew and anti-bacterial door sealing design. According to the test conducted by the Technical Institute of Physics and Chemistry of CAS, the anti-bacterial rate reaches 99%. Jingrou washing machines also uses the dynamic spatial clothing distribution technology to increase the dehydration success rate of one clothes by 60%, saving time and electric energy for consumers.

2. Adhere to independent innovation, constantly make breakthrough in world-leading technologies and lead industry standards to the world

In 2019, Gree has made a series of new technological achievements thanks to continuous breakthroughs and tackling of difficulties by its R&D personnel. According to evaluation of the authority, Gree has added four "world-leading" technologies, including "High Performance Straight Line Servo Motor and Driver", "Research and Development of Rare Earth Free Magnetic Resistance Master Drive Motor System for New Energy Vehicles", "High-efficiency Dynamic Pressure Air Bearing Centrifugal Compressor Key Technologies and Applications", and "Research and Application of High-efficiency Magnetic Resistance Inverter Scroll Compressor", which add strength to the core technologies. By far, Gree has obtained 28 "world-leading" technologies in total.

Gree insists on innovation driving, regards consumer demands as the standards and sticks to the principle of R&D expenditure on demand without upper limit. By the end of 2019, Gree accumulatively applied for 63,956 patents, including 31,500 patents for inventions; in 2019, Gree applied for 15,259 patents in total, including 8,860 patents for inventions.

In 2019, the number of Gree's authorized patents reached 1,739, ranking No.6 in the country. Gree has become the only household appliances enterprise that entered the top 10 in terms of the number of authorized patents in China for four consecutive years. In 2019, Gree won 16 Chinese patent awards, with the total number of won awarded ranking No.1 in China, which promotes deep integration of intellectual property rights with industrial development. In addition, Gree won five gold awards at the International Invention Exhibition in Geneva, Switzerland and Nuremberg, Germany in 2019, and authorized three motor patent technologies to Grundfos, a Danish company, which fully demonstrated the invention and creation capabilities and the world-leading strength of Gree to the world.

In 2019, Gree won 33 awards of four International Design Awards (16 IF Product Design Awards in Germany, 12 Red Dot Awards in Germany, 3 IDEA Awards in the United States and 2 excellent design awards in Japan), two 21st China Design Excellence Awards, one silver prize of 6th Guangdong Design Patent Award, 12 design awards in the 5th Mayor's Cup, five export product design awards in 2019 China Import and Export Fair, one Good Design Innovation Award in 2019 and one excellent award of 2019 Intelligent Manufacturing Award.

While increasing the introduction of R&D equipment, Gree insists on the improvement of testing technologies to guarantee the product quality. It performed comprehensive combing and upgrading in the aspects such as intelligent testing, automation, professional personnel and post standardization to guarantee the product testing quality and greatly improve the testing efficiency. Meanwhile, evaluation of the authority shows that Gree obtained seven important certificates at home and abroad in 2019 product certification, including the first batch of "Ergonomics - Thermal Comfort" certificate in the industry, China's first CVC certificate for DC air conditioner products, the first certificate with three characteristics: heat recovery, carbon dioxide removal and formaldehyde removal of air conditioners supply fresh air in two ways, the first batch of ROHS certificate, China's first batch of CCC certificate for gas appliances, the first software evaluation characteristic certificate for household appliance industry, and the first CSA energy efficiency certificate for ultra-low temperature heat pump unit in the world. In addition, Gree led and participated in standards development of 15 Chinese and foreign certification technical specifications, leading the industry standards to the world. By the end of 2019, the Company joined 18 standardization organizations, including the Heat Pump Standard Workgroup of Sub-committee for Testing and Assessment of Air-conditioning Heat Pumps of the ISO Committee of Refrigeration and Air Conditioning (ISO TC86/SC6/WG12), the Chiller Engineer Committee of Association of Air-Conditioning, Heating, and Refrigeration Institute (AHRI), Standard Technical Group of Inverters for Distributed Energy of Underwriter Laboratories Inc (UL/STP 1741), European Partnership for Energy and the Environment (EPEE), and Australian Institute of Refrigeration, Air Conditioning and Heating (AIRAH). Gree takes the initiative to participate in development and revision of international standards and learn the industry dynamics and changes of international standards policies in time, further improving the influence of the Company in the world.

3. Optimize the quality control system, insist on quality innovation and implement the perfect quality assurance mode in an in-depth manner

Gree believes that "best service not requiring after-sales service", takes perfect quality as the highest pursuit of quality management, tries to eliminate quality problems before consumers use products, ensures the applicability and reliability of products and avoids quality problems during use of products. In order to achieve this goal, in 2019, Gree continued to fully and deeply implement the perfect quality assurance mode and continued to emphasize the beforehand and afterward quality control in the whole process of value creation from product research and development, procurement and logistics, manufacturing and marketing services. Meanwhile, Gree summarized and extracted the five-step method of quality promotion. Starting from demand survey, Gree promoted optimization through careful planning and strict implementation supplemented by inspection and supervision, realized early planning and check of the quality control work, prevented and avoided occurrence of

quality problems from the source. Relying on deep implementation of the PQAM perfect quality assurance mode, Gree's products of all categories completely passed spot test at all levels such as national spot test, provincial spot test, municipal spot test, third-party spot test and overseas spot test, explaining the perfect quality of Gree's products to consumers.

In 2019, Gree won the first prize in the 4th National Quality Innovation Competition relying on its *Research and Application of High-precision Magnetic Suspension System* and won the second prize of the large enterprise innovation category in the annual conference of International Quality Innovation Award (QIA) in 2019. Gree was the first enterprise that won the award in China's household appliances industry. In November 2019, Gree successfully won the "Best Improvement Project Award" in the "63rd Annual Conference of the European Quality Organization and Bilateral Quality Exchange Meeting between China and the West", becoming the only Asian enterprise that won this award in this conference.

The quality level of Gree's products has been continuously improved by strengthening the internal quality control, and the first time yield of process reached 99.54%. The after-sales failure rate of products decreased from 16,429 PPM in 2004 to 488 PPM in 2019, with an average decline of 20% for 16 consecutive years. According to the *2019 Air Conditioner Customer Satisfaction Index Survey and Analysis Report* issued by the Customer Satisfaction Evaluation Center of China National Institute of Standardization, the customer satisfaction of Gree air conditioners reaches 81 points, ranking the first in the industry for nine consecutive years.

4. Strengthen the online layout, vigorously carry out digital operation and achieve a breakthrough in sales of all categories

In 2019, in the face the new consumption mode and communication mode of the e-commerce market, major e-commerce brands perform continuous new exploration. In response to the online and offline integrated development trend, Gree repackaged and upgraded its original self-built platform, namely Gree Mall, and made all staff to participate in the Company's sales channel development and recommend high-quality products to their relatives and friends based on the new business model of distribution mode and social media communication, realizing the upgrading of Gree's marketing model. In 2019, the number of registered distribution stores of "Dong Mingzhu's store" exceeded 100,000 and the accumulated sales in the whole year exceeded RMB 1.4 billion, a year-on-year growth of 660%.

In the aspect of third-party platforms, in 2019, many brands in the online consumer market still adopted the low price strategy. Gree insists on the development route of "quality e-commerce". In the market environment where competition tends to be fierce, the online air conditioner sales of Gree increased by 16% year on year and the sales of the household appliance category increased by 13%. In third-party operations in 2019, Gree was recognized by jd.com, tmall.com and Suning.com platforms and won many platform awards such as "Outstanding Achievement Award of jd.com in 2019", "Best National Product Cooperation Award of jd.com in 2019", "Best Partner of the Year" award of jd.com in 2019, "Best Influencer" in live broadcast of jd.com in 2019 and "Best Cooperation Award" of tmall.com in 2019. During the Shopping Festival on 11 November, 2019, the total online sales of Gree's products exceeded RMB 4.1 billion, a year-on-year increase of 200%, of which the sales of air

conditioners on third-party platforms exceeded RMB 3.64 billion, a year-on-year increase of 178%. The sales of Gree's air conditioner products on the Internet ranked the first. Gree became the sales champion in terms of air conditioner on Tmall platform for six consecutive years. The sales of all categories of products on Gree's proprietary platform "Dong Mingzhu's store" (<https://fsmall.gree.com>) reached RMB 363 million, a year-on-year increase of 48 times.

In October 2019, Gree e-commerce discussed the digital operation project with third-party platforms. By creating a huge user database, analyzing internal laws of data and mining the internal data logic, Gree grasped consumer demands, consumption habits and other user information and obtained user portraits. According to the user portraits, Gree realizes customization of all aspects such as product, marketing, pre-sales and after-sales. Through digital operation, Gree implements the "user-centered" sales philosophy.

In 2020, based on the analysis on the consumer market, Gree e-commerce will carry out digital operation and achieve a new breakthrough in sales from the perspective of users. Meanwhile, with the further upgrading of the new consumption model, "Gree Dong Mingzhu's store" will promote the new retail model nationwide in 2020 and realize platform sharing with the existing sales channels, thereby realizing the gradual transformation from the operation of single store distribution to professional platform operation of household appliances. In the future, "Gree Dong Mingzhu's store" will sell Gree products of all categories. Relying on the advantage of offline channels and high-quality brands and aiming to create a new online and offline integrated sales model, Gree will realize the development strategy of Company's proprietary online channels, bringing new growth of sales.

5. Actively expand the overseas market, insist on the high-end leading strategy and energetically develop proprietary brands

Gree continues to make more efforts in the overseas market. It centers on its proprietary brands, vigorously carries out proprietary brand construction from the aspects such as strategy, technology, quality, training, talent and service and adheres to the open, transparent, cooperative and win-win philosophy through the new customer cooperation model to enhance the international popularity of Gree brand.

In 2019, Gree made great achievements in internationalization. It won the bids for large projects such as Mauritius Stadium, Office Building of the Ministry of Foreign Affairs of Maldives, Gabon National Convention Center, Sri Lanka Substation and Nepal Pokhara Airport. Meanwhile, Gree assisted local governments in implementing assistance projects such as Cook Island Archives, Niue Parliament Building and Niue Airport. Meanwhile, Gree continues to insist on the high-end leading strategy in the overseas market and its brand influence continues to expand. In the whole year, Gree prepared for 14 international professional refrigeration exhibitions such as Air-conditioning, HVAC and Refrigeration Exhibition in Atlanta and Chicago International Household Appliances and Small Household Appliances Exhibition, demonstrating Gree's industrial strength of independent research and development. In 2019, Gree held "Gree Makes the Future" 3rd Brands Strategic Partners Conference in Hefei production base to strengthen the exchange and cooperation with global distributors, improving the brand influence of Gree and demonstrating the strength of Made in China on the global stage.

In order to strengthen the promotion of commercial air conditioners and construction of proprietary brand channels and maintain quick upgrading of products, in 2019, Gree launched a photovoltaic multi VRF product in Australia, a 24 V ultra-low temperature side discharge inverter household unit in North America, an environmental-friendly refrigerant R32 side discharge multi VRF product in the EU, and a series of core products such as new-generation GMV6 heat pump and GMV6 heat recovery multi VRF product, inverter air-cooled screw unit and inverter module unit in the world. In terms of residential air conditioners, Gree launched the G-Tech air conditioner featuring five-layer washing, separation of water and electricity and easy removal and washing and the high-end Soyal air conditioner that provides eight air supply modes, which enable the wind to move with people and avoid direct blowing, in the global market; in Southeast Asia, Gree launched Minty air conditioner that integrates air-conditioning and purification and removes PM2.5 at a rate of 98%.

In the future, Gree will continue to strengthen the overseas strategic planning and the overall layout in the global market, center on proprietary brands and explore new development models; maintain the long-term investment in overseas brand construction, really root Gree's manufacturing, technologies and culture in all corners of the world and realize the output of soft power such as brand, culture and management experience; carry out business integration, brand construction, channel layout and industrial chain coordination and improve the efficient operation system of overseas full value chain; strengthen cultivation of localized talents and broaden the international vision; establish a new customer cooperation model, focus on later growth of the market based on the three brands: Gree, Tosot and Kinghome, and classify products, sales channels and publicity strategies in a refined and differentiated manner to further develop the market.

6. Pay close attention to industrial transformation, make efforts in the sectors of high-end equipment and communication equipment and accelerate diversified layout

(1) Intelligent equipment sector

Aiming at "Excellent quality, created by Gree", Zhuhai Gree Intelligent Equipment Co., Ltd. insists on independent R&D and lean manufacturing and helps upgrade the intelligent manufacturing industry through AI. It forges ahead in the R&D, manufacturing, sales and service of intelligent equipment products and provides professional and personalized products and services to realize "Intelligent manufacturing in China". Based on the "production, industrialization, marketization and internationalization" development path, the Company has formed a product system covering a dozen fields such as servo manipulators, industrial robots, intelligent warehousing equipment, intelligent testing, special machine tool equipment for heat exchanger, unmanned automation production line body and CNC machine tools and more than 100 products.

By the end of 2019, Zhuhai Gree Intelligent Equipment Co., Ltd. accumulatively applied for 2,501 patents and authorized 840 patents, of which 653 patents were applied for and 470 patents were authorized in 2019. It accumulatively helped multiple brands nationwide and more than 100 enterprises with intelligent manufacturing transformation successfully and completed a batch of influential demonstration projects in the intelligent industry in various sectors. Since it was founded in 2015, Zhuhai Gree Intelligent Equipment Co., Ltd. successively won the tiles such as "Guangdong Robot Backbone Enterprise", "Zhuhai Intelligent Equipment Engineering

Technology Center" and "Guangdong Small Household Appliances Intelligent Manufacturing Regional Innovation Center". At present, the Company's machine tool products cover horizontal machining center, five-axis machining center, gantry machining center, compound turning milling machining center, graphite machining center and vertical machining center and provide customers with a complete set of production solutions such as processing technology and automatic processing, which are widely used in the fields of moulds and 3C processing.

In the field of industrial robot technology, the Company optimized the research on design methods, key technologies of gear transmission, effective torque control technology and robot precision calibration algorithm through the body of industrial robots, which makes Gree robots reach the first-class level in the industry. In terms of technological innovation in the field of machine tools, the Company conquered the stepless inverter adjustment technology, which realizes a temperature control accuracy of up to 0.1 °C for the machine tool cooler unit and solves the industry problems of slow cooling under the industry cooling mechanism and low temperature control accuracy. In addition, the unit features efficient energy saving, high reliability, strong adaptability and convenient installation and maintenance.

By independently developing the facial recognition technology, visual inspection technology, audio analysis technology and process action analysis technology, Gree builds platform-level and equipment-level products and provides cloud services and edge applications. In the aspects such as image collection and processing, signal analysis and voice recognition, natural language processing and operation optimization, Gree established an all-round intelligent manufacturing service system for internal and external users of the Company. In the aspect of production application, by building six core systems such as facial recognition application system, industrial visual inspection system, voice and audio analysis system, logistics and warehousing scheduling system, intelligent search recommendation system and industrial engineering and operational research system, Gree established an intelligent manufacturing service application system, which realizes deep integration with production application requirements.

In 2020, Gree will continue with reform and innovation, continuously develop markets, explore new customers, and focus on promoting conversion of technological achievements of robots, CNC machine tools, environmental protection equipment, automated production line and warehousing equipment and increasing the market share; actively implement the talent introduction strategy and implement the pyramid R&D talent management mode of "expert team, core technical backbones, and technical staff"; in the aspect of product R&D, continue to promote the "product-focused" and "project-based" management mode and further improve the market competitiveness of products with high-speed and high-precision robots, gantry machining center, five-axis machining center, heavy-duty and laser navigation AGV, energy-saving and environmental protection equipment and non-standard automatic production equipment for household appliances as core new products.

(2) Precision mould sector

Mould is the "mother of industry" and provides important technical support for high efficiency, low cost and high quality of product manufacturing. The industrial level of moulds is an important symbol of the manufacturing level for a country provides important guarantee for industrial products of a country to maintain international

competitiveness. By the end of 2019, Gree invested in multiple mould bases. It has two automated processing lines covering more than 1,200 CNC equipment, more than 20 independently developed mould automated processing lines, and more than 2,200 mould employees, serving hundreds of enterprises in the fields of household appliances, automobiles, 3C electronics and aerospace.

Gree precision moulds have become a benchmark in the mould industry in terms of technological innovation, quality management, informatization and intelligent manufacturing. In 2019, Gree mold company accumulatively applied for 121 patents, of which 39 are authorized patents, 4 are patents for inventions, 9 are patents for utility models, 26 are design patents and 2 are software copyrights. In addition, the Company won the title of "Guangdong Intellectual Property Demonstration Enterprise" and the certificate of integrated system. In 2019, the Company undertook major provincial scientific and technological projects such as Research and Demonstrative Application of the Intelligent Manufacturing System Integration Technology of Moulds and Manufacturing Industry. Its cost management project Refined Cost Management Application and Practice of Large Mould Enterprises won the second prize of Guangdong Enterprise Management Modernization Innovation Achievements.

In order to accelerate the construction of the mold technology innovation system and build a high-level intelligent mould technology innovation platform with international competitiveness, Gree Precision Mold Co., Ltd. Zhuhai Guangchang Plant was officially put into production in 2019. Gree was also approved to build "Guangdong Intelligent Mould Technology Innovation Center", leading moulds to develop toward the intelligent direction in Guangdong Province. At present, the Company takes the lead in the research and application of Internet of Things, cloud computing, big data analytics, artificial intelligence and industrial robots in the mould manufacturing industry.

China's mould industry is transforming from the "traditional model" to "Internet plus" model. In 2020, Gree Precision Mold Co., Ltd. will continuously focus on the layout in the aspects such as technological innovation, intellectual property rights and intelligent manufacturing and transform towards the "Internet plus" model to become the leader of China's mould industry.

(3) Semiconductor sector

In 2019, Gree made great progress in research of the semiconductor field, promoting the optimization and upgrading of products such as smart home series of chips, industry standard MCU and power devices. At present, Zhuhai Zero Boundary Integrated Circuit Co., Ltd., a subsidiary of Gree, has become a one-stop service provider for embedded chips, power devices and their supporting development solutions and algorithms.

Gree smart home series chips are embedded AI cross-border processors launched for the markets such as smart home, smart healthcare, smart education and smart energy management under the tide of IoT and intelligent AIoT applications. In 2019, Gree developed the latest AI cross-border series of chips, which integrates high-performance AI computing capability and low power consumption feature of embedded SOC, provides complete software and hardware solutions for related products and supports functions such as computer visual recognition, image acceleration engine, real-time control capability and multiple hardware security encryption.

The general industrial control MCU of Gree involves multiple series of products. It features high performance, low energy consumption, high integration and low cost and can be widely used in three categories of electric appliances (air conditioners, washing machines and refrigerators) and the industrial application market. At present, the annual output of industrial-grade MCU exceeds 10 million, and the failure rate is as low as 15 PPM. The MCU is widely used in products such as wall-mounted and floor-standing residential air conditioners, commercial multi VRF indoor units, wired controllers, and air conditioner remote controllers.

Gree independently developed power devices, which cover the high reliability Trench Field-Stop IGBT, FRD, PM module, PIM module and IPM intelligent power module of 600 V and 1200 V platforms. The power devices can be used in a wide range of scenarios. They can be used in scenarios such as PFC circuit, motor drive, inverter circuit, induction heating, and soft switch circuit in the fields such as household appliances, industrial equipment, photovoltaic inverter, and new energy vehicle.

7. Focus on user needs, continue to explore core technologies and lead the era where everything is connected

Gree insists on independent innovation, independent research and development and independent manufacturing, uses core technologies to build a smart home where everything is connected, focuses on the consumer quality and needs of life, and realizes the linkage of household appliances in the whole house by connecting intelligent, high-quality and all categories of household appliances. Based on the goal of "connecting everything, responding to any call", Gree independently developed smart home products, IoT platform, smart decision-making system, G-Voice voice interaction system, smart visual system, G-OS IoT operating system, G-Learning comfortable and energy-saving algorithm, and intelligent IoT technologies to provide family life with a solution for connecting everything and create a high-quality life in which everything is connected. Consumers can experience the family life of "connecting everything, responding to any call" through five control entries (Gree IoT air conditioner, "Gree+" App, IoT mobile phone, smart door lock and Cube Monster).

On 28 December, 2019, Gree solemnly held the "2019 Made in China, Loved by the World Summit Forum". During the forum, Gree demonstrated the blueprint of "smart household appliances in the whole house". Relying on the full category and diversified development, through the powerful G-IoT and G-Voice technology cluster, Gree built five systems: energy management, air management, health management, safety management and light management, and established an intelligent, healthy and safe smart home system. A full smart home not only connects all household appliances but also has the analysis, judgment and feedback capabilities on the basis of perception, learning and detection, so as to provide accurate personalized services according to the user age, interests, habits and other information.

At present, in the field of smart home, Gree has six key technologies: intelligent connection, intelligent perception, intelligent interaction, intelligent cloud platform, intelligent energy management system, and artificial intelligence. Intelligent connection: Through the 5G technology, Bluetooth distribution network technology and password-free direct connection technology, Gree provides efficient connection guarantee to enable users to experience smart home more stably and conveniently; intelligent perception: Gree adopts AI micro perception technology to reduce

worry of users about family privacy; intelligent interaction: Gree performs in-depth research and iterative upgrading in the key voice interaction aspects such as ASR, NLP and TTS; intelligent cloud platform: On the premise of guaranteeing security, Gree provides cloud services with the intelligent decision-making capability and provides users with more humanized, considerate, intelligent, convenient and accurate services based on the knowledge base and user behaviors and habits; intelligent energy: Gree realizes intelligent, economical, efficient and clean energy utilization through an energy-saving algorithm; artificial intelligence: Gree sets up an artificial intelligence platform and provides users with a more energy-saving, more environmental-friendly, more comfortable and healthy intelligent decision-making system through a variety of deep learning algorithms.

In 2019, Gree focused on the combination of artificial intelligence with manufacturing industry and the layout of production quality inspection, logistics scheduling, personnel management, voice interaction and informatization and implemented the application of facial recognition, voice recognition, warehousing path optimization, product quality and visual inspection based on a variety of technologies independently developed by Gree. Meanwhile, Gree completed the setup of an artificial intelligence open platform, the construction of a facial recognition service platform, the design and development of industrial visual inspection equipment, and the development of a warehousing and logistics scheduling platform. By combing software with hardware, Gree realizes the application of technologies and service platforms.

8. Focus on industrial positioning, accelerate market layout and occupy the commanding height of energy interconnection

In the new energy sector, Gree made a series of deployment from technological projects and product development, gathered resources, carried out team's activities of "going to the frontline", improved products from the angle of customer thinking, formulated differentiated highlights and competitive product goals, and intensified efforts to carry out comprehensive market promotion and layout. According to the characteristics and development trend of the industry, Gree constantly explores and focuses on positioning. It gives more connotation and significance to the distributed energy Internet, further consolidates the technologies and products of the six product lines, enriches the product series, and expands the number of product categories to 7 categories, 39 types and 114 models.

Gree implemented the DC demonstration project in a centralized manner in key regions nationwide, fully integrated the production, university and research resources of State Grid Corporation of China, China Southern Power Grid Company Limited and the Construction Institute, and promoted the successful implementation of the project. The Company completed Shanxi Datong Energy Revolution Pacesetter Exhibition Hall Project, successfully building a full Micro DC-Grid and realizing zero energy consumption. Relying on the implementation experience of the project, the Company was invited to participate in the compilation of "Preparation of Technical Standards for Public Buildings with Near Zero Energy Consumption" for Shanxi Province, which lays a foundation for the promotion and application of photovoltaic air conditioners and DC ecology in local regions; the Company participated in a national demonstration new energy town project of State Grid Corporation of China Jiangsu Branch in Tongli, Jiangsu Province, completed the supply and joint commissioning of core DC equipment, and opened up an innovative way for energy transformation to drive

integrated development of cities; the patent titled "Method and Control Method for Suppressing Voltage Fluctuation of DC Bus in Dual PWM Converters" won the Excellent Award of National Patents for Inventions; the patent titled "Energy Gateway, Household Appliances, DC Micro-Grid System and their Energy Management Methods" won the Excellent Award of Patents for Inventions in Guangdong Province.

In 2019, Gree was approved to build "Guangdong Energy Internet Innovation Center". Based on the operation mode of "Company + Innovation Alliance", the center carries out research and tackling of distributed energy Internet application technologies, conducts research based on the energy Internet system architecture, key technologies and key equipment, and promotes the construction of standards system and intellectual property protection; builds innovation demonstration projects and industrial incubators and carries out talent cultivation and international exchange and cooperation to promote the DC new ecology, build a new world of network energy, and create a better new life!

In the aspect of new energy electric vehicles, the Company successfully developed products such as 5.9-18m rare earth main drive motors and controllers, covering five series, with power covering 60 W to 240 kW, which can fully meet the needs of various commercial buses. At present, the products have been used in many cities such as Zhuhai, Hangzhou, Changsha, Chengdu, Handan, Shijiazhuang, Tianjin, Lanzhou and Wuhu. Meanwhile, the first new efficient reluctance motor used for new energy electric vehicles in the industry breaks the bottleneck of low energy efficiency, poor safety and large noise encountered by the rare-earthless permanent reluctance main drive motor system. In 2019, the technology was identified to be "world-leading" by China Machinery Industry Federation and won the gold award of Nuremberg International Invention Exhibition. This technology makes the main drive motors of new energy vehicles free from the dependence on rare earth resources, creates a new technology research direction of the main drive motor system, and improves the competitiveness of core parts of Chinese new energy vehicles.

9. Deepen the talent cultivation mechanism, build a staff incentive system in an all-round way and help the Group develop steadily

In 2019, Gree's talent cultivation focused on the Company's development theme of "independent innovation, pursuit for dreams in the new era", highlighted the key core talents of the Company and actual effects of cultivation in various fields by taking measures such as "learning innovation of project design, deepening the cultivation mode and mechanism, linking to improve management efficiency, and promoting upgrading of talent cultivation", and built a diversified independent cultivation mechanism, promoting transformation and upgrading of talent cultivation, helping and supporting development of the enterprise.

In 2019, in order to strengthen the cultivation of college students and middle and grassroots managers, Gree focused on cultivation of cutting-edge technical talents and accelerated high-quality supply of talents. By closely following the planning requirements of "insisting on independent cultivation of talents and building a high-quality backbone team", Gree deepened the advanced cultivation mechanism of "foundation, improvement, and reinforcement", organized and implemented advanced cultivation of backbones, strengthened the Company's development confidence, set up a positive attitude of profession, and strengthened thinking transformation and

quality improvement.

Focusing on the important fields and topics of the Company's strategic development in 2019, the Company organized and implemented 80 learning programs such as key special training camps, cutting-edge technology and R&D support topics, and operation and management training topics to comprehensively connect strategies with performance, and strengthened independent cultivation, all staff cultivation, systematic cultivation and lifelong cultivation for talents of the Company. Meanwhile, in order to actively respond to new challenges brought by market changes, better grasp the market and serve the market, the Company formulated a marketing strategic blueprint with "Gree characteristics", continuously established a marketing team with outstanding comprehensive abilities and excellent professional quality, organized and carried out the training camp for marketing service personnel in 2019, integrated "theories as the basis and practices as the priority", and customized advanced cultivation based on four dimensions: "culture practice, comprehensive competence, business skills, and product learning" for marketing service personnel to help marketing service personnel improve their skills and better support front-line marketing and services.

In 2019, in order to continuously improve employee satisfaction and happiness, Gree established an "all-round employee incentive system", a well-equipped living area for employees, a Gree school with a beautiful environment and complete teaching facilities, and a huge shuttle bus system, provided communication packages for all staff, and prepared to build Gree Hospital. All these welfare guarantee measures build a happy factory for Gree people. Meanwhile, in order to solve the housing problem of employees and make employees devote themselves to career development, Gree implements the policy of "One Apartment for Each Gree Employee". Hardbound residential buildings are handed over to employees and employees can move in by carrying their luggage. At present, Gree is accelerating the construction of the Talent Apartment in Gree Mingzhu Plaza.

II. Analysis on principal businesses

1. Overview

See the description in "Overview" of "Discussion and Analysis of Business Operation".

2. Revenue and cost

(1) Composition of operating income

Unit: RMB Yuan

	2019		2018		Increase/Decrease over the previous year
	Amount	Proportion in Operating Income	Amount	Proportion in Operating Income	
Total operating income	198,153,027,540.35	100%	198,123,177,056.84	100%	0.02%

Categorized by industry					
Manufacturing	156,888,659,016.13	79.18%	170,592,428,489.17	86.10%	-8.03%
Other businesses	41,264,368,524.22	20.82%	27,530,748,567.67	13.90%	49.88%
Categorized by product					
Air Conditioner	138,665,055,103.82	69.99%	155,682,359,475.59	78.58%	-10.93%
Home Appliances	5,575,911,375.57	2.81%	3,794,087,435.54	1.91%	46.96%
Intelligent equipment	2,141,285,558.55	1.08%	3,108,531,271.87	1.57%	-31.12%
Other main business	10,506,406,978.19	5.30%	8,007,450,306.17	4.04%	31.21%
Other businesses	41,264,368,524.22	20.82%	27,530,748,567.67	13.90%	49.88%
Categorized by region					
Domestic-main business	136,073,206,974.43	68.67%	148,322,536,473.83	74.86%	-8.26%
Overseas-main business	20,815,452,041.70	10.51%	22,269,892,015.34	11.24%	-6.53%
Other businesses	41,264,368,524.22	20.82%	27,530,748,567.67	13.90%	49.88%

(2) Industry, product, or region accounting for more than 10% of the Company's operating income or operating profit

√ Applicable □ Not applicable

Unit: RMB Yuan

	Operating Incomes	Operating Cost	Gross Profit Margin	Increase or Decrease of Operating Income over Last Year	Increase or Decrease of Operating Cost over Last Year	Increase or Decrease of Gross Profit Margin over Last Year
Categorized by industry						
Manufacturing	156,888,659,016.13	103,703,283,171.60	33.90%	-8.03%	-7.74%	-0.21%
Other businesses	41,264,368,524.22	39,796,089,409.76	3.56%	49.88%	54.07%	-2.62%
Categorized by product						
Air Conditioner	138,665,055,103.82	87,192,449,061.21	37.12%	-10.93%	-11.83%	0.64%
Other businesses	41,264,368,524.22	39,796,089,409.76	3.56%	49.88%	54.07%	-2.62%
Categorized by region						

Domestic	136,073,206,974.43	85,697,917,155.53	37.02%	-8.26%	-7.95%	-0.21%
Overseas	20,815,452,041.70	18,005,366,016.07	13.50%	-6.53%	-6.71%	0.16%
Other businesses	41,264,368,524.22	39,796,089,409.76	3.56%	49.88%	54.07%	-2.62%

In case of adjustment of statistical caliber for the Company's main business data during the Report Period, main business data after statistical caliber adjustment at the end of the Report Period in the recent year

Applicable Not applicable

(3) Physical item income is higher than service income

(4) Fulfillment of major sales contracts signed by the Company by the end of the Report Period

Applicable Not applicable

(5) Composition of operating cost

Unit: RMB Yuan

Industry Category	Item	2019		2018		Increase/Decrease over the previous year
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Household appliances manufacturing	Raw material	88,126,710,086.12	86.66%	95,511,355,520.45	87.23%	-7.73%
	Labor wage	4,943,375,465.37	4.86%	4,988,975,648.45	4.56%	-0.91%
	Depreciation	1,565,803,533.57	1.54%	1,456,650,827.31	1.33%	7.49%
	Energy	836,728,653.04	0.82%	872,173,883.95	0.80%	-4.06%

(6) Changes in the consolidation scope occurred during the Report Period

√ Yes □ No

1. Business combination not involving enterprises under common control
(1) Business combination involving enterprises not under common control in the current period

Unit: RMB Yuan

Name of acquired party	Time point of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Equity acquisition mode	Date of purchase	Revenue of the acquired party from the date of purchase to the end of the period	Net profit of the acquired party from the date of purchase to the end of the period
Nanjing Walsin Nonferrous Metal Co., Ltd.	31 May, 2019	1,417,551,321.45	94.30	Purchase by means of cash	31 May, 2019	10,411,966,740.54	46,316,187.50

[Note] The Company purchased 94.30% equity of Nanjing Walsin Nonferrous Metal Co., Ltd. (hereinafter referred to as "Nanjing Walsin") during the current period and obtained control on 31 May, 2019.

1) Combination cost and business reputation

Unit: RMB Yuan

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.
Combination cost:	
--Cash	1,071,239,072.20
--Other payables	346,312,249.25
Total combination cost	1,417,551,321.45
Less: Fair value share of the identifiable net assets acquired	1,143,436,281.34

Business reputation	274,115,040.11
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2) Determination of fair value of combination cost

The Company acquired 94.30% equity of Nanjing Walsin in the current period, and the cost of business combination was RMB 1,417,551,321.45. The fair value of identifiable net assets of Nanjing Walsin as of 31 May, 2019 was RMB 1,143,436,281.34. The fair value of corresponding identifiable net assets were appraised by China Alliance Appraisal Co., Ltd. Which issued [China Alliance Appraisal Report (2019) No. 040863] Appraisal Report.

3) Reason for the formation of large-amount goodwill

In order to deepen the development of the Company's enameled wire business in the electrical sector and reduce the impacts and constraints of upstream suppliers, Gree Electric Appliances needed to extend upstream of the industrial chain. Due to the long construction cycle of the project, in order to expand production capacity and occupy the market as soon as possible, the Company's office meeting decided to acquire Nanjing Walsin Nonferrous Metal Co., Ltd.;

The acquisition price was determined by referring to the price-to-book ratio of the target company's comparable listed company, comprehensively considering and fully evaluating the target company's asset status, profitability, brand influence, technology level, synergy effect and other factors;

Major reasons for increased value incurred from the appraisal:

A. Depreciation accruing life of some equipment assets was shorter than their economic life;

B. Value of land use rights and off-book identifiable assets such as customer relationships and trademark use rights in intangible assets increased due to the appraisal.

Identifiable assets and liabilities of the acquired party on the date of purchase

Unit: RMB Yuan

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.	
	Fair value on the date of purchase	Carrying amount on date of purchase
Assets:		
Monetary capital	313,841,040.72	313,841,040.72
Accounts receivable	306,347,724.29	306,347,724.29
Receivables financing	32,897,848.99	32,827,077.99
Prepaid accounts	3,774,390.86	3,774,390.86
Other receivables	250,561.22	250,561.22
Inventories	370,015,709.58	366,647,781.96
Other current assets	51,860,228.86	51,860,228.86
Fixed assets	148,157,020.23	38,678,328.99
Construction in Progress	8,162,465.21	9,544,356.01
Intangible assets	137,922,500.00	9,173,710.00

Deferred income tax assets	10,028,895.44	10,116,258.43
Other non-current assets	1,295,685.45	1,635,079.39
Subtotal of assets	1,384,554,070.85	1,144,696,538.72
Liabilities:		
Trading financial liabilities	16,785,750.00	16,785,750.00
Accounts payable	37,510,699.95	37,510,699.95
Advances from customers	8,143,309.65	8,143,309.65
Payroll payable	8,804,769.39	8,804,769.39
Taxes payable	3,546,574.30	3,546,574.30
Other payables	9,114,493.56	9,114,493.56
Other current liabilities	27,680,199.09	27,680,199.09
Deferred income tax liabilities	60,416,544.96	
Subtitle of liabilities	172,002,340.90	111,585,795.94
Net assets	1,212,551,729.95	1,033,110,742.78
Less: minority equity	69,115,448.61	58,887,312.34
Net assets obtained	1,143,436,281.34	974,223,430.44

[Note] Increased value incurred from the appraisal mainly included fixed assets (including houses and buildings, equipment), and intangible assets (including land use rights, trademark use rights, and customer relationships). The Company engaged an independent external appraiser to evaluate the fair value of Nanjing Walsin's identifiable assets and liabilities. The appraisal methods of main assets were listed as follows:

- 1) The appraisal method of houses and buildings is the replacement cost method, which takes the replacement cost minus the realizable discount as the appraised value and multiplies the appraised value by the renewal rate;
- 2) The appraisal method of equipment is mainly the replacement cost method, and the market method is used to appraise the equipment which of the transaction information can be obtained from the market;
- 3) The appraisal method of land use rights is the market comparison method and the benchmark low price coefficient correction method;
- 4) The appraisal method of other intangible assets such as trademark use rights and customer relations is the income method. During the appraisal, the future income of the appraised intangible assets within a reasonable income period will be discounted and accumulated at a reasonable discount rate, and the present value of income will be obtained.

2. Business combination involving enterprises under common control

None.

3. Counter purchase

None.

4. Disposal of subsidiaries

None.

5. Change in other consolidation scopes

(1) The main body of cancellation in the current period:

- 1) Anhui Gree Kinghome Electric Appliances Sales Co., Ltd., a subsidiary of the Company, was deregistered on 17 October, 2019, and was no longer included in the consolidation scope from the date of deregistration;
- 2) Zhuhai Meiling General Motors Co., Ltd., a subsidiary of the Company, was deregistered on 7 August, 2019, and was no longer included in the consolidation scope from the date of deregistration.

(2) The newly established main bodies in this period are as follows:

Unit: RMB Yuan

Name	Time of establishment	Net assets of the end of the period	Net profit from the combination date to the end of the period
Gree (Anji) Precision Mold Co., Ltd.	14 February, 2019	47,063,023.27	-236,976.73
Huzhou Landa Compressor Co., Ltd.	1 March, 2019	Not yet invested	
Gree Material Supply (Wuhan) Co., Ltd.	20 March, 2019	12,716,347.67	-7,283,652.33
Gree Material Supply (Hefei) Co., Ltd.	20 March, 2019	24,858,404.13	4,858,404.13
Guangdong Guochuang Intelligent Technology Co., Ltd.	22 March, 2019	30,270,563.23	270,563.23
Gree (Luoyang) Washing Machine Co., Ltd.	25 March, 2019	47,278,161.95	-2,721,838.05
Gree Material Supply (Chongqing) Co., Ltd.	27 March, 2019	18,056,402.39	-1,943,597.61
Gree Material Supply (Zhengzhou) Co., Ltd.	29 March, 2019	19,777,618.60	-222,381.40
Gree Rongzhu Copper (Nanjing) Co., Ltd.	29 March, 2019	Not yet invested	
Zhuhai Gree Green Resources Recycling Co., Ltd	16 July, 2019	52,263,754.97	2,263,754.97
Luoyang Lianmei Real Estate Co., Ltd.	7 August, 2019	995,335,429.21	-4,664,570.79
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	20 August, 2019	29,874,379.59	-125,620.41
Zhuhai Hengqin Gree Huatai Energy Development Co., Ltd.	28 August, 2019	15,024,339.91	24,339.91
Handan Yingdong New Energy Technology Co., Ltd.	20 September, 2019	660.13	-1,339.87
Gree E-commerce Co., Ltd.	5 November, 2019	Not yet invested	
Gelan Environmental Protection Technology (Shaoguan) Co., Ltd.	5 December, 2019	Not yet invested	

(7) Major changes or adjustment of businesses, products or services during the Report Period

Applicable Not applicable

(8) Major sales customers and suppliers of the Company

Major sales customers

Total sales amount of 5 top customers (RMB)	34,174,890,230.35
Proportion of total sales amount of 5 top customers to the annual sales volume	17.05%
Proportion of sales amount of related party in the sales amount of 5 top customers to the annual sales volume	4.35%

Information of 5 top customers

Serial Number	Customer Name	Sales Volume (Yuan)	Proportion to Annual Sales Volume
1	First	8,719,678,107.95	4.35%
2	Second	7,137,244,341.16	3.56%
3	Third	6,529,755,328.06	3.26%
4	Fourth	5,993,005,069.20	2.99%
5	Fifth	5,795,207,383.98	2.89%
Total	--	34,174,890,230.35	17.05%

Other description of major customers

√ Applicable □ Not applicable

Among the top five customers, Henan Shengshi Xinxing Gree Trading Co., Ltd. is a related party of the Company. Other customers have no related-party relationship with the Company. The Company's directors, supervisors, senior management personnel, core technical personnel, shareholders holding more than 5% of the shares, actual controllers and other related parties have no direct or indirect interests in other customers.

Major suppliers of the Company

Total amount of purchase of top 5 suppliers (RMB)	33,461,077,701.75
Percentage to the total amount of annual purchase	25.07%
Percentage of related parties' purchase amount in the total amount of purchase of top 5 suppliers to the total amount of annual purchase	0.00%

Information about top 5 suppliers of the Company

Serial Number	Name of supplier	Amount of purchase (yuan)	Percentage to the total amount of annual purchase
1	First	8,184,234,791.03	6.13%
2	Second	7,409,943,423.67	5.55%
3	Third	6,397,500,623.49	4.79%
4	Fourth	6,187,804,931.51	4.64%
5	Fifth	5,281,593,932.05	3.96%

Total	--	33,461,077,701.75	25.07%
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Other information about the major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB Yuan

	2019	2018	Increase/Decrease over the previous year	Description of the material change
Sales expense	18,309,812,188.35	18,899,578,046.25	-3.12%	
Overhead Expense	3,795,645,600.08	4,365,850,083.19	-13.06%	
Financial expense	-2,426,643,429.91	-948,201,396.74	155.92%	Mainly attributable to the interest income and increase of exchange gains
R&D expenses	5,891,219,715.90	6,988,368,285.92	-15.70%	

4. Investment in research and development

Applicable Not applicable

Gree adheres to the philosophy that "science and technology change life; science and technology create life" and insists on "independent research and development of core technologies". It firmly believes that only the real mastery of core technologies can enable us to grasp the fate of the enterprise and realize independent development of the enterprise. Meanwhile, Gree has set up a technological innovation system of "enterprise regarded as the main player, market orientation, enterprise-university-research cooperation". It insists on innovation driving, cultivates innovative talents, implements the leader strategy, and constantly consolidates its global leading position in the field of refrigeration.

Gree boasts the largest R&D center of air conditioners in the world, four national R&D centers, 15 research institutes, more than 900 laboratories and over 14,000 R&D members. Its national R&D centers are the National Key Laboratory of Energy Saving for Air Conditioning Equipment and System Operation, National Engineering Research Center of Green Refrigeration Equipment, State Recognized Enterprise Technology Center and the State-level Industrial Design Center. Meanwhile, it has been recognized as the "National Demonstration Base for Standardization of Consumer Goods" and "National Pilot Enterprise for Standardization of High-end Equipment Manufacturing Industry". In addition, Gree has established the "Motor and Control" academician workstation and has been successively approved to establish post-doctoral research centers and doctoral workstations in Guangdong Province. In 2019, Gree was approved to establish "Guangdong Key Laboratory for Enterprises of High-performance Servo System", "Guangdong Intelligent Mould Technology Innovation Center", and "Guangdong Energy Internet Innovation Center".

Gree has accumulatively won 33 national, provincial or ministerial and industrial awards. In 2019, Gree won seven awards, including one national second prize for technological invention and three provincial and ministerial first prizes. Gree's "key technology and application of large-capacity and high-efficiency centrifugal air-conditioning equipment" project won the second prize of national technological invention in 2019. Gree's "key technology and application of direct current in optical storage air conditioners" project won the first prize of Guangdong provincial technological invention, China Patent Gold Award and other awards.

R&D investment of the Company

	2019	2018	Change ratio
Number of R&D personnel (persons)	14,251	11,808	20.69%
Proportion of number of R&D personnel	16.04%	13.30%	2.74%
Investment amount in research and development (Yuan)	6,011,210,604.21	7,268,369,454.61	-17.30%
Proportion of investment in research and development in operating income	3.03%	3.67%	-0.64%
Capitalization amount of research and development investment (RMB)	119,990,888.31	280,001,168.69	-57.15%
Proportion of capitalized research and development investment to research and development investment	2.00%	3.85%	-1.85%

Reason for the significant change in proportion of investment in research and development to the operating income compared to the previous year

Applicable Not applicable

Reason of the great change in the capitalization rate of R&D investment and its rationality explanation

Applicable Not applicable

5. Cash flows

Unit: RMB Yuan

Item	2019	2018	Increase/Decrease over the previous year
Sub-total of cash inflows from operating activities	175,195,923,314.18	146,209,763,702.97	19.83%
Sub-total of cash outflows from operating activities	147,302,209,220.59	119,268,972,159.99	23.50%
Net cash flows from operating activities	27,893,714,093.59	26,940,791,542.98	3.54%
Sub-total of cash inflows from investing activities	8,445,533,871.01	9,948,975,741.20	-15.11%

Sub-total of cash outflows from investing activities	19,720,582,471.78	31,794,741,016.87	-37.98%
Net Cash Flow from Investment Activities	-11,275,048,600.77	-21,845,765,275.67	48.39%
Sub-total of cash inflows from financing activities	21,595,107,923.68	27,639,080,524.35	-21.87%
Sub-total of cash outflows from financing activities	40,817,084,044.61	25,125,234,042.18	62.45%
Net Cash Flow from Financing Activities	-19,221,976,120.93	2,513,846,482.17	-864.64%
Net increase in cash and cash equivalents	-2,399,549,002.85	7,412,504,600.40	-132.37%

Major factors that result in major changes in relevant data

Applicable Not applicable

Unit: RMB Yuan

Item	2019	2018	Increase/ decrease proportion	Cause of change
Net Cash Flow from Investment Activities	-11,275,048,600.77	-21,845,765,275.67	48.39%	Attributable to decrease of cash paid for investments
Net Cash Flow from Financing Activities	-19,221,976,120.93	2,513,846,482.17	-864.64%	Attributable to increase of cash paid for debts, distribution of dividends and profits or interests

The description of causes of major differences existing between the net cash flows from operating activities of the Company and net profits of the current year in the Report Period

Applicable Not applicable

III. Non-core business analysis

Applicable Not applicable

IV. Assets and liabilities

1. Major changes in assets composition

Since 2019, the Company has implemented new financial instrument standards, new income standards or new lease standards for the first time and adjusted and implemented relevant items in financial statements at the beginning of the year.

Applicable Not applicable

Unit: RMB Yuan

	At the end of 2019		At the beginning of 2019		Change of proportion	Description of the material change
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary capital	125,400,715,267.64	44.32%	115,022,653,811.67	45.80%	-1.48%	
Accounts receivable	8,513,334,545.08	3.01%	7,642,434,078.24	3.04%	-0.03%	
Inventories	24,084,854,064.29	8.51%	20,011,518,230.53	7.97%	0.54%	
Investment real estate	498,648,691.85	0.18%	537,589,343.08	0.21%	-0.03%	
Long-term equity investment	7,064,186,161.29	2.50%	2,250,732,461.71	0.90%	1.60%	
Fixed assets	19,121,930,757.04	6.76%	18,385,761,475.54	7.32%	-0.56%	
Construction in Progress	2,431,051,409.94	0.86%	1,663,938,988.55	0.66%	0.20%	
Short-term borrowing	15,944,176,463.01	5.63%	22,197,899,406.88	8.84%	-3.21%	
Long-term borrowing	46,885,882.86	0.02%			0.02%	

2 Assets and liabilities measured by fair value

√ Applicable □ Not applicable

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 of buying in during the period	Amount of selling out during the period	Other changes	Amount at the end of the period
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	1,012,470,387.43	28,348,042.95			2,937,144,194.29	3,022,754,041.09		955,208,583.58
2. Derivative financial assets	170,216,138.92	-77,823,513.23						92,392,625.69
3. Other debt investments	1,064,120,569.43	-4,038,275.59	2,177,765.62			330,000,000.00	-426,789,360.26	296,836,282.20
4. Other equity instrument investments	1,144,907,946.33	2,398,458,222.20	1,713,290,280.44		1,084,999,993.84			4,644,601,697.51
Subtotal	3,391,715,042.11	2,344,944,476.33	1,715,468,046.06		4,022,144,188.13	3,352,754,041.09	-426,789,360.26	5,989,039,188.98
Total	3,391,715,042.11	2,344,944,476.33	1,715,468,046.06		4,022,144,188.13	3,352,754,041.09	-426,789,360.26	5,989,039,188.98
Financial liabilities	257,364,882.07	274,150,632.07			16,785,750.00			

Content of other changes

Whether there are significant changes in the main asset measurement attribute of the Company during the Report Period.

□ Yes √ No

3. Limitation of asset rights by the end of the Report Period

Unit: RMB Yuan

Item	Book balance at the end of the period	Cause of restriction
Monetary capital	13,329,429,050.16	Legal deposit reserved and deposits
Financing of accounts receivable	8,874,415,345.76	Pledged
Other current assets	100,000,000.00	Pledged
Other equity instrument investments	3,316,957,037.50	Restricted shares
Intangible assets	153,191,226.30	Mortgage
Total	25,773,992,659.72	

V. Investments

1. Overall review

 Applicable Not applicable

Investment in the Report Period (RMB)	Investment in the same period last year (RMB)	Change percentage
7,192,756,039.01	15,477,712,506.03	-53.53%

2. Major equity investments obtained during the Report Period

 Applicable Not applicable

3. Major non-equity investments during the Report Period

 Applicable Not applicable

4. Financial asset investment

(1) Securities investment

√ Applicable □ Not applicable

Unit: RMB Yuan

Type of securities	Security code	Abbreviation of security name	Initial investment cost	Accounting measurement method	Carrying amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Amount of buying in during the period	Amount of selling out during the period	Profit and loss during the Report Period	Carrying amount at the end of the period	Accounting calculation items	Capital Source of Investment
Stocks listed on domestic and overseas stock exchanges	600745	Wingtech Technology	884,999,996.60	Measure at fair values	0.00	2,431,957,040.90	2,431,957,040.90	884,999,996.60			3,316,957,037.50	Other equity instrument investments	Private
Stocks listed on domestic and overseas stock exchanges	600619	HIGHLY	1,145,070,921.73	Measure at fair values	801,289,952.19	-26,982,776.24	-369,871,271.40			14,408,571.49	775,199,650.33	Other equity instrument investments	Private
Stocks listed on domestic and overseas stock exchanges	1528	RS MACALLINE- H SHS	701,240,501.50	Measure at fair values	343,617,994.14	-17,066,501.03	-359,345,947.63			14,398,299.50	341,894,553.87	Other equity instrument investments	Private
Stocks listed on domestic and overseas stock exchanges	600888	Xinjiang Joinworld	199,999,997.24	Measure at fair values	0.00	10,550,458.57	10,550,458.57	199,999,997.24			210,550,455.81	Other equity instrument investments	Private
Bonds	151191	19 Chang'an 01	503,813,082.19	Measure at fair values		18,866,237.81		1,296,701,369.86	792,888,287.67	34,927,670.83	522,679,320.00	Trading financial assets	Private
Bonds	1080022	10 State grid bonds 01	344,572,550.00	Measure at fair values	369,461,328.07	-4,640,291.70	677,072.11			11,799,893.40	365,610,278.07	Other debt investments	Private
Bonds	160017	16 Interest-bearing treasuries 17	288,405,500.00	Measure at fair values	291,920,782.20	3,792,759.76	1,695,134.07			13,135,500.00	296,836,282.20	Other debt investments	Private
Bonds	101758021	17 Baoanji MTN001	59,940,000.00	Measure at fair values	60,850,102.19	308,588.72	-194,440.56			3,838,413.96	61,179,082.19	Other debt investments	Private
Other securities investments			203,663,800.00	--	341,888,356.97	-3,499,332.37		744,865,753.42	1,074,865,753.42	24,888,596.92	0.00	--	--
Total			4,331,706,349.26	--	2,209,028,515.76	2,413,286,184.42	1,715,468,046.06	3,126,567,117.12	1,867,754,041.09	117,396,946.10	5,890,906,659.97	--	--
Disclosure date of Announcement on Approval of Portfolio Investment by Board of Directors			29 April, 2019										
Disclosure date of Announcement on Approval of Portfolio Investment by Board of Shareholders (if any)			27 June, 2019										

(2) Investment in derivatives

√ Applicable □ Not applicable

Unit: RMB 10,000

Operation name of investment in derivative	Incidence relation	Whether or not transaction was related	Type of investment in derivatives	Initial amount of investment in derivatives	Start date	Expiry date	Beginning investment amount	Amount of buying in during the period	Amount of selling out during the period	Withdrawing depreciation reserve amount (If any)	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	Non-related party	No	Futures Hedging Contract	-617.81	1 January, 2019	31 December, 2019	-617.81				613.47	0.01%	-398.44
Financing Institution	Non-related party	No	Forward Financial Contract	-8,714.87	1 January, 2019	31 December, 2019	-8,714.87				9,239.26	0.08%	-33,638.91
Total				-9,332.68	--	--	-9,332.68	0	0	0	9,852.73	0.09%	-34,037.35
Capital Source of Investment in Derivatives				Own funds									
Lawsuits (if apply)				None									
Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Directors (if any)				29 April, 2019									
Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Shareholders (if any)				27 June, 2019									
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 provided below:</p> <p>Legal and regulatory risk: While the Company carried on hedging and foreign exchange transactions, it was required to follow the laws and regulations and specifically stipulate the rights and obligations with the agency. Control measures: The Company assigned the responsible department to strictly execute the contract review, clarify the rights and obligations, strengthen compliance check and ensure the Company's investment in derivatives and operation of open interest in accordance with any laws and regulations and internal control system of the Company.</p> <p>2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system. Control measures: The Company established the corresponding management system, clarified the division of responsibilities and examination & approval procedures of the hedging and foreign exchange transactions, built more perfect supervision mechanism and effectively reduced any operation risk through business, decision and transaction processes.</p> <p>3. Market risk: The price change of bulk goods and uncertainty of fluctuations of exchange rate of foreign exchange market bring a greater market risk to the futures business and foreign exchange transactions. Control measures: The principle of prudent and moderate operation is upheld in the futures hedging and foreign exchange transactions of the Company, in which any speculative transaction is not permitted. As to the hedging business, the Company strictly restricted the number of hedging not to exceed the number of actual spot transaction and the open interest of the futures not to exceed the number of hedged spot goods and implemented the mechanism to stop loss. In respect of the foreign exchange transactions, the Company effectively prevented the market risk by judging the trend of foreign exchange rate and utilizing a contract to lock the settlement of exchange rate.</p>									

The detailed usage and related hypothesis and parameter setting should be disclosed in terms of the market price of the invested derivatives or changes in fair value of the products during the Report Period and analysis on the fair value of the derivatives.	The loss under the futures hedging contract during the Report Period was RMB -3,984,400; the loss under the forward foreign exchange contract during the Report Period was RMB -156,742,100.
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.

5 Usage of raised funds

Applicable Not applicable

The Company was not involved in any usage of raised funds during the Report Period.

VI. Sales of major assets and equities

1. Sales of major assets

Applicable Not applicable

The Company was not involved in sales of major assets during the Report Period

2. Sale of major equities

Applicable Not applicable

VII. Analysis on major controlling shareholder and joint stock companies

√ Applicable □ Not applicable

Information regarding major subsidiaries and joint stock companies that contribute over 10% of net profits to the Company

Unit: RMB Yuan

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating incomes	Operating profit	Net profits
Zhuhai Gree Group Finance Company Limited	Subsidiary	Financial Services	1,500,000,000.00	70,450,849,470.09	6,449,784,786.60	2,399,580,625.93	1,057,892,882.19	795,328,040.73
Gree Electric Appliances (Chongqing) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	230,000,000.00	4,943,677,549.76	2,387,623,740.36	10,703,012,677.06	924,700,401.68	784,272,003.69
Zhuhai Gree Electrical Co., Ltd.	Subsidiary	Varnished Wire Manufacturing	1,669,315,586.15	9,038,392,090.84	2,742,570,888.17	37,487,458,843.09	198,015,868.59	246,873,908.91
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Subsidiary	Motor Manufacturing	82,000,000.00	3,165,078,452.44	936,607,925.54	3,268,915,837.06	104,343,372.27	94,891,085.95
Gree Electric Appliances (Hefei) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	150,000,000.00	13,434,554,094.46	6,839,893,850.88	17,678,676,202.54	1,319,053,736.29	1,146,345,338.81
GREE (Zhongshan) Home Appliances Co., Ltd.	Subsidiary	Small Home Appliances Manufacturing	30,000,000.00	767,498,126.19	345,588,332.67	1,308,967,399.32	20,000,756.45	19,979,115.24
Zhuhai Landa Compressor Co., Ltd.	Subsidiary	Compressor Manufacturing	93,030,000.00	12,009,778,160.54	6,739,234,453.82	18,296,919,165.74	975,334,931.42	839,171,836.50
Gree (Zhengzhou) Electric Appliances Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	20,000,000.00	10,098,813,462.45	6,719,526,446.93	12,388,055,547.15	1,428,832,323.28	1,257,175,220.76
Gree (Wuhan) Electric Appliances Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	100,000,000.00	4,808,679,659.23	1,773,336,648.92	12,667,391,059.28	1,123,856,430.60	940,489,282.46
Gree (Wuhu) Electric Appliances Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	20,000,000.00	9,144,901,772.10	2,583,021,379.88	7,300,613,248.36	538,250,961.53	524,690,033.11
Gree (Shijiazhuang) Electric Appliances Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	100,000,000.00	3,485,566,564.08	861,971,036.70	8,750,297,120.47	666,975,416.91	553,014,031.00
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Subsidiary	Capacitor Manufacturing	126,180,000.00	1,825,318,035.27	854,492,987.09	1,679,187,933.25	225,753,813.76	189,048,061.77

Information about acquisition and disposal of subsidiaries during the Report Period

 Applicable Not applicable

Unit: RMB Yuan

Company Name	Methods of acquisition and disposal of subsidiaries during the Report Period	Impact on overall production and operation and financial results
Gree (Luoyang) Washing Machine Co., Ltd.	Establishment	-2,721,838.05
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	Establishment	-125,620.41
Gree (Anji) Precision Mold Co., Ltd.	Establishment	-236,976.73
Zhuhai Gree Green Resources Recycling Co., Ltd	Establishment	2,263,754.97
Gree E-commerce Co., Ltd.	Establishment	-
Huzhou Landa Compressor Co., Ltd.	Establishment	-
Gree Material Supply (Hefei) Co., Ltd.	Establishment	4,858,404.13
Gree Material Supply (Zhengzhou) Co., Ltd.	Establishment	-222,381.40
Gree Material Supply (Chongqing) Co., Ltd.	Establishment	-1,943,597.61
Gree Material Supply (Wuhan) Co., Ltd.	Establishment	-7,283,652.33
Guangdong Guochuang Intelligent Technology Co., Ltd.	Establishment	270,563.23
Nanjing Walsin Nonferrous Metal Co., Ltd.	Acquisition	46,316,187.50
Gree Rongzhu Copper (Nanjing) Co., Ltd.	Establishment	-
Zhuhai Hengqin Gree Huatai Energy Development Co., Ltd.	Establishment	24,339.91
Luoyang Lianmei Real Estate Co., Ltd.	Establishment	-4,664,570.79
Handan Yingdong New Energy Technology Co., Ltd.	Establishment	-1,339.87
Gelan Environmental Protection Technology (Shaoguan) Co., Ltd.	Establishment	-
Zhuhai Meiling General Motors Co., Ltd.	Cancelled on 7 August, 2019	2,737,019.33
Anhui Gree Kinghome Electric Appliances Sales Co., Ltd.	Cancelled on 17 October, 2019	-9,003,490.77
Total	--	30,266,801.11

VIII. Information about businesses controlled by the Company
 Applicable Not applicable

IX. Prospects of the Company's future development

1. Development strategy of the Company

Gree takes "building a global advanced industrial group and making Gree a century-year world brand" as its corporate vision and continues to insist on independent education, independent innovation and independent production; driven by technological innovation, strengthens technological research and development and improves the research and development efficiency; accelerates the transformation and upgrading of the marketing model and comprehensively expands marketing channels; insists on quality innovation, optimizes the quality control system, and gradually achieves the quality goal of "zero defect and zero after-sales"; strengthens fund management, improves the risk control system, and guarantees the sound development of the Company; explores deeply in the industrial field, accelerates intelligent manufacturing, and steadily develops emerging industries such as precision mould, communication equipment and new energy, and builds a more competitive diversified and technological global industrial group.

2. Key work of the Company in 2020

(1) Strengthen innovation of scientific research and improve the level of standardization and generalization

Gree will strengthen the construction of major scientific research platforms focusing on key national laboratories, accelerate the judgment and deployment in major innovation fields, and actively undertake major national and industrial scientific research projects; focus on the basic research directions consistent with the product strategy, improve the quality of research projects, accelerate promoting the conversion of technological research results; increase the R&D investment in new business sectors such as household appliances, refrigerators and washing machines, and intelligent equipment, achieve greater technological leaps, and improve the product layout of new business sectors; strengthen the platform-based and modular design of products and comprehensively improve the level of standardization and generalization; improve the intellectual property protection system, enhance the protection for technological innovation, and share independent innovation achievements with the world.

(2) Optimize the marketing model and cultivate market growth points

Gree will integrate superior online and offline resources, establish a new retail model with Gree characteristics, and increase the speed of response to market demand; continue to go deep into the market segments of central air conditioners and further increase the share in the commercial market through standard and professional technical services; optimize the overseas business management model and strengthen the promotion of overseas proprietary brands; vigorously promote the integration of refrigerators, washing machines and household appliances into the full channel sales to make them gradually become the second major business sector; based on changes of the market and industry reform, further improve the overall market competitiveness of intelligent equipment, moulds, industrial products, new energy, and casting, continue to expand sales channels and cultivate market growth points; actively go into the medical and healthcare industry and make more efforts to invest in the development and production of epidemic prevention products and health products.

(3) Improve top-level design of intelligent manufacturing and accelerate industrial transformation and upgrading

Gree will accelerate the comprehensive application of new-generation information technology, set up a full-process and full-element intelligent analysis and decision-making platform, and build an intelligent information ecosystem; promote the rapid implementation of the intelligent demonstration base project and build a leading, technological and intelligent benchmarking plant; promote the layout of the intelligent home industry chain and expand the intelligent home ecosystem.

(4) Promote reform of the management system and improve the operation efficiency of the enterprise

Gree will accelerate the promotion of the block management model, establish an industry sector responsibility system, define the target indicators of independent operation and make each business sector be responsible for the profits and losses; improve existing business processes, make enterprise management more systematic, integrated and synergistic, and increase the management and decision-making efficiency; solve the problems such as unclear division of responsibilities between departments and repeated setting of posts in a targeted manner and establish a normalized organization and a mechanism for simplifying posts, determining posts and staffing and improving the work.

(5) Strengthen cost management and promote cost reduction and efficiency improvement

Gree will improve the full-process cost control system and encourage all staff to participate in cost reduction; strengthen front-end design to reduce costs, improve the cost control awareness of R&D personnel, and reduce unnecessary waste of resources and excessive services; analyze in an in-depth manner the cost drivers of products from multiple perspectives such as standards, quality, production, procurement and sales and continue to promote cost reduction and efficiency improvement.

(6) Improve the fund management and risk prevention system and strengthen audit

Gree will strengthen fund management, improve the financial management and control capability, and realize fund maintenance and appreciation on the premise of strictly controlling capital risk; carry out audit in an in-depth and efficient manner, fully mine the value of information, improve data analysis models, and enhance the full-process audit and review; strengthen the information security management and control mechanism, identify and monitor risks in advance, and improve the overall capability of responding to information security risks.

(7) Strengthen the backbone management and talent cultivation and establish a talent team

Gree will strengthen independent talent cultivation and cultivation of young employees, lay a solid talent foundation for the long-term development of the enterprise, and cultivate more high-level technological R&D talents and excellent industrial talents; strive to establish a backbone team with excellent quality, select and cultivate backbones according to the requirements of "loyalty, cleanness and responsibility", and actively advocate creation of a realistic and practical atmosphere and orientation inside the enterprise; strengthen the market awareness of backbones, sort out and improve the backbone performance assessment mechanism oriented by

goals and results, determine management posts synchronously, and optimize the backbone structure.

3. Major risks in future development

(1) Macroeconomic fluctuation risk

The products sold by the Company are mainly HVAC and household appliances, and its market demand is greatly influenced by the economic situation and macroeconomic regulation. The impact of the novel coronavirus pneumonia may lead to a slowdown in the growth of macro-economy or consumer demand, and the growth of the Company in the household appliances market will also slow down. Considering the expected impact of the implementation of the new energy efficiency standards, the competition in the industry may be further intensified, thus affecting sales of the Company's products.

(2) Risk of price fluctuation in production factors

The household appliance manufacturing industry in which Gree is engaged is a labor-intensive industry, wherein the main raw materials used to produce household appliances are copper, steel, aluminium and plastics of various grades, and their cost accounts for a large proportion. If the price of raw materials fluctuates considerably, or the cost of labor, water, electricity, land and other production factors fluctuates substantially due to macroeconomic environment changes and policy adjustments, it will have a certain impact on the Company's operating performance.

(3) Market risks caused by "de-globalization"

Influenced by the novel coronavirus pneumonia, "de-globalization" and the trade protectionism trend in some countries and regions become increasingly prominent. The uncertainty of global economy further increases, which brings new challenges to the expansion in the overseas market and the risk of increasing the operating costs.

(4) Export market risks and exchange losses caused by exchange rate fluctuation

With continuous expansion of the Company's overseas market, the Company's export revenue continues to increase. Exchange rate fluctuations may not only bring adverse effects on the Company's export of products, but also cause the Company's exchange losses and increase the financial costs.

X. Reception of activities including researches, communication and interviews

1. Registration form for reception of activities including researches, communication and interviews

Applicable Not applicable

Time of reception	Method of reception	Type of reception object	Basic situation index of research
1 March, 2019 to 27 March, 2019	Field Research	Institution	For details, see the Survey Activity Information (from 1 March, 2019 to 27 March, 2019) of Gree (000651) disclosed by the Company at www.cninfo.com.cn .
22 May, 2019	Field Research	Institution	For details, see the Activity Record of Meeting with Interested Investors disclosed by the Company at www.cninfo.com.cn on 22 May, 2019.
Times of reception			35
Number of received institutions			60
Number of received individuals			0
Number of other received objects			0
Whether undisclosed material information is revealed, disclosed or divulged			No

Section V Important Events

I. Information about common stock profit distribution and capitalization from capital reserve funds

The common stock profit distribution policy in the report period, especially preparation, execution or adjustment of the cash dividend policy

Applicable Not applicable

Profit distribution preplan of 2018 (executed already in 2019): Calculated by the total stock capital of the Company equivalent to 6,015,730,878 shares, all shareholders will be distributed a cash of RMB 15 (tax included) per 10 shares, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317.00 and the balance to be carried forward to the future year.

Special description of the cash dividend policy	
In compliance with provisions of the Articles of Association or requirements of the resolution of the general meeting of shareholders:	Yes
The dividend standard and ratio are definite and clear:	Yes
The related decision procedures and mechanisms are complete:	Yes
Independent directors perform their duties responsibly and play their due roles:	Yes
Minority shareholders have the opportunity to fully express their opinions and demands and their legitimate rights and interests are fully protected:	Yes
The conditions and procedures are transparent and comply with regulations if the cash dividend policy is adjusted or changed:	Not applicable

The common stock dividend distribution plan (preplan) and the capitalization plan (preplan) from capital reserve funds in recent three years (including the Report Period)

1) Profit distribution preplan of 2019: Calculated by the total stock capital of the Company equivalent to 6,015,730,878 shares, all shareholders will be distributed a cash of RMB 12 (tax included) per 10 shares, with the total amount of cashes to be distributed in such a way up to RMB 7,218,877,053.60 and the balance to be carried forward to the future year.

2) Profit distribution plan of 2018: Calculated by the total stock capital of the Company equivalent to 6,015,730,878 shares, all shareholders will be distributed a cash of RMB 15 (tax included) per 10 share, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317.00 and the balance to be carried forward to the future year.

3) Profit distribution plan for half year of 2018: Calculated by the total stock capital of the Company equivalent to 6,015,730,878 shares, all shareholders will be distributed a cash of RMB 6 (tax included) per 10 shares, with the total amount of cashes to be distributed in such a way up to RMB 3,609,438,526.80 and the balance to be carried forward to the future year.

4) Profit distribution plan of 2017: No cash dividend was distributed, no bonus share was given, public reserve

funds were not used for capitalization, and the balance was carried forward to the next year.

Table for common stock cash dividends of the Company in the recent three years (including the Report Period)

Unit: RMB Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to common shareholders of listed company in annual consolidated financial statements	Proportion of amount of cash dividend to net profit attributable to common shareholders of listed company in consolidated financial statements	Amount of cash dividends based on other ways (e.g., share repurchase)	Ratio of amount of cash dividend to net profit attributable to common shareholders of listed company in consolidated financial statements based on other ways	Total cash dividend (including other ways)	Proportion of total cash dividend (including other ways) to net profit attributable to common shareholders of listed company in consolidated financial statements
2019	7,218,877,053.60	24,696,641,368.84	29.23%	0.00	0.00%	7,218,877,053.60	29.23%
2018	12,633,034,843.80	26,202,787,681.42	48.21%	0.00	0.00%	12,633,034,843.80	48.21%
2017	0.00	22,400,484,001.26	0.00%	0.00	0.00%	0.00	0.00%

The profits of the Company in the Report Period and the parent company's profits distributable to common shareholders are positive, but the common stock cash dividend distribution preplan has not been put forward.

Applicable Not applicable

II. Profit distribution and capitalization from public reserve funds in the Report Period

Applicable Not applicable

Number of bonus shares (stock) given per 10 stocks	0
Dividend allocated per 10 stocks (RMB) (tax included)	12
Increase by transfer per 10 stocks (stock)	0
Equity base of distribution proposal (stock)	6,015,730,878
Cash dividend (RMB) (tax included)	7,218,877,053.60
Cash dividend in other ways (such as repurchasing shares) (RMB)	0.00
Total cash dividend (including other methods) (RMB)	0
Distributable profit (RMB)	53,971,127,295.29
Proportion of total cash dividends (including other methods) in total profit distribution	100%
Cash dividends of this distribution	
If the company's development stage is mature and there are no major capital expenditure arrangements, when the profit is distributed, the minimum proportion of cash dividends in this profit distribution should reach 80%	
Detailed description of the preplan for profit distribution or capitalization from public reserve funds	
The Company plans to use the total share capital of 6,015,730,878 shares as the base to distribute all shareholders a cash of RMB 12 (tax included) per 10 shares, but does not plan to give any bonus share or use any public reserve funds for capitalization, with the total amount of cashes to be distributed in such a way up to RMB 7,218,877,053.60 and the remaining undistributed profits to be carried forward to the future year.	
If the total number of shares of the Company enjoying profit distribution rights changes from the date of this announcement to the	

date of equity registration for the implementation of equity distribution due to convertible bonds to shares, share repurchase, etc., the Company will follow the principle of unchanged total distribution to adjust the distribution ratio per share accordingly.

III. Fulfillment of commitments

1. Commitments of the Company's actual controllers, shareholders and acquirers, the Company and other related parties of commitments that have been fulfilled completely in the Report Period or have not been fulfilled completely as of the end of the Report Period

√ Applicable □ Not applicable

Cause of commitment	Party of commitment	Type of commitment	Content of commitment	Time of commitment	Period of commitment	Fulfillment status
Share-splitting commitment						
Commitments made in the acquisition report or equity change report	Zhuhai Mingjun	Share lock-up	1. The transferee commits that shares acquired from Gree Electric Appliances due to this transfer will be fully locked up when the transfer registration is completed in this transaction, and will not be transferred for 36 months from the date of completion of the share transfer registration; if there are relevant laws and regulations that require the lock-up period of the transferred shares exceeds the above-mentioned lock-up period committed by the transferee, the transferee agrees to extend the lock-up period of the shares accordingly to meet the prescribed period. 2. After the completion of this share transfer, for shares acquired by the transferee from Gree Electric Appliances, Inc. due to this transfer, their dividend shares generated due to bonus share and capitalization from public reserve funds by the listed company will also abide by the above share lock-up commitment.	2 December, 2019	36 months from the date of completion of the share transfer registration	Being under normal fulfillment
	Zhuhai Mingjun	Other commitments	1. The transferee commits that after the completion of the transfer, the overall stability of Gree Electric Appliances' Operation and Management Team will be maintained within the scope of authority, and no major changes will be made to Gree Electric Appliances' management structure. 2. The transferee commits that during the period of direct or indirect holding of shares of Gree Electric Appliances, it will not take the initiative to put forward any suggestions and proposals regarding the relocation of Gree Electric Appliances' headquarters and registered address from Zhuhai City, and it will actively urge all parties to ensure that Gree Electric Appliances' headquarters and registered address are not relocated from	2 December, 2019	Effective for a long time	Being under normal fulfillment

			<p>Zhuhai City; if any shareholder puts forward any suggestions and proposals regarding the relocation of Gree Electric Appliances' headquarters and registered address from Zhuhai City, the transferee commits to participate in the general meeting of shareholders and vote against such proposals. 3. The transferee commits to do its utmost to make effective industrial investment and strategic resource introduction for Zhuhai's economic development, and urge Gree Electric Appliances to make new contributions to the sustainable and healthy development of Zhuhai's economy. 4. Zhuhai Mingjun commits to actively exercise the voting rights of shareholders in the general meeting of shareholders of the listed company involving dividends and to prompt the directors nominated by it to vote in favor of the board of directors' resolution of the listed company regarding an annual net profit dividend ratio of not less than 50%.</p>			
	<p>Zhuhai Mingjun, Zhuhai Xianying, Zhuhai Yuxiu</p>	<p>Maintaining the independence of the listed company</p>	<p>Letter of Commitment on Maintaining the Independence of the Listed Company: In order to guarantee the independent operation of the listed company after this equity transfer, Zhuhai Mingjun, Zhuhai Xianying and Zhuhai Yuxiu make the following commitments. (I) To ensure asset independence and completeness of the listed company: 1. To ensure that Gree Electric Appliances will be equipped with the relevant production system, auxiliary production system as well as supporting facilities corresponding to its business operations, have the right to own or use the land, workshop and machines and facilities relating to its business operations as well as the ownership or use right to its trademarks, patent technologies and know-how, and have an independent purchase system of raw materials and sales system of products. 2. To ensure that Gree Electric Appliances will have independent and complete assets, and all of their assets will be under the control of Gree Electric Appliances and independently owned and operated by Gree Electric Appliances. 3. To ensure that Zhuhai Mingjun and other enterprises controlled by Zhuhai Mingjun will not illegally occupy Gree Electric Appliances' assets in any way; or provide guarantee for the debts of Zhuhai Mingjun and other enterprises under its control with Gree Electric Appliances' assets. (II) To ensure personnel independence of the listed company: 1. To</p>	<p>2 December, 2019</p>	<p>Effective for a long time</p>	<p>Being under normal fulfillment</p>

			<p>ensure that Gree Electric Appliances' labor, personnel and compensation management will be completely independent from related companies. 2. To ensure that the recommendation of directors, supervisors and senior management personnel by the enterprise to Gree Electric Appliances will be conducted in accordance with legal procedures, and will not be beyond the personnel appointment and removal decisions adopted at Gree Electric Appliances' meeting of board of directors and general meeting of shareholders. (III) To ensure finance independence of the listed company: 1. To ensure that Gree Electric Appliances will establish an independent financial department and an independent financial accounting system, and have a standardized and independent financial accounting system. 2. To ensure that Gree Electric Appliances will independently open accounts in banks and will not share bank accounts with its related companies. 3. To ensure that Gree Electric Appliances' financial personnel will not take part-time jobs in its related companies. 4. To ensure that Gree Electric Appliances will pay taxes independently according to law. 5. To ensure that Gree Electric Appliances can make financial decisions independently, and the intended transferee will not illegally interfere with Gree Electric Appliances' use of funds. (IV) To ensure organization independence of the list company: 1. To ensure that Gree Electric Appliances will establish a sound corporate governance structure for joint stock companies and have an independent and complete organizational structure. 2. To ensure that Gree Electric Appliances' internal management organization will independently exercise its functions and powers in accordance with laws, regulations and the Articles of Association. (V) To ensure business independence of the listed company: 1. To ensure that Gree Electric Appliances will have the assets, personnel, qualifications and ability to independently carry out business activities, and have the ability to independently and continuously operate in the market. 2. To ensure that, except through the exercise of shareholders' rights, the enterprise will not interfere in its business activities of Gree Electric Appliances. 3. To ensure that the enterprise and other enterprises controlled by the enterprise will avoid substantial industry competition with</p>			
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			<p>Gree Electric Appliances. 4. To ensure that, when the enterprise and other enterprises controlled by the enterprise conduct necessary and unavoidable related transactions with Gree Electric Appliances, the enterprise will conduct fair operation in accordance with the marketization principle and at fair prices, and perform transaction procedures and information disclosure obligations in accordance with relevant laws and regulations and regulatory documents. If any one of the above commitments is violated, the enterprise will be willing to bear all the responsibilities arising therefrom, and fully compensate or reimburse all direct or indirect losses caused to Gree Electric Appliances.</p>			
	Zhuhai Mingjun, Zhuhai Xianying, Zhuhai Yuxiu	Avoiding horizontal competition	<p>Letter of Commitment on Avoiding Horizontal Competition: In order to avoid horizontal competition with the listed company, Zhuhai Mingjun, Zhuhai Xianying and Zhuhai Yuxiu make the following commitments: 1. the enterprise and other enterprises controlled by the enterprise (me), the controlling shareholders and actual controllers of the enterprise will not engage in the same or similar business with Gree Electric Appliances and its subsidiaries in a direct or indirect manner in the future, so as to avoid possible direct or indirect business competition with Gree Electric Appliances and its subsidiaries. 2. If other enterprises controlled by the enterprise further expand their business scopes, other enterprises controlled by the enterprise will take the principle of giving priority to the protection of the rights and interests of Gree Electric Appliances and take all possible measures to avoid horizontal competition with Gree Electric Appliances and its subsidiaries. 3. If Gree Electric Appliances and its subsidiaries or related regulatory authorities determine that the enterprise and other enterprises controlled by the enterprise are engaging in or will engage in any business which constitutes horizontal competition with Gree Electric Appliances and its subsidiaries, the enterprise will give up or cause the enterprises which its subsidiaries directly or indirectly hold to give up any business or business opportunities that may result in horizontal competition, or cause such business or business opportunities to be provided with a priority to Gree Electric Appliances or its wholly-owned and holding subsidiaries on a fair and reasonable basis or to be transferred to other unrelated third</p>	2 December, 2019	Effective for a long time	Being under normal fulfillment

			<p>parties. 4. If any one of the above commitments is violated, the enterprise will be willing to bear all the responsibilities arising therefrom, and fully compensate or reimburse all direct or indirect losses caused to Gree Electric Appliances.</p>			
	Zhuhai Mingjun, Zhuhai Xianying, Zhuhai Yuxiu	Regulating related transactions	<p>Letter of Commitment on Regulating Related Transactions: In order to protect the interests of public shareholders and maintain the sustained and healthy development of the listed company, Zhuhai Mingjun, Zhuhai Xianying, and Zhuhai Yuxiu make the following commitments: 1. To ensure that the future related transactions between the enterprise and other enterprises controlled by the enterprise and Gree Electric Appliances will be fair and conducted in accordance with the normal business conduct standards; and that the enterprise will continue to regulate related transactions with Gree Electric Appliances and its subsidiaries. 2. To ensure that the enterprise will perform its obligations as a shareholder of Gree Electric Appliances in good faith and in good faith, and for related transactions that cannot be avoided or exist on reasonable grounds, it will sign a standard related transaction agreement with Gree Electric Appliances in accordance with the law, and in accordance with relevant laws, regulations, rules, other regulatory documents and the articles of association, and fulfill the approval procedures; the price of related transactions will be determined in accordance with fair and reasonable market prices, and the price of related transactions will be fair; it will perform the information disclosure obligations of related transactions in accordance with relevant laws, regulations and the articles of association; it will not use related transactions to illegally transfer the funds and profits of Gree Electric Appliances or damage the interests of Gree Electric Appliances and related shareholders. 3. To ensure that the enterprise and other enterprises controlled by the enterprise will, in accordance with the provisions of laws, regulations and the articles of association, when considering related transactions involving the enterprise and other enterprises controlled by the enterprise, effectively abide by the avoidance procedure during the voting on related transactions at the meeting of the board of shareholders or the general meeting of shareholders of Gree Electric Appliances.</p>	2 December, 2019	Effective for a long time	Being under normal fulfillment

	Dong Mingzhu	Maintaining the independence of the listed company	<p>Letter of Commitment on Maintaining the Independence of the Listed Company: In order to guarantee the independent operation of the listed company after this equity transfer, I make the following commitments.</p> <p>(I) To ensure asset independence and completeness of the listed company: 1. To ensure that Gree Electric Appliances will be equipped with the relevant production system, auxiliary production system as well as supporting facilities corresponding to its business operations, have the right to own or use the land, workshop and machines and facilities relating to its business operations as well as the ownership or use right to its trademarks, patent technologies and know-how, and have an independent purchase system of raw materials and sales system of products. 2. To ensure that Gree Electric Appliances will have independent and complete assets, and all of their assets will be under the control of Gree Electric Appliances and independently owned and operated by Gree Electric Appliances. 3. To ensure that Zhuhai Mingjun and other enterprises controlled by Zhuhai Mingjun will not illegally occupy Gree Electric Appliances' assets in any way; or provide guarantee for the debts of Zhuhai Mingjun and other enterprises under its control with Gree Electric Appliances' assets. (II) To ensure personnel independence of the listed company: 1. To ensure that Gree Electric Appliances' labor, personnel and compensation management will be completely independent from related companies. 2. To ensure that the recommendation of senior management personnel by I to Gree Electric Appliances will be conducted in accordance with legal procedures. (III) To ensure finance independence of the listed company: 1. To ensure that Gree Electric Appliances will establish an independent financial department and an independent financial accounting system, and have a standardized and independent financial accounting system. 2. To ensure that Gree Electric Appliances will independently open accounts in banks and will not share bank accounts with its related companies. 3. To ensure that Gree Electric Appliances' financial personnel will not take part-time jobs in its related companies. 4. To ensure that Gree Electric Appliances will pay taxes independently according to law. 5. To ensure that Gree Electric Appliances can make</p>	2 December, 2019	Effective for a long time	Being under normal fulfillment
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			<p>financial decisions independently, and the intended transferee will not illegally interfere with Gree Electric Appliances' use of funds. (IV) To ensure organization independence of the list company: 1. To ensure that Gree Electric Appliances will establish a sound corporate governance structure for joint stock companies and have an independent and complete organizational structure. 2. To ensure that Gree Electric Appliances' internal management organization will independently exercise its functions and powers in accordance with laws, regulations and the Articles of Association. (V) To ensure business independence of the listed company: 1. To ensure that Gree Electric Appliances will have the assets, personnel, qualifications and ability to independently carry out business activities, and have the ability to independently and continuously operate in the market. 2. To ensure that, except through the exercise of shareholders' rights and the performance of functions and duties of board chairman / senior management personnel of the listed company, I will not interfere in its business activities of Gree Electric Appliances. 3. To ensure that I and other enterprises controlled by me will avoid substantial industry competition with Gree Electric Appliances. 4. To ensure that, when I and other enterprises controlled by me conduct necessary and unavoidable related transactions with Gree Electric Appliances, the enterprise will conduct fair operation in accordance with the marketization principle and at fair prices, and perform transaction procedures and information disclosure obligations in accordance with relevant laws and regulations and regulatory documents. If any one of the above commitments is violated, I will be willing to bear all the responsibilities arising therefrom, and fully compensate or reimburse all direct or indirect losses caused to Gree Electric Appliances.</p>			
	Dong Mingzhu	Avoiding horizontal competition	<p>Letter of Commitment on Avoiding Horizontal Competition: In order to avoid horizontal competition with the listed company, I make the following commitments: 1. I and other enterprises controlled by me will not engage in the same or similar business with Gree Electric Appliances and its subsidiaries in a direct or indirect manner in the future, so as to avoid possible direct or indirect business competition with Gree Electric Appliances</p>	2 December, 2019	Effective for a long time	Being under normal fulfillment

			<p>and its subsidiaries. 2. If other enterprises controlled by I further expand their business scopes, other enterprises controlled by I will take the principle of giving priority to the protection of the rights and interests of Gree Electric Appliances and take all possible measures to avoid horizontal competition with Gree Electric Appliances and its subsidiaries. 3. If Gree Electric Appliances and its subsidiaries or related regulatory authorities determine that I and other enterprises controlled by me are engaging in or will engage in any business which constitutes horizontal competition with Gree Electric Appliances and its subsidiaries, I will give up or cause the enterprises which its subsidiaries directly or indirectly hold to give up any business or business opportunities that may result in horizontal competition, or cause such business or business opportunities to be provided with a priority to Gree Electric Appliances or its wholly-owned and holding subsidiaries on a fair and reasonable basis or to be transferred to other unrelated third parties. 4. If any one of the above commitments is violated, I will be willing to bear all the responsibilities arising therefrom, and fully compensate or reimburse all direct or indirect losses caused to Gree Electric Appliances.</p>			
	Dong Mingzhu	Regulating related transactions	<p>Letter of Commitment on Regulating Related Transactions: I make the following commitments: 1. To ensure that the future related transactions between I and other enterprises controlled by me and Gree Electric Appliances will be fair and conducted in accordance with the normal business conduct standards; and that I will continue to regulate related transactions with Gree Electric Appliances and its subsidiaries. 2. To ensure that I will perform its obligations as a shareholder of Gree Electric Appliances in good faith and in good faith, and for related transactions that cannot be avoided or exist on reasonable grounds, it will sign a standard related transaction agreement with Gree Electric Appliances in accordance with the law, and in accordance with relevant laws, regulations, rules, other regulatory documents and the articles of association, and fulfill the approval procedures; the price of related transactions will be determined in accordance with fair and reasonable market prices, and the price of related transactions will be fair; it will perform the information disclosure obligations of related transactions</p>	2 December, 2019	Effective for a long time	Being under normal fulfillment

			<p>in accordance with relevant laws, regulations and the articles of association; it will not use related transactions to illegally transfer the funds and profits of Gree Electric Appliances or damage the interests of Gree Electric Appliances and related shareholders. 3. To ensure that I and other enterprises controlled by I will, in accordance with the provisions of laws, regulations and the articles of association, when considering related transactions involving I and other enterprises controlled by I, effectively abide by the avoidance procedure during the voting on related transactions at the meeting of the board of shareholders or the general meeting of shareholders of Gree Electric Appliances.</p>			
Commitments made during asset reorganization						
Commitments made during initial public offering or refinancing	GREE GROUP	Avoiding horizontal competition	<p>Commitment issued during public issuance of additional shares in 2007: 1. In the future, the Company and the enterprises controlled by the Company will not directly or indirectly engage in the residential air conditioner, commercial air conditioner, household appliances and other businesses that constitute horizontal competition with Gree Electric Appliances, Inc. of Zhuhai, nor will they invest in the enterprises or projects related to the above businesses or having direct or indirect competition with Gree Electric Appliances, Inc. of Zhuhai. 2. If it is found that the Company and the enterprises controlled by the Company are engaged in or intend to engage in the residential air conditioner, commercial air conditioner, household appliances and other businesses that constitute horizontal competition with Gree Electric Appliances, Inc. of Zhuhai, Gree Electric Appliances, Inc. of Zhuhai has the right to request the Company to stop engaging in the above competitive business, stop implementing the above competitive projects and stop investing in the above-mentioned related enterprises; if the Company has completed the investment, Gree Electric Appliances, Inc. of Zhuhai has the right to request the Company to transfer the relevant equity of the project or the enterprise dealing with the business; if the</p>	29 June, 2007	Period of acting as a controlling shareholder	Being under normal fulfillment

			Company breaches this commitment and engages in related competitive businesses, resulting in damage to the interests of Gree Electric Appliances, Inc. of Zhuhai, the Company is willing to assume the corresponding liability for compensation.			
	GREE GROUP	Reducing and standardizing the related transactions with Gree	Commitment issued during public issuance of additional shares in 2007: promised to ensure that Gree's business has the independent and complete production, supply, marketing and other auxiliary supporting systems so as to reduce unnecessary related transactions. When related transactions occur, the relevant matters of related transactions will be handled in accordance with the principle of good faith, fairness, impartiality, due diligence and public disclosure, the transaction price will be determined in accordance with the principle of market fairness, and the relevant procedures of avoiding voting by associated shareholders and associated directors and the relevant procedures for independent directors to express their opinions on related transactions independently will be strictly implemented to ensure legitimacy and fairness of the related transaction procedures and fairness and reasonableness of the related transaction results.	29 June, 2007	Period of acting as a controlling shareholder	Being under normal fulfillment
Equity incentive commitments	GREE GROUP	Other commitments	During the period of holding shares of Gree Electric Appliances, the Company will fully assume all reasonable expenses and economic losses (if any) incurred by Gree Electric due to the Company's termination of the remaining equity incentive plan.	14 June, 2019	The period when I am a shareholder of Gree Electric Appliances	Being under normal fulfillment
Other commitments made to minority shareholders of the Company						
Commitments are fulfilled in time	Yes					
If commitments are not fulfilled in time, detail the specific reason of fulfillment failure and the work plan for the next step	Not applicable					

2. The Company's assets or projects involve earnings forecast and the Report Period is still in the earnings forecast period and the Company explains the assets or projects that achieve the original earnings forecast and the relevant reasons

Applicable Not applicable

IV. The listed company' non-operating funds occupied by the controlling shareholders and their related parties

Applicable Not applicable

No controlling shareholder or its related party occupied non-operating funds of the listed company in the Report Period of the Company.

V. Description about the "Non-standard Audit Report" of the accounting firm in the Report Period by the Board of Directors, Board of Supervisors and independent director (if any)

Applicable Not applicable

VI. Description about changes in the accounting policies, accounting estimates and accounting methods in comparison to the financial report of last year

Applicable Not applicable

I. Changes of major accounting policies

Changes in accounting policies resulting from the implementation of new standards for financial instruments

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (2017 Revision) (Finance and Accounting [2017] No. 7), the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (2017 Revision) (Finance and Accounting [2017] No. 8), and the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting (2017 Revision) (Finance and Accounting [2017] No. 9) on 31 March, 2017, and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (2017 Revision) (Finance and Accounting [2017] No. 14) on 2 May, 2017 (the above standards are collectively referred to as "new standards for financial instruments"), requiring domestic listed companies to implement the new financial instruments standards from 1 January, 2019.

As approved by the resolution of the fourth meeting of the eleventh session of board of directors of the Company on 29 April, 2019, the Company began to implement the aforementioned new standards for financial instruments from 1 January, 2019.

Under the new standards for financial instruments, all recognized financial assets are subsequently measured at amortization cost or fair value. On the implementation date of the new standards for financial instruments, the

Company's business model for managing the financial assets is evaluated based on the Company's existing facts and circumstances on that day, and the contractual cash flow characteristics on the financial assets are evaluated based on the facts and circumstances at the time of initial recognition of the financial assets, and the financial assets are divided into three categories: measured at amortization cost, measured at their fair values and of which the changes are included into other comprehensive income, and measured at their fair values and of which the changes are included into the current profits and losses. Among them, for equity instrument investment measured at their fair values and of which the changes are included into other comprehensive income, when the financial assets are derecognized, the cumulative gains or losses previously included into other comprehensive income will be transferred from other comprehensive income to retained income, but will not be included into the current profits and losses.

Under the new standards for financial instruments, the Company, on the basis of expected credit losses, makes provisions for impairment of financial assets measured at amortization cost and debt instrument investments which are measured at fair value and of which the changes are included into other comprehensive income, and recognizes credit impairment losses.

The Company applies the new standards for financial instruments retrospectively. However, if the classification and measurement (including impairment) involves any inconsistency between the data of the previous comparative financial statements and the new standards for financial instruments, the Company chooses not to restate. Therefore, for the cumulative impact of the implementation of the standards for the first time, the Company adjusts the retained earnings or other comprehensive income at the beginning of 2019 and the amount of other related items in the financial statements, and does not restate the 2018 financial statements.

Changes in the format of financial statements

The Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Finance and Accounting [2019] No. 6) and the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Version) (Finance and Accounting [2019] No. 16) in April and September 2019 respectively, revising the format of financial statements of general enterprises and the format of consolidated financial statements. The Company prepared financial statements according to the relevant requirements and in accordance with the format of financial statements for general enterprises (applicable to the enterprises that have implemented the new financial standards, the new revenue standards and the new lease standards). Major changes are as follows:

- A. The "notes receivable and accounts receivable" item is split into the "notes receivable" item and the "accounts receivable" item; the "notes payable and accounts payable" item is split into the "notes payable" item and the "account payable" item;
- B. The "receivables financing" item is added;
- C. Interest receivable or interest payable presented in the "other receivables" or "other payables" items only reflect the interest which is receivable or payable upon the maturity of the relevant financial instruments but has not been received or paid on the balance sheet date; the interest on financial instruments accrued based on the actual

interest rate method is included in the book balance of the corresponding financial instruments;

D. The "asset impairment loss" and "credit impairment loss" items move downward from the "other gains" item to the "fair value change gain" item, and the "credit impairment loss" item is presented before the "asset impairment loss" item;

E. The "investment income" item newly includes the "income from derecognition of financial assets measured at amortization costs".

The Company has retrospectively restated the comparative statements accordingly according to the above presentation requirements.

Impact of implementation of new standards for financial instruments and changes in the format of financial statements on consolidated financial statements

Unit: RMB Yuan

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Assets:							
Monetary capital	113,079,030,368.11	1,943,623,443.56					115,022,653,811.67
Trading financial assets		1,012,470,387.43					1,012,470,387.43
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	1,012,470,387.43	-1,012,470,387.43					
Notes receivable and accounts receivable	43,611,226,866.20	-9,229,039,643.82	-34,382,187,222.38				
Including: Bills receivable	35,911,567,876.04	-1,529,380,653.66	-34,382,187,222.38				
Accounts receivable	7,699,658,990.16	-7,699,658,990.16					
Accounts receivable		7,699,658,990.16				-57,224,911.92	7,642,434,078.24
Receivables financing			34,382,187,222.38		-81,714,642.25		34,300,472,580.13
Other receivables	2,553,689,544.47	-2,257,098,901.99				-6,244,306.10	290,346,336.38
Including: Interests receivable	2,257,098,901.99	-2,257,098,901.99					
Other current assets	17,110,921,223.89	1,802,424,633.81					18,913,345,857.70
Original value of available-for-sale financial assets	2,217,095,036.33			-2,217,095,036.33			
Less: Impairment provisions of available-for-sale	900,000.00			-900,000.00			

financial assets							
Net amount of available-for-sale financial assets	2,216,195,036.33			-2,216,195,036.33			
Disbursement of loans and advances	9,071,332,784.86	10,381,298.66					9,081,714,083.52
Debt investment		1,216,700.19		36,000,000.00			37,216,700.19
Other debt investments		28,833,479.43		1,035,287,090.00			1,064,120,569.43
Other equity instrument investments				1,144,907,946.33			1,144,907,946.33
Deferred income tax assets	11,349,573,709.69				12,274,180.53	15,242,873.91	11,377,090,764.13
Liabilities:							
Short-term borrowing	22,067,750,002.70	130,149,404.18					22,197,899,406.88
Deposits from customers and interbank	315,879,779.13	3,597,463.78					319,477,242.91
Other payables	4,747,139,263.00	-1,663,127,521.62					3,084,011,741.38
Including: Interests payable	133,746,867.96	-133,746,867.96					
Other current liabilities	63,361,598,764.96	1,529,380,653.66					64,890,979,418.62
Owners' equity:							
Including: Other comprehensive income	-550,806,051.51				-69,440,461.72		-620,246,513.23
Undistributed profit	81,939,701,613.83					-48,226,344.11	81,891,475,269.72

Impact of implementation of new standards for financial instruments and changes in the format of financial statements on the parent company's financial statements

Unit: RMB Yuan

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Assets:							
Monetary capital	102,696,932,265.26	1,500,459,111.30					104,197,391,376.56
Trading financial assets		412,114,127.42					412,114,127.42
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	412,114,127.42	-412,114,127.42					
Notes receivable and accounts receivable	35,047,382,637.60	-2,988,819,694.63	-32,058,562,942.97				
Including: Bills receivable	32,516,210,775.80	-457,647,832.83	-32,058,562,942.97				
Accounts receivable	2,531,171,861.80	-2,531,171,861.80					
Accounts receivable		2,531,171,861.80					2,531,171,861.80
Receivables financing			32,058,562,942.97		-81,544,800.33		31,977,018,142.64
Other receivables	3,898,630,873.93	-1,719,333,737.63				-2,300,000.00	2,176,997,136.30
Including: Interests receivable	1,803,079,868.37	-1,803,079,868.37					
Other current assets	12,311,814,484.26	676,522,459.16					12,988,336,943.42
Original value of available-for-sale financial assets	765,090,199.08			-765,090,199.08			
Less: Impairment provisions of available-for-sale financial assets	900,000.00			-900,000.00			

Net amount of available-for-sale financial assets	764,190,199.08			-764,190,199.08			
Other equity instrument investments				764,190,199.08			764,190,199.08
Deferred income tax assets	10,931,512,853.30				12,231,720.05	345,000.00	10,944,089,573.35
Liabilities:							
Short-term borrowing	17,759,081,480.00	77,161,272.95					17,836,242,752.95
Other payables	1,795,358,032.57	-534,809,105.78					1,260,548,926.79
Including: Interests payable	108,650,144.21	-108,650,144.21					
Other current liabilities	63,348,220,747.89	457,647,832.83					63,805,868,580.72
Owners' equity:							
Including: Other comprehensive income	-330,283,919.33				-69,313,080.28		-399,596,999.61
Undistributed profit	48,123,803,614.75					-1,955,000.00	48,121,848,614.75

2. Changes of accounting estimates

None.

VII. Description about the retrospective restatement required for correction of significant accounting errors that occurred in the Report Period

Applicable Not applicable

The Company didn't involve any correction of significant accounting errors in the Report Period that requires retrospective restatement.

VIII. Description about changes in the consolidated statement scope in comparison with the financial report of last year

Applicable Not applicable

1. Business combination not involving enterprises under common control

(1) Business combination involving enterprises not under common control in the current period

Unit: RMB Yuan

Name of acquired party	Time point of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Equity acquisition mode	Date of purchase	Revenue of the acquired party from the date of purchase to the end of the period	Net profit of the acquired party from the date of purchase to the end of the period
Nanjing Walsin Nonferrous Metal Co., Ltd.	31 May, 2019	1,417,551,321.45	94.30	Purchase by means of cash	31 May, 2019	10,411,966,740.54	46,316,187.50

[Note] The Company purchased 94.30% equity of Nanjing Walsin Nonferrous Metal Co., Ltd. (hereinafter referred to as "Nanjing Walsin") during the current period and obtained control on 31 May, 2019.

1) Combination cost and business reputation

Unit: RMB Yuan

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.
Combination cost:	
--Cash	1,071,239,072.20
--Other payables	346,312,249.25
Total combination cost	1,417,551,321.45
Less: Fair value share of the identifiable net assets acquired	1,143,436,281.34
Business reputation	274,115,040.11

2) Determination of fair value of combination cost

The Company acquired 94.30% equity of Nanjing Walsin in the current period, and the cost of business combination was RMB 1,417,551,321.45. The fair value of identifiable net assets of Nanjing Walsin as of 31 May, 2019 was RMB 1,143,436,281.34. The fair value of corresponding identifiable net assets were appraised by China

Alliance Appraisal Co., Ltd. Which issued [China Alliance Appraisal Report (2019) No. 040863] Appraisal Report.

3) Reason for the formation of large-amount goodwill:

In order to deepen the development of the Company's enameled wire business in the electrical sector and reduce the impacts and constraints of upstream suppliers, Gree Electric Appliances needed to extend upstream of the industrial chain. Due to the long construction cycle of the project, in order to expand production capacity and occupy the market as soon as possible, the Company's office meeting decided to acquire Nanjing Walsin Nonferrous Metal Co., Ltd.;

The acquisition price was determined by referring to the price-to-book ratio of the target company's comparable listed company, comprehensively considering and fully evaluating the target company's asset status, profitability, brand influence, technology level, synergy effect and other factors;

Major reasons for increased value incurred from the appraisal:

A. Depreciation accruing life of some equipment assets was shorter than their economic life;

B. Value of land use rights and off-book identifiable assets such as customer relationships and trademark use rights in intangible assets increased due to the appraisal.

(2) Identifiable assets and liabilities of the acquired party on the date of purchase

Unit: RMB Yuan

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.	
	Fair value on the date of purchase	Carrying amount on date of purchase
Assets:		
Monetary capital	313,841,040.72	313,841,040.72
Accounts receivable	306,347,724.29	306,347,724.29
Receivables financing	32,897,848.99	32,827,077.99
Prepaid accounts	3,774,390.86	3,774,390.86
Other receivables	250,561.22	250,561.22
Inventories	370,015,709.58	366,647,781.96
Other current assets	51,860,228.86	51,860,228.86
Fixed assets	148,157,020.23	38,678,328.99
Construction in Progress	8,162,465.21	9,544,356.01
Intangible assets	137,922,500.00	9,173,710.00
Deferred income tax assets	10,028,895.44	10,116,258.43
Other non-current assets	1,295,685.45	1,635,079.39
Subtotal of assets	1,384,554,070.85	1,144,696,538.72
Liabilities:		
Trading financial liabilities	16,785,750.00	16,785,750.00
Accounts payable	37,510,699.95	37,510,699.95

Advances from customers	8,143,309.65	8,143,309.65
Payroll payable	8,804,769.39	8,804,769.39
Taxes payable	3,546,574.30	3,546,574.30
Other payables	9,114,493.56	9,114,493.56
Other current liabilities	27,680,199.09	27,680,199.09
Deferred income tax liabilities	60,416,544.96	
Subtitle of liabilities	172,002,340.90	111,585,795.94
Net assets	1,212,551,729.95	1,033,110,742.78
Less: minority equity	69,115,448.61	58,887,312.34
Net assets obtained	1,143,436,281.34	974,223,430.44

[Note] Increased value incurred from the appraisal mainly included fixed assets (including houses and buildings, equipment), and intangible assets (including land use rights, trademark use rights, and customer relationships). The Company engaged an independent external appraiser to evaluate the fair value of Nanjing Walsin's identifiable assets and liabilities. The appraisal methods of main assets were listed as follows:

- 1) The appraisal method of houses and buildings is the replacement cost method, which takes the replacement cost minus the realizable discount as the appraised value and multiplies the appraised value by the renewal rate;
- 2) The appraisal method of equipment is mainly the replacement cost method, and the market method is used to appraise the equipment which of the transaction information can be obtained from the market;
- 3) The appraisal method of land use rights is the market comparison method and the benchmark low price coefficient correction method;
- 4) The appraisal method of other intangible assets such as trademark use rights and customer relations is the income method. During the appraisal, the future income of the appraised intangible assets within a reasonable income period will be discounted and accumulated at a reasonable discount rate, and the present value of income will be obtained.

2. Business combination involving enterprises under common control

None.

3. Counter purchase

None.

4. Disposal of subsidiaries

None.

5. Change in other consolidation scopes

(1) The main body of cancellation in the current period:

- 1) Anhui Gree Kinghome Electric Appliances Sales Co., Ltd., a subsidiary of the Company, was deregistered on 17 October, 2019, and was no longer included in the consolidation scope from the date of deregistration;
- 2) Zhuhai Meiling General Motors Co., Ltd., a subsidiary of the Company, was deregistered on 7 August, 2019, and was no longer included in the consolidation scope from the date of deregistration.

(2) The newly established main bodies in this period are as follows:

Unit: RMB Yuan

Name	Time of establishment	Net assets of the end of the period	Net profit from the combination date to the end of the period
Gree (Anji) Precision Mold Co., Ltd.	14 February, 2019	47,063,023.27	-236,976.73
Huzhou Landa Compressor Co., Ltd.	1 March, 2019	Not yet invested	
Gree Material Supply (Wuhan) Co., Ltd.	20 March, 2019	12,716,347.67	-7,283,652.33
Gree Material Supply (Hefei) Co., Ltd.	20 March, 2019	24,858,404.13	4,858,404.13
Guangdong Guochuang Intelligent Technology Co., Ltd.	22 March, 2019	30,270,563.23	270,563.23
Gree (Luoyang) Washing Machine Co., Ltd.	25 March, 2019	47,278,161.95	-2,721,838.05
Gree Material Supply (Chongqing) Co., Ltd.	27 March, 2019	18,056,402.39	-1,943,597.61
Gree Material Supply (Zhengzhou) Co., Ltd.	29 March, 2019	19,777,618.60	-222,381.40
Gree Rongzhu Copper (Nanjing) Co., Ltd.	29 March, 2019	Not yet invested	
Zhuhai Gree Green Resources Recycling Co., Ltd.	16 July, 2019	52,263,754.97	2,263,754.97
Luoyang Lianmei Real Estate Co., Ltd.	7 August, 2019	995,335,429.21	-4,664,570.79
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	20 August, 2019	29,874,379.59	-125,620.41
Zhuhai Hengqin Gree Huatai Energy Development Co., Ltd.	28 August, 2019	15,024,339.91	24,339.91
Handan Yingdong New Energy Technology Co., Ltd.	20 September, 2019	660.13	-1,339.87
Gree E-commerce Co., Ltd.	5 November, 2019	Not yet invested	
Gelan Environmental Protection Technology (Shaoguan) Co., Ltd.	5 December, 2019	Not yet invested	

IX. Engagement and disengagement of accounting firms

Currently engaged accounting firms

Name of domestic accounting firm	Union Power Certified Public Accountants (Special General Partnership)
Remuneration for the domestic accounting firm (RMB 10,000)	396
Consecutive years for the domestic accounting firm to render audit	5

service	
Names of certified public accountants of the domestic accounting firm	Gong Jingwei, Wu Zihao
Consecutive years for the domestic accounting firm to render CPA audit service	3

A new accounting firm was engaged in the current period

Yes No

Engagement of an accounting firm for internal control auditing, financial adviser or sponsor

Applicable Not applicable

During the year, the Company hired Union Power CPAs Co., Ltd. (special general partnership) as its internal control accounting firm; the Company hired Huatai United Securities Co., Ltd. as a sponsor for resolving the follow-up matters of the share split reform.

X. Suspension of listing and termination of listing after disclosure of the annual report

Applicable Not applicable

XI. Matters related to bankruptcy reorganization

Applicable Not applicable

The Company was not involved in any matter related to bankruptcy reorganization in the Report Period.

XII. Major legal action or arbitration

Applicable Not applicable

The Company was not involved in any major legal action or arbitration during the Report Period.

XIII. Punishment and rectification

Applicable Not applicable

The Company was not involved in any punishment or rectification during the Report Period.

XIV. Integrity status of the Company and its controlling shareholders and actual controllers

Applicable Not applicable

XV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee motivation measures

Applicable Not applicable

The Company was not involved in any equity incentive plan, employee stock ownership plan or other employee motivation measures or their implementation during the Report Period.

XVI. Significant related transactions

1. Related transactions associated with day-to-day operation

√ Applicable □ Not applicable

Related parties	Incidence relation	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Prices of related transactions	Amount of related transactions (ten thousand Yuan)	Proportion to amount of similar transaction	Approved transaction amount (ten thousand Yuan)	Exceeding the approved quota	Settlement of related transactions	Available market price of similar transactions	Date of disclosure	Disclosure index
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Companies where directors of the Company act as executive directors and general managers	Sales of commodities	Sales revenue	Market price	Market price	520,267.04	3.32%	800,000	No	Payment before delivery	Market price	29 April, 2019	www.cninfo.com.cn
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Companies where directors of the Company act as executive directors	Sales of commodities	Sales revenue	Market price	Market price	871,967.81	5.56%	1,250,000	No	Payment before delivery	Market price	29 April, 2019	www.cninfo.com.cn
Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Companies where supervisors of the Company act as managers	Sales of commodities	Sales revenue	Market price	Market price	493,541.24	3.15%	850,000	No	Payment before delivery	Market price	29 April, 2019	www.cninfo.com.cn
Shanghai Highly (Group) Co., Ltd. and its subsidiaries and holding subsidiaries	The company in which the Company holds more than 5.00% of its shares	Materials procurement	Raw material	Market price	Market price	216,955.57	1.63%	500,000	No	Settlement by schedule	Market price	29 April, 2019	www.cninfo.com.cn
Shanghai Highly (Group) Co., Ltd. and its subsidiaries and holding subsidiaries	The company in which the Company holds more than 5.00% of its shares	Sales of commodities	Sales revenue	Market price	Market price	148,755.48	0.95%	300,000	No	Settlement by schedule	Market price	29 April, 2019	www.cninfo.com.cn
Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	Companies and their subsidiaries and holding subsidiaries where the chairman of the Company serves as a director	Materials procurement	Energy storage equipment	Market price	Market price	1,996.81	0.01%	70,000	No	Settlement by schedule	Market price	29 April, 2019	www.cninfo.com.cn

Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	Companies and their subsidiaries and holding subsidiaries where the chairman of the Company serves as a director	Sales of commodities	Sales revenue	Market price	Market price	32,108.78	0.20%	200,000	No	Settlement by schedule	Market price	29 April, 2019	www.cninfo.com.cn
Total				--	--	2,285,592.73	--	3,970,000	--	--	--	--	--
Details of huge-amount sales return				Not applicable									
Actual fulfillment (if any) in the Report Period when the total amount is estimated by category for the daily related transaction to take place in the current period				Not applicable									
Cause (if applicable) of the large difference between the transaction price and market reference price				Not applicable									

2. Related transactions of acquisition or sales of assets or equity

Applicable Not applicable

The Company was not involved in any related transaction of acquisition or sales of assets or equity in the Report Period.

3. Related transactions of common foreign investment

Applicable Not applicable

The Company was not involved in any related transaction of common foreign investment during the Report Period.

4. Associated credits and liabilities

Applicable Not applicable

The Company was not involved in any associated credit or liability in the Report Period.

5. Other significant related transactions

Applicable Not applicable

The Company was not involved in any other significant related transaction during the Report Period.

XVII. Major contracts and their fulfillment

1. Information about trusteeship, contracting and lease

(1) Trusteeship

Applicable Not applicable

The Company was not involved in any trusteeship during the Report Period.

(2) Contracting

Applicable Not applicable

The Company was not involved in any contracting matter during the Report Period.

(3) Lease

Applicable Not applicable

The Company was not involved in any lease during the Report Period.

2. Major guarantee

Applicable Not applicable

The Company was not involved in any major guarantee during the Report Period.

3. Entrusting others to execute any cash asset management

(1) Entrusted financing

Applicable Not applicable

Overview of entrusted wealth management during the report period

Unit: RMB 10,000

Specific type	Source of funds for entrusted wealth management	Occurrence amount of entrusted wealth management	Outstanding balance	Amount overdue but not recovered yet
Broker wealth management products	Private	101,247.04	42,302.23	
Total		101,247.04	42,302.23	

Specific situation of high-risk entrusted wealth management with large single amount or low security, poor liquidity and non-guaranteed principal

Applicable Not applicable

Entrusted wealth management has the circumstance that it is expected to be unable to recover the principal or other circumstances that may cause impairment

Applicable Not applicable

(2) Entrusted loan

Applicable Not applicable

The Company was not involved in any entrusted loan during the Report Period.

4. Other major contracts

Applicable Not applicable

The Company did not have any other major contract during the Report Period.

XVIII. Social responsibilities

1. Fulfilling social responsibilities

Gree actively and voluntarily performed its social responsibilities, effectively protected the lawful rights and interests of all stakeholders, won with its strength the 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. (For details, please refer to the Company's Social Responsibility Report for the Year 2019 published on www.cninfo.com.cn on 30 April, 2020.)

2. Fulfilling the social responsibilities of taking targeted measures in poverty alleviation

The Company didn't take targeted measures in poverty alleviation in the reporting year.

3. Circumstances related to environmental protection

If the listed company and its subsidiaries are key pollutant discharge units published by the environmental protection department

Yes

Serial Number	Company or Subsidiary Name	Names of Major Pollutants and Particular Pollutants	Discharge Mode	Number of Discharge Ports	Distribution of Discharge Ports	Discharge Concentration	Adopted Pollutant Discharge Standard	Total Discharge	Total Approved Discharge	Over-standard Discharge
1	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI	COD, ammonia nitrogen	Intermittent discharge	5	Sewage station	COD: 25 mg/L; Ammonia nitrogen: 0.264 mg/L.	Level 2 limit of the second period, Discharge Limits of Water Pollutants (DB 44/26-2001)	COD: 9.19 tons/year; Ammonia nitrogen: 0.443 tons/year.	COD: 14.315 tons/year; Ammonia nitrogen: 3.579 tons/year.	None
		Sulphur dioxide, nitrogen oxide	Organized discharge	19	Roof of factory building	Sulfur dioxide: 2.417 mg/m ³ ; Nitrogen oxide: 15.413 mg/m ³	Level 2 limit of the second period in the Discharge Limits of Air Contaminants (DB 44/27-2001), Table 2 in Emission Standard of Boiler Air Pollutants (GB 13271-2014)	Sulfur dioxide: 1.3731 tons/year; Nitrogen oxides: 8.4794 tons/year.	Sulfur dioxide: 1.9208 tons/year; Nitrogen oxides: 9.2878 tons/year.	
2	Gree (Zhengzhou) Electric Appliances Co., Ltd.	COD, ammonia nitrogen	Continuous discharge	1	Sewage station	COD: 57.5mg/L; Ammonia nitrogen: 1.3mg/L.	Table 1 of Comprehensive Standard for Sewage Discharge (GB 8978-1996)	COD: 3.21 tons/year; Ammonia nitrogen: 0.073 tons/year.	Not approved	None
		Sulfur dioxides, particulate matters, non-methane total	Organized discharge	9	Roof of factory building	Sulfur dioxide: 11 mg/m ³ ; Nitrogen oxide:	Grade 2 in Table 2 of Comprehensive Emission Standards of Air Pollutants (GB	Sulfur dioxide: 1.90 tons/year; Nitrogen oxides: 0.69		

		hydrocarbons, nitrogen oxides				4.83 mg/m ³ Particulate matter: 6.6 mg/m ³ Total non-methane hydrocarbons: 3.76 mg/m ³	16297-1996), Zhengzhou Environmental Document 2017 (172) Circular on Restriction Requirements for Non-methane Total Hydrocarbons	tons/year; Particulate matter: 6.45 tons/year; Total non-methane hydrocarbons: 0.84 mg/m ³			
3	Gree (Wuhu) Electric Appliances Co., Ltd.	Sulphur dioxide, nitrogen oxide, dust, tin and its compounds, non-methane total hydrocarbons	Organized discharge	53	Roof of factory building	Sulfur dioxide: 3 mg/m ³ Nitrogen oxide: 24.35 mg/m ³ Dust: 20 mg/m ³ Tin and its compounds: 0.00156 mg/m ³ Total non-methane hydrocarbons: 2.355 mg/m ³	Grade 2 in Table 2 of Comprehensive Emission Standards of Air Pollutants (GB 16297-1996), Hebei local standard Standard for Volatile Organic Compound Emission Control in Industrial Enterprises (DB132322-2016)	Sulfur dioxide: 3.8525 tons/year; Nitrogen oxide: 6.645 tons/year; Dust: 19.39 tons/year; Tin and its compounds: 0.00202 tons/year; Total non-methane hydrocarbons: 8.605 tons/year.	Not approved	None	
		Chemical oxygen demand, ammonia nitrogen, petroleum type, phosphate	Intermittent discharge	1	Total outlet of the small north gate	Chemical oxygen demand: 241.5 mg/L; Ammonia nitrogen: 27.55 mg/L; Petroleum: 10.4 mg/L; Phosphate: 0.007 mg/L.	Grade 3 in Table 4 of Comprehensive Standard for Sewage Discharge (GB 8978-88)	Chemical oxygen demand: 17.57 tons/year; Ammonia nitrogen: 1.63 tons/year; Petroleum: 0.4035 tons/year; Phosphate: 0.355 tons/year.			
4	Zhuhai Landa Compressor Co., Ltd.	COD, ammonia nitrogen	Intermittent emission	1	Sewage station	COD: 37.6mg/L Ammonia nitrogen: 0.457mg/L	Table 2 in Pollutant Discharge Standard for Electroplating Water DB44/1597-2015	COD: 6.51 tons/year; Ammonia nitrogen: 0.252 tons/year.	COD: 18.7969 tons/year; Ammonia nitrogen: 3.0597 tons/year.		None
		Sulphur dioxide, nitrogen oxide	Organized discharge	13	Roof of factory building	Sulfur dioxide: 7 mg/m ³ Nitrogen oxide: 144 mg/m ³	Level 2 limit of the second period in the Discharge Limits of Air Contaminants (DB 44/27-2001); Metal melting furnace Level 2 (mg/m ³) in Table 2 in Emission Standard for Air Pollutants from Industrial Kilns GB9078-1996; Emission Standard for Cooking Fume in the Catering Industry GB18483-2001; Screen printing in period II in Table 2 of Volatile Organic Compounds Emission Standards for Printing Industry DB44/815-2010; Special emission limit for gas-fired boilers (mg/m ³) in Table 3 of	Sulfur dioxide: 0.582 tons/year; Nitrogen oxide: 4.689 tons/year.	Sulfur dioxide: 5.2852 tons/year; Nitrogen oxides: 14.8987 tons/year.		None

							Emission Standards for Boiler Air Pollutants GB13271-2014; Emission Standards for Volatile Organic Compounds in the Furniture Manufacturing Industry (DB44/814-2010); Air Pollutant Emission Limits for Newly Built Facilities of Emission Standards for Electroplating Pollutants (GB21900-2008)			
5	Gree (Shijiazhuang) Electric Appliances Co., Ltd.	COD, ammonia nitrogen	Intermittent discharge	6	6 discharge ports distributed evenly in the east factory boundary	COD: 189 mg/L; Ammonia nitrogen: 3.5 mg/L.	Grade 3 Standard in Table 4 of Comprehensive Sewage Discharge Standard (GB8978-1996) and Inlet Water Quality Requirements of Sewage Treatment Plants in the High-tech Zones	COD: 10.777 tons/year; Ammonia nitrogen: 0.2004 tons/year.	COD: 11.099 tons/year; Ammonia nitrogen: 0.362 tons/year.	None
		Sulphur dioxide, nitrogen oxide	Organized discharge	16	Roof of factory building	Sulfur dioxide: 5mg/m ³ ; Nitrogen oxide: 32mg/m ³	New kiln standard in Table 1 and Table 2 of Emission Standard for Air Pollutants from Industrial Kilns (DB13/1640-2012)	Sulfur dioxide: 2.266 tons/year; Nitrogen oxides: 7.133 tons/year.	Sulfur dioxide: 4.918 tons/year; Nitrogen oxides: 11.647 tons/year.	
6	Gree (Hefei) Electric Appliances Co., Ltd.	COD, ammonia nitrogen	Continuous discharge	2	Sewage station	COD: 8.9 mg/l; Ammonia nitrogen: 0.103 mg/l.	Grade-3 Standard of Comprehensive Sewage Discharge Standard (GB8978-1996) and Requirements of Takeover Standards for Sewage Treatment Plants in Economic Development Zones	COD: 2.13 tons/year; Ammonia nitrogen: 0.025 tons/year.	COD: 225.72 tons/year; Ammonia nitrogen: 13.68 tons/year.	None
7	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Suspended matter COD, ammonia nitrogen	Intermittent emission	1	Sewage station	Suspended matter: 24 mg/L; COD: 37 mg/L; Ammonia nitrogen: 1.44 mg/L.	Grade-1 standard for the second period in Discharge Limits of Water Pollutants (DB44/26-2001)	COD: 0.1658 tons/year; Ammonia nitrogen: 1.2648 tons/year; Ammonia nitrogen: 0.195 mg/L.	2019 sewage permit not approved	None
		Toluene, xylene, sulfur dioxide, nitrogen oxide, particulate matter	Organized discharge	3	Roof of factory building	Toluene: 1.06mg/m ³ ; Xylene: 2.11mg/m ³ ; Sulfur dioxide: 3mg/m ³ ; Nitrogen oxide: 3mg/m ³ ; Particulate matter: 10mg/m ³	Grade-2 Standard of the Second Period in the Discharge Limits of Air Contaminants (DB 44/27-2001)	Toluene: 1.6032 tons/year; Xylene: 0.248 tons/year; Sulfur dioxide: 0.0063 tons/year; Nitrogen oxide: 0.0072		

								tons/year; Particulate matter: 3.174 tons/year.		
8	Zhuhai Gree Electrical Co., Ltd.	Xylene, phenolic compounds, VOCs	Organized discharge	46	Roof of factory building	Xylene: 8.95mg/m ³ Phenolic compounds: 0.868mg/m ³ VOCs: 8.48mg/m ³	Grade-2 Standard of the Second Period in the Discharge Limits of Air Contaminants (DB 44/27-2001) II Period of Emission Standards for Volatile Organic Compounds in the Furniture Manufacturing Industry (DB44/814-2010)	Xylene: 0.420 tons/year; Phenolic compounds: 0.264 tons/year; VOCs: 0.486 tons/year.	2019 sewage permit not approved	None
9	Gree (Chongqing) Electric Appliances Co., Ltd.	Ammonia nitrogen, animal and vegetable oil, COD, suspended matter, petroleum, total phosphorus	Indirect emissions	3	Phases I, II and III	Ammonia nitrogen: 15.55mg/L; Animal and vegetable oil: 1.755mg/L; COD: 224mg/L; Suspended matter: 35.3mg/L; Petroleum: 4.47mg/L; Total phosphorus: 0.14mg/L.	Grade 3 in Table 4 of Comprehensive Standard for Sewage Discharge (GB 8978-1996) Grade B Limits in Table 1 of Water Quality Standards for Sewage Discharged into Urban Sewers (GB/T 31962-2015)	Ammonia nitrogen: 9.2 tons/year; COD: 110 tons/year; Animal and vegetable oil: 18 tons/year; Suspended matter: 89 tons/year; Petroleum: 0.28 tons/year; Total phosphorus: 0.049 tons/year.	Ammonia nitrogen: 10.184 tons/year; COD: 113.15 tons/year; Animal and vegetable oil: 20.9 tons/year; Suspended matter: 90.52 tons/year; Petroleum: 0.365 tons/year; Total phosphorus: 0.055 tons/year.	None
		Particulate matter, sulfur dioxide, nitrogen oxide	Organized discharge	24	Phases I, II and III	Particulates: 28.3 mg/m ³ Sulfur dioxide: 11 mg/m ³ Nitrogen oxides: 39mg/m ³	Table 1 of Discharge Limits of Air Contaminants (DB 50/418-2016)	Particulate matter: 123 tons/year; Sulfur dioxide: 46.2 tons/year; Nitrogen oxide: 46.2 tons/year.	Particulate matter: 126.042 tons/year; Sulfur dioxide: 49.087 tons/year; Nitrogen oxide: 49.087 tons/year.	

Construction and operation of pollution prevention facilities

The Company and its subsidiaries are all equipped with corresponding sewage treatment facilities in accordance with the environmental protection requirements for construction projects, as well as full-time environmental protection managers, operators and monitors. Up to now, all the systems have been in normal operation, and met the emission standards stably, without emissions beyond the standards.

Environmental impact assessment of construction projects and other administrative licenses for environmental protection

Environmental impact assessment was carried out for the Company's construction project in accordance with requirements of the Environmental Protection Bureau, the environmental protection approval and discharge permit were acquired, and the project passed the environmental protection acceptance check.

Contingency plan for unexpected environmental events

The Company implemented requirements of the Emergency Management Measures for Unexpected Environmental Events and related national laws and regulations. To ensure timely, orderly, efficient and appropriate response to unexpected environmental events, protect the personal safety of employees and reduce property losses, each subsidiary of the Company formulated a contingency plan for unexpected environmental events and reported them to the environmental protection department for recording.

Environmental self-monitoring plan

The Company formulated an environmental self-monitoring plan according to the requirements of environmental impact assessment, and detected wastewater pollutants once a day and air pollutants at least once a year.

Other environmental information that should be made public

None

Other environmental protection related information

None

XIX. Description of other significant matters

Applicable Not applicable

On 2 December, 2019, Gree Group and Zhuhai Mingjun signed the Share Transfer Agreement. Gree Group planned to transfer 902,359,632 shares of the Company with unlimited sales conditions held by Gree Group to Zhuhai Mingjun at a price of RMB 46.17/share (accounting for 15% of the Company's total equity); On 13 December, 2019, the Zhuhai Municipal People's Government and the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of Zhuhai City separately approved the share transfer.

Gree Group obtained the Transfer Registration Confirmation issued by China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch on 3 February, 2020. The share transfer registration procedures for the transfer of this agreement have been completed, and the transfer date is 23 January, 2020. After the completion of the share transfer registration, the Company has neither a controlling shareholder nor an actual controller.

XX. Significant matters of the Company's subsidiaries

Applicable Not applicable

Section VI Changes in Stock Capital & Information of Shareholders

I. Changes in stock capital

1. Changes in stock capital

Unit: Share

	Before the change		Increase/Decrease (+, -)					After the change	
	Qty	Percentage	New Issue	Bonus Issue	Stock Converted from Housing Accumulation Fund	Others	Subtotal	Qty	Percentage
I. Stocks with trading restriction conditions	45,013,250	0.75%				786,375	786,375	45,799,625	0.76%
3. Stocks held by other domestic capital	45,013,250	0.75%				786,375	786,375	45,799,625	0.76%
Stocks held by the domestic natural person	45,013,250	0.75%				786,375	786,375	45,799,625	0.76%
II. Tradable Stocks without trading restriction conditions	5,970,717,628	99.25%				-786,375	-786,375	5,969,931,253	99.24%
1. RMB ordinary stocks	5,970,717,628	99.25%				-786,375	-786,375	5,969,931,253	99.24%
III. Total of stocks	6,015,730,878	100.00%						6,015,730,878	100.00%

Causes of changes in stock capital

 Applicable Not applicable

Approval of changes in stock capital

 Applicable Not applicable

Transfer due to changes in stock capital

 Applicable Not applicable

Progress of share repurchase

 Applicable Not applicable

Progress of reducing shares repurchased by centralized bidding

 Applicable Not applicable

Impact by changes in stock capital on financial indicators such as basic earnings per share and diluted earnings per share, and the net asset value per share attributable to common shareholders of the Company in the recent year and the recent period

 Applicable Not applicable

Other contents that must be disclosed in the opinion of the Company or according to requirements of the securities regulatory institution

 Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares increased in the current period	Number of restricted sales released from the lock-up requirements in the current period	Number of restricted shares at the end of the period	Reasons for restriction	Release date
Liu Jun	9,000	0	9,000	0	Share lock-up of outgoing executives	16 July, 2019
Duan Xiufeng	0	795,375	0	795,375	Share lock-up of new executives	-
Total	9,000	795,375	9,000	795,375	--	--

II. Issuance and listing of securities

1. Issuance of securities (excluding the preferred stock) in the Report Period

Applicable Not applicable

2. Description about changes in the Company's total number of stocks and shareholder structure, and assets and liability structure

Applicable Not applicable

3. Existing internal employee stock

Applicable Not applicable

III. Information about the shareholders and actual controllers

1. Total number of shareholders and their shareholding status

Unit: Share

Total number of common shareholders at the end of the Report Period	308,228	Total number of common shareholders at the end of last month before the disclosure date of the annual report	496,265	Total number of preferred shareholders (if any) whose voting rights were restored at the end of Report Period (See Note 8)	0	Total number of preferred shareholders (if any) whose voting rights were restored at the end of last month before the disclosure date of the annual report (See Note 8)	0	
Shareholding of the shareholders holding more than 5% of total stocks or shareholding of the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding proportion	Total number of the stocks held at the end of the Report Period	Increase/Decrease in the Report Period	Number of the trading restricted stocks held	Number of the trading unrestricted stocks held	Pledge or freezing	
							Stock status	Qty
Zhuhai Gree Group Co., Ltd.	State-owned legal person	18.22%	1,096,255,624			1,096,255,624		

Hong Kong Securities Clearing Company Ltd.	Foreign legal person	14.88%	894,872,479	403,658,080		894,872,479		
Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state-owned legal person	8.91%	536,022,233			536,022,233		
China Securities Finance Co., Ltd.	State-owned legal person	2.99%	179,870,800			179,870,800		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.40%	84,483,000			84,483,000		
Qian Hai Life Insurance Co., Ltd. – Hai Li Nian Nian	Others	1.09%	65,610,782	-49,974,516		65,610,782		
Dong Mingzhu	Domestic natural person	0.74%	44,488,492		33,366,369	11,122,123	Pledged	43,632,750
Hillhouse Capital Management – HCM China Fund	Foreign legal person	0.72%	43,396,407			43,396,407		
National Social Security Fund 101 portfolio	Others	0.69%	41,364,689			41,364,689		
Agricultural Bank of China Co., Ltd. - E-Fund Consumption Industry Equity Securities Investment Fund	Others	0.51%	30,404,950			30,404,950		
Situation (if any) where a strategic investor or general legal person becomes one of top 10 shareholders due to placement of new shares (see Note 3)	None							
Description for affiliated relationship or concerted action of the above shareholders	None							
Shareholding of the top 10 shareholders without trading restriction conditions								
Name of shareholder	Number of the trading unrestricted stocks held at the end of the Report Period	Type of stocks						
		Type of stocks	Qty					
Zhuhai Gree Group Co., Ltd.	1,096,255,624	RMB ordinary stocks	1,096,255,624					
Hong Kong Securities Clearing Company Ltd.	894,872,479	RMB ordinary stocks	894,872,479					
Hebei Jinghai Guaranteed Investment Co., Ltd.	536,022,233	RMB ordinary stocks	536,022,233					
China Securities Finance Co., Ltd.	179,870,800	RMB ordinary stocks	179,870,800					
Central Huijin Asset Management Co., Ltd.	84,483,000	RMB ordinary stocks	84,483,000					
Qian Hai Life Insurance Co., Ltd. – Hai Li Nian Nian	65,610,782	RMB ordinary stocks	65,610,782					
Hillhouse Capital Management – HCM China Fund	43,396,407	RMB ordinary stocks	43,396,407					
National Social Security Fund 101 portfolio	41,364,689	RMB ordinary stocks	41,364,689					
Agricultural Bank of China Co., Ltd. - E-Fund Consumption Industry Equity Securities Investment Fund	30,404,950	RMB ordinary stocks	30,404,950					
Central Bank Of Malaysia	28,571,660	RMB ordinary stocks	28,571,660					
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable	None							

stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and the top 10 shareholders	
Description of the participation in margin trading business of the top 10 common shareholders (if any) (see Note 4)	None

The top 10 common shareholders and top 10 common shareholders without trading restriction conditions of the Company conducted agreed repurchase transactions in the Report Period

Yes No

The top 10 common shareholders and top 10 common shareholders without trading restriction conditions of the Company didn't conduct agreed repurchase transactions in the Report Period.

2. Information of the controlling shareholders of the Company

Nature of the controlling shareholder: Local state-owned holding

Type of the controlling shareholder: Legal person

Name of the of controlling shareholder	Legal representative/ Person in charge	Date of establishment	Organization code	Principal business
Zhuhai Gree Group Co., Ltd.	Zhou Lewei	15 December, 1990	914404001925371865	Manufacturing of household electrical appliance; investment, construction and operation management of public facilities and municipal facilities; investment, construction and operation management of hotels; operation, investment and management of state-owned assets; optimization allocation and capital operation of state-owned assets; transfer and lease of state-owned property rights; corporate management, planning and services; state-owned assets income management; business services (excluding licensed business items) (items that need to be approved in accordance with law can only be operated after approval by relevant departments)
Information regarding holding equity interests of other domestic and oversea listed companies by controlling shareholders during the Report Period	None			

Controlling shareholder change in the Report Period

Applicable Not applicable

The controlling shareholders of the Company didn't change in the Report Period.

3. Actual controller of the Company and its person acting in concert

Nature of the actual controller: Local state-owned assets management institution

Type of the actual controller: Legal person

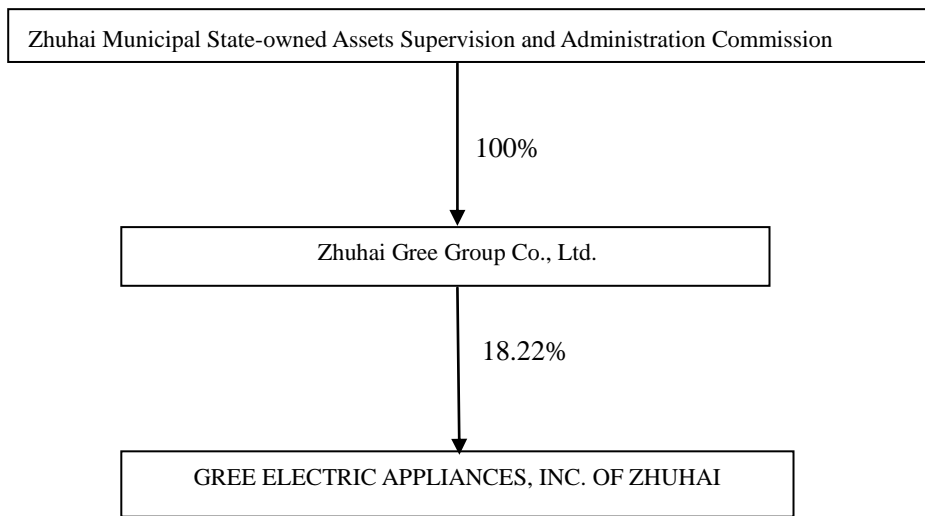
Name of the actual controller	Legal representative/ Person in charge	Date of establishment	Organization code	Principal business
State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government	Li Congshan	29 December, 2004	11440400719245578R	Fulfill responsibilities of the state-owned assets investor
Information regarding equity of other domestic and oversea listed companies controlled by the actual controller during the Report Period	At the end of the Report Period, the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government indirectly controlled Zhuhai Port Co., Ltd., Zhuhai Huafa Industrial Co., Ltd., Gree Real Estate Co., Ltd., Zhuhai Huajin Capital Co., Ltd., Zhuhai Orbita Aerospace Science & Technology Co. Ltd., Zhuhai Holdings Investment Group Limited, Huajin International Capital Holding Co., Ltd. and Hong Kong Johnson Holdings Co., Ltd.			

Change in the actual controller in the Report Period

Applicable Not applicable

The actual controller of the Company did not change in the Report Period.

Block diagram of property right and control relationships between the Company and actual controller



The actual controller controlled the Company through trust or other asset management modes

Applicable Not applicable

4. Other corporate shareholders holding more than 10% of shares

Applicable Not applicable

5. Restricted share reduction of controlling shareholders and actual controllers, restructuring party and other commitment subjects

Applicable Not applicable

Section VII Related Information of Preferred Stock

Applicable Not applicable

The Company did not have any preferred stock in the Report Period.

Section VIII Related Information of Convertible Corporate Bonds

Applicable Not applicable

The Company did not have any convertible corporate bonds in the Report Period.

Section IX Directors, Supervisors, Senior Management Personnel and Employees

I. Shareholding changes of directors, supervisors and 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 (shares)	Number of held stocks increased in the current period (shares)	Number of held stocks reduced in the current period (shares)	Other increase/decrease changes (shares)	Stocks held at the end of the Period (shares)
Dong Mingzhu	Chairperson & President	Incumbent	F	65	25 May, 2012	15 January, 2022	44,488,492				44,488,492
Huang Hui	Director and CEO	Incumbent	M	56	25 May, 2012	15 January, 2022	7,380,000				7,380,000
Wang Jingdong	Director, Vice President, Chief Financial Officer, Board Secretary	Incumbent	M	49	25 May, 2012	15 January, 2022	884,674				884,674
Zhang Wei	Director	Incumbent	M	44	16 January, 2019	15 January, 2022					
Zhang Jundu	Director	Incumbent	M	59	25 May, 2012	15 January, 2022					
Guo Shuzhan	Director	Incumbent	M	63	16 January, 2019	15 January, 2022					
Liu Shuwei	Independent Director	Incumbent	F	67	16 January, 2019	15 January, 2022					
Xing Ziwen	Independent Director	Incumbent	M	58	16 January, 2019	15 January, 2022					
Wang Xiaohua	Independent Director	Incumbent	M	59	16 January, 2019	15 January, 2022					
Li Xupeng	Chairman of Board of Supervisors	Incumbent	M	51	16 January, 2019	15 January, 2022					
Duan Xiufeng	Supervisor	Incumbent	M	57	16 January, 2019	15 January, 2022	1,060,500		265,000		795,500
Wang Fawen	Staff Supervisor	Incumbent	F	37	16 January, 2019	15 January, 2022					
Zhuang Pei	Vice President	Incumbent	M	54	25 May, 2012	15 January, 2022	5,955,202				5,955,202
Tan Jianming	Vice President	Incumbent	M	56	31 August, 2017	15 January, 2022	1,297,300				1,297,300
Ye Zhixiong	Director	Resigned	M	62	1 June, 2015	16 January, 2019					
Wang Ruzhu	Independent Director	Resigned	M	55	20 May, 2014	16 January, 2019					
Lu Xin	Independent Director	Resigned	F	56	1 June, 2015	16 January, 2019					
Xu Chuzhen	Chairman of Board of Supervisors	Resigned	M	61	24 September, 2013	16 January, 2019					

Guo Shuzhan	Supervisor	Appointed	M	63	25 May, 2012	16 January, 2019					
Wang Liqin	Staff Supervisor	Resigned	F	43	15 October, 2014	16 January, 2019					
Liu Jun	Vice President	Resigned	M	43	31 August, 2015	16 January, 2019	12,000	8,000			20,000
Total	--	--	--	--	--	--	61,078,168	8,000	265,000		60,821,168

II. Changes in the directors, supervisors and senior management personnel

√ Applicable □ Not applicable

Name	Title	Type	Date	Reason
Ye Zhixiong	Director	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office
Wang Ruzhu	Independent Director	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office
Lu Xin	Independent Director	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office
Xu Chuzhen	Chairman of Board of Supervisors	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office
Guo Shuzhan	Supervisor	Appointed	16 January, 2019	Resigned after expiry of term of office
Wang Liqin	Staff Supervisor	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office
Liu Jun	Vice President	Resigned after expiry of term of office	16 January, 2019	Resigned after expiry of term of office

III. Positions of directors, supervisors and senior management personnel

Professional background, major work experience and current main responsibilities in the Company of the current directors, supervisors and senior management personnel of the Company:

Ms. Dong Mingzhu, with a master degree, currently acts as the Chairperson of the Board & President of Gree Electric Appliances, Inc. of Zhuhai.

She has served as sales manager of Gree Electric Appliances, vice director and director of Sales Department, manager, Vice General Manager, General Manager, Vice Chairperson of the Board and President of sales company, Chairperson of Zhuhai Gree Group, etc. She consecutively served as deputy to the tenth, eleventh, twelfth and thirteenth National People's Congresses, and ever acted as a member of the ninth, tenth and eleventh Executive Committees of the All-China Women's Federation, the "Messenger of UN Sustainable Urban Development" of the United Nations, the first rotating presidency of the "Sustainable Development Commission" of the United Nations Development Programme, Vice President of the China Quality Association, Vice Chairperson of China Association of Women Entrepreneurs, member of Expert Committee for the thirteenth five-year development planning of the National Development and Reform Commission, director of Board of Directors of China Social Economic Investigation Research Center, member of WFEO-CHINA of China Association for Science and Technology, etc. She has been successively appointed as a part-time professor or MBA tutor by Northwest University, Sun Yat-sen University, China University of Science and Technology, Zhongnan University of Economics and Law, Communication University of China and other colleges, and was awarded the title of honorary academician by Beijing Normal University-Hong Kong Baptist University United International College

(UIC). She was awarded the title of "National Labor Model" by the State Council in 2015, elected as "CCTV China Economic Person of the Year" in 2006, 2010 and 2013, selected as "The Most Influential Women in Business" by the Fortune magazine for 13 times from 2004 to 2019, ranked in the ranking list of "Top 50 Women to Watch" of Financial Times for three consecutive years from 2009 to 2011, was enrolled in the ranking list of "Global Best CEO" of the "Harvard Business Review" magazine in 2013, becoming China's only female on the list. The projects initiated or led by her were ever awarded the honors and titles such as "National Model Worker", "National 5•1 Labor Medal", "National March 8 Red Flag Pacesetter", "China Patent Gold Award", "Third China Quality Award", "Liu Yuanzhang Quality and Technology Contribution Award", "Fudan University Enterprise Management Outstanding Contribution Award", "Top 10 Leading Practitioners of Management Innovation" of Tsinghua University and "China Outstanding Quality Person (National Quality Award Individual Award)".

Mr. Huang Hui, with a postgraduate degree, currently acts as the Director & CEO of Gree Electric Appliances, Inc. of Zhuhai.

From August 2000 to May 2014, he served as Vice President of the Company; from June, 2014 to August 2017, he served as Executive Vice President of the Company; since August 2017 to date, he has served as CEO of the Company; from May 2007 to August 2017, he served as Chief Engineer of the Company; since May 2012 to date, he has served as Chairman of Zhuhai Gree Dakin Device Co., Ltd. and Vice President of the Chinese Association of Refrigeration.

Mr. Wang Jingdong, with a master degree and CPA and lawyer qualifications, currently acts as the Director, Vice President, Finance Chief and Board Secretary of Gree Electric Appliances, Inc. of Zhuhai.

From November 2002 to April 2006, he served as head of Financial Department, head of Material Purchasing Department and chief of Audit Department. From April 2006 to September 2009, he served as President Assistant 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. Zhang Wei, with a bachelor degree, currently acts as the Director of Gree Electric Appliances, Inc. of Zhuhai.

He joined in Gree Electric Appliances in 1999 and served as the person in charge of Gree Electric Appliances Pipe Branch, Material Supply Department, Outsourcing & Purchase Quality Management Department, and Enterprise Management Department, President Assistant of Gree Electric Appliances; from 2013 to March 2020, he served as Executive Deputy President; currently he serves as President Assistant of the Company.

Mr. Zhang Jundu, with a junior college degree, currently acts as the Director of Gree Electric Appliances, Inc. of Zhuhai.

Since September 1999, he has served as Chairman of Zhejiang Tongcheng Gree Electric Appliances 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. Guo Shuzhan, with a junior college degree, currently acts as the Director of Gree Electric Appliances, Inc. of

Zhuhai.

Since August 2006, he has been served as Chairman of Hebei Jinghai Guaranteed Investment Co., Ltd.; Since August 2012, he has been served as General Manager of Henan Shengshi Xinxing Gree Trading Co., Ltd.; from May 2012 to 16 January, 2019, he served as the Supervisor of the Company; since January 2019, he has been served as the Director of the Company.

Ms. Liu Shuwei, with a master degree, currently acts as the Independent Director of the Board & President of Gree Electric Appliances, Inc. of Zhuhai.

Ms. Liu Shuwei graduated from Peking University in 1986 with a master degree in economics. Ms. Liu Shuwei studies under the famous economists Chen Daisun Professor and Li Yining Professor in China, and is a well-known scholar in finance. In 2002, she was appraised as CCTV's "Economic Person of the Year" and "Moving China - Person of 2002". She is currently an independent director and a member of the Audit Committee under the Board of Directors of Vanke Enterprise Co., Ltd., and a director and a researcher at the China Enterprise Research Center of Central University of Finance and Economics. Since January 2019, she has been an independent director of the Company.

Mr. Xing Ziwen, with a doctor degree, currently acts as the Independent Director of Gree Electric Appliances, Inc. of Zhuhai.

He is also a professor of Xi'an Jiaotong University, a distinguished professor of the Yangtze River Scholar Program by the Ministry of Education, a national candidate for the Ten Million Talents Project in the New Century, and enjoys special allowances from the State Council. Professor Xing Ziwen used to be the director of the Department of Refrigeration and Cryogenic Engineering, School of Energy and Power Engineering, and the director of the Compressor Research Institute at Xi'an Jiaotong University. He currently acts as the deputy director of the National Engineering Center for Fluid Machinery and Compressors at Xi'an Jiaotong University. He has won 2 national scientific and technological progress awards, 7 provincial and ministerial scientific and technological progress awards, the Special Science and Technology Progress Award issued by the Chinese Association of Refrigeration, the Special Invention and Entrepreneurship Award issued by the China Association of Inventions, the Outstanding Professor Award issued by the Xia Anshi Education Foundation, and the Youth Innovation Award issued by Ho Leung Ho Lee Foundation.

Mr. Wang Xiaohua, with a master degree, currently acts as the Independent Director of Gree Electric Appliances, Inc. of Zhuhai.

Mr. Wang Xiaohua is the director of Guangdong Guangxin Junda Law Firm. He has successively studied law at the Central University for Nationalities, Peking University, Wuhan University, Japan Faith Corporation and the University of East London. In 2003, he obtained a master degree in law from the University of East London. Since 1988, he has been working as a part-time lawyer, sponsoring and leading a team to jointly handle over 1,000 litigation and non-litigation cases and projects, and assisting companies to raise tens of billions of yuan from domestic and foreign securities markets. Since 1998, he has been a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (CPPCC) and has submitted about 50 proposals. He has

published four books such as Legal Issues on Enterprise Listing and more than 20 articles such as the rise and fall of the nation concerns everyone and the progress of rule of law concerns every lawyer. He once served as the President of the Guangzhou Lawyers Association, and currently serves as a Standing Committee of Guangdong Provincial Committee of the CPPCC, a member of the Guangdong Provincial Election Committee for Judges and Procurators, the legal consulting expert of the Guangzhou Municipal People's Government, and the legal consultant at the Security Bureau of the Guangdong Provincial Committee of the CCP, Guangdong Provincial Public Security Department (GDPSD) and Guangdong Provincial Tax Service, State Taxation Administration. He also served as the Guangzhou Asian Games Torch-Bearer; and won the honorary titles such as "Outstanding Lawyers of Guangdong Province", "Top Ten Innovation Leading Talents of Tianhe District", and "Guangzhou Leading Talents of Innovation and Entrepreneurship Services".

Mr. Li Xupeng, with a graduate degree, currently acts as the Supervisor of Gree Electric Appliances, Inc. of Zhuhai.

He is currently the Deputy Secretary of the Party Committee of Zhuhai Gree Group Co., Ltd. and the Secretary of the Party Committee of Gree Electric Appliance Co., Ltd. He joined work in July 1991, joined the party in November 1998, had the graduate degree, was awarded the Advanced Programmer Certificate by the Ministry of Personnel, and the Advanced Programmer Certificate by the Japan Computer Application Technology Association. He successively served as the deputy director of the Research Institute of Foshan Shengfa Development Co., Ltd.; the engineer of Zhuhai Special Economic Zone Jinquanli Development Co., Ltd.; the deputy chief (deputy director) of Cadre Information Section (Party Member Audio-Visual Center) and the deputy chief of the Cadre Supervision Section of Organizational Department of Zhuhai Municipal Party Committee; the deputy director and director of Zhuhai Municipal Information Center; the Chairman of the Information Association; the director of the Office of the Science and Technology Bureau, and the chief of the Achievement and Technology Market Section; the deputy investigator of the Zhuhai Science and Technology Bureau, and the Zhuhai Science, Technology, Industry, Trade and Information Technology Bureau; a member of Zhuhai Municipal Assistance Construction Wenchuan Working Group and Preparatory Team for the Development and Construction Headquarters of Western Central Urban Area Development Construction Command Preparation Group; the deputy director and a member of the Party Group of the Zhuhai Port Authority; the chief engineer and a member of the Party Group of the Zhuhai Municipal Transportation Bureau; the deputy director and a member of the party group of Zhuhai Science, Technology, Industry, Trade and Information Technology Bureau (Zhuhai Municipal Intellectual Property Office, Zhuhai Municipal Private Economic Development Service Bureau).

Mr. Duan Xiufeng, currently acts as the Supervisor of Gree Electric Appliances, Inc. of Zhuhai.

Graduated from Shandong Party School in 1999, he is currently the General Manager of Shandong Shengshi Xinxing Gree Trading Co., Ltd. He successively served as the Deputy General Manager and the General Manager of Shandong Gree Electric Appliance Marketing Co., Ltd. and the General Manager of Shandong Shengshi Xinxing Gree Trading Co., Ltd. Since January 2019, he has been the Supervisor of the Company.

Ms. Wang Fawen, with a master degree, currently acts as the Employee Supervisor of Gree Electric Appliances, Inc. of Zhuhai.

She has the national vocational qualification certificates such as Intermediate Economist and Professional in Human Resources, and is currently the Director of Human Resources Department of Gree Electric Appliances, Inc. of Zhuhai. From July 2007 to November 2013, she successively served as the human resources specialist of Human Resources Department, the director of Personnel Integration Office, the head of Performance Section, and the director of Training Section of the Company from December 2013 to the present, she has been serving as the Director of Human Resources Department and the Head of Cultural Training and Communication Center of the Company.

Mr. Zhuang Pei, with a master degree and the title of Senior Engineer, currently acts as the Vice President of Gree Electric Appliances, Inc. of Zhuhai.

From 2002 to April 2003, he served as President Assistant of the Company. From April 2003 up to now, he has served as Vice President of the Company.

Mr. Tan Jianming, with a master degree, currently acts as the Chief Engineer and Vice President of Gree Electric Appliances, Inc. of Zhuhai.

He studied the major of refrigeration and low temperature technology of Huazhong University of Science and Technology from 1982 to 1986 and received the Bachelor's Degree; from 1986 to 1989, he continued to study at the major of refrigeration and low temperature technology of Huazhong University of Science and Technology and received a master's degree, after graduation in 1989, he joined Gree Electric Appliances, Inc. of Zhuhai immediately and successively served as designer, department head, president assistant, deputy chief engineer, etc. Since August 2017, he has served as a Chief Engineer & Vice President of the Company.

Information of positions in shareholders

Applicable Not applicable

Name of incumbent	Name of shareholder	Position at the shareholder	Commencement of term of office	Termination of term of office	Remuneration and allowance received from the shareholder
Guo Shuzhan	Hebei Jinghai Guaranteed Investment Co., Ltd.	Chairman and legal representative	1 August, 2006		No
Zhang Wei	Zhuhai Gree Group Co., Ltd.	Executive Vice President	3 December, 2017	31 March, 2020	Yes
Information of positions in shareholders	None				

Information of positions in other companies

Applicable Not applicable

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Termination of term of office	Remuneration and allowance received from other companies
Dong Mingzhu	Zhuhai Gezhen Investment Management Partnership (Limited Partnership)	Executive Partner	26 September, 2019		No
Dong Mingzhu	Zhuhai Xima Pearl New Media	Director and Manager	1 October, 2015		No

	Co., Ltd.				
Dong Mingzhu	Zhuhai Yinlong New Energy Co., Ltd.	Director	1 February, 2017		No
Guo Shuzhan	Henan Shengshi Xinxing Gree Trading Co., Ltd.	Executive Director	1 August, 2010		Yes
Guo Shuzhan	Beijing Qianyuan Hengjiuhe Liquor Co., Ltd.	Director	1 April, 2014		No
Guo Shuzhan	Xiahe Hengsheng Hydropower Co., Ltd.	Director	1 May, 2007		No
Guo Shuzhan	Henan Sanli Real Estate Development Co., Ltd.	Supervisor	1 November, 2006		No
Guo Shuzhan	Nanyang Kaisheng Electrical Appliance Sales Co., Ltd.	Executive Director and General Manager	1 September, 2007	12 August, 2019	No
Guo Shuzhan	Henan Gree Electric Appliance Customer Service Co., Ltd.	Executive Director and General Manager	1 August, 2006		No
Guo Shuzhan	Luoyang Gree Electric Appliance Logistics Co., Ltd.	Executive Director and General Manager	1 June, 2010		No
Guo Shuzhan	Henan Huizhong Yifeng Electronic Commerce Co., Ltd.	Chairperson	1 December, 2015		No
Guo Shuzhan	Xiahe Hengfa Hydropower Co., Ltd.	Director	1 June, 2005		No
Guo Shuzhan	Luqu Hengshun Hydropower Co., Ltd.	Supervisor	1 September, 2009		No
Guo Shuzhan	Zhengzhou Hengzhixin Metal Component Manufacturing Co., Ltd.	Executive Director and General Manager	1 March, 2017		No
Zhang Jundu	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Chairperson	1 September, 1999		Yes
Zhang Jundu	Ningbo Tongcheng Gree Electric Appliances Co., Ltd.	Director	1 July, 2013		No
Zhang Jundu	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Executive Director and General Manager	1 January, 2017		No
Zhang Jundu	Zhejiang Ruitong Automobile Co., Ltd.	Director	1 December, 2014		No
Zhang Jundu	Wenzhou Tongcheng Economic and Trade Co., Ltd.	Director	1 April, 2012		No
Zhang Jundu	Huzhou Tongcheng Gree Electric Appliances Co., Ltd.	Director	1 November, 2008		No
Liu Shuwei	China Vanke Co., Ltd.	Independent Director	30 June, 2017	30 June, 2020	Yes
Liu Shuwei	Costar Group Co., Ltd.	Independent Director	10 April, 2019	10 April, 2022	Yes
Wang Xiaohua	ETR Law Firm	Partner Chairman	1 June, 2017		Yes
Wang Xiaohua	Guangzhou Nansha Reclamation Development Company	External Director	1 October, 2015		Yes
Wang Xiaohua	Guangdong Guangxin Information Industry Co., Ltd.	Independent Director	1 July, 2014		Yes
Wang Xiaohua	Guangdong Shirong Zhaoye Co., Ltd.	Independent Director	26 March, 2019	26 March, 2022	Yes
Duan Xiufeng	Beijing Rongzhi Xingwei	Manager and Executive	2 July, 2013		No

	Management Consulting Co., Ltd.	Director			
Duan Xiufeng	Shandong Jierui Logistics Co., Ltd.	Executive Director and General Manager	11 August, 2010		Yes
Duan Xiufeng	Beijing Rongpu Xingwei Management Consulting Co., Ltd.	Manager and Executive Director	2 July, 2013		No
Duan Xiufeng	Shandong Daming Electric Appliances Co., Ltd.	Executive Director and General Manager	28 April, 2010		No
Duan Xiufeng	Jinan Qihui Microfinance Co., Ltd.	Director	4 February, 2009		No
Duan Xiufeng	Shandong Gree Electric Appliances Customer Service Co., Ltd.	Executive Director and General Manager			No
Duan Xiufeng	Shandong Binzhou Dongsheng Real Estate Co., Ltd.	Executive Director	26 June, 2009		No
Duan Xiufeng	Shandong Blue Economy Industrial Fund Management Co., Ltd.	Chairperson	5 November, 2014		No
Duan Xiufeng	Jinan Rural Commercial Bank Co., Ltd.	Supervisor	12 February, 2015		No
Duan Xiufeng	Shandong Youbu Network Technology Co., Ltd.	Executive Director	27 October, 2015		No
Duan Xiufeng	Shandong Binzhou Jincai Trading Co., Ltd.	Executive Director and General Manager	25 March, 2016		No
Duan Xiufeng	Jinan Jierui New Energy Technology Co., Ltd.	Executive Director and General Manager	21 December, 2016		No
Duan Xiufeng	Shandong Red April Brand Management Co., Ltd.	Executive Director and General Manager	1 August, 2017		No
Duan Xiufeng	Shandong Red April E-commerce Co., Ltd.	Executive Director and General Manager	30 August, 2017		No
Duan Xiufeng	Zhongfu Huaxia Management Consulting Co., Ltd.	Chairperson	23 December, 2005		No
Duan Xiufeng	Shandong Red April Holdings Group Co., Ltd.	Executive Director and Manager	5 May, 2015		No
Duan Xiufeng	Shandong Red April Venture Capital Co., Ltd.	Executive Director and General Manager	24 April, 2017		No
Duan Xiufeng	Shandong Red April New Energy Technology Co., Ltd.	Executive Director and Manager	13 December, 2017		No
Duan Xiufeng	Shandong Red April Electrical Appliance Sales Co., Ltd.	Executive Director and Manager	23 May, 2019		No
Duan Xiufeng	Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Manager	30 June, 2011	3 April, 2020	Yes

Punishments given by the securities regulatory institution to the incumbent directors, supervisors and senior management personnel or those who resigned in the Report Period in the recent three years

Applicable Not applicable

IV. Remunerations of the directors, supervisors and senior management personnel

Decision making procedures, determination basis, and actual payment regarding the remunerations of directors, supervisors and 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.

Remunerations of the directors, supervisors and senior management personnel in the Report Period

Unit: RMB 10,000

Name	Title	Gender	Age	Tenure status	Total amount of pre-tax remuneration received from the Company	Remuneration received from a related party of the Company
Ye Zhixiong	Director	M	62	Resigned	0	No
Xu Chuzhen	Supervisor	M	61	Resigned	0	No
Wang Liqin	Staff Supervisor	F	43	Resigned	10.89	No
Lu Xin	Independent Director	F	56	Resigned	0.5	No
Wang Ruzhu	Independent Director	M	55	Resigned	0.5	No
Liu Jun	Vice President	M	43	Resigned	2.48	No
Guo Shuzhan	Supervisor	M	63	Resigned	0	Yes
Dong Mingzhu	Chairperson & President	F	65	Incumbent	865	No
Huang Hui	Director and CEO	M	56	Incumbent	416	No
Wang Jingdong	Director, Vice President, Chief Financial Officer, Board Secretary	M	50	Incumbent	360	No
Zhang Jundu	Director	M	59	Incumbent	0	Yes
Guo Shuzhan	Director	M	63	Incumbent	0	Yes
Zhang Wei	Director	M	44	Incumbent	0	Yes
Liu Shuwei	Independent Director	F	67	Incumbent	13.25	No
Wang Xiaohua	Independent Director	M	59	Incumbent	13.25	No
Xing Ziwen	Independent Director	M	58	Incumbent	13.25	No
Li Xupeng	Supervisor	M	51	Incumbent	0	Yes
Duan Xiufeng	Supervisor	M	57	Incumbent	0	Yes
Wang Fawen	Staff Supervisor	F	37	Incumbent	93.51	No
Zhuang Pei	Vice President	M	54	Incumbent	255	No
Tan Jianming	Vice President	M	56	Incumbent	320	No

Total	--	--	--	--	2,363.63	--
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Equity incentives granted to the directors and senior management personnel in the Report Period

Applicable Not applicable

V. Employees of the Company

1. Number of employees and their specialties and education level

Number (person) of on-the-job employees of the parent company	26,898
Number (person) of on-the-job employees of the main subsidiaries	61,948
Total number (person) of on-the-job employees	88,846
Total number (person) of employees receiving salaries in the current period	88,846
Number (person) of retired employees for whom the parent company and main subsidiaries need to bear expenses	344
Formation of Specialties	
Category of formation of specialties	Number (person) of employees in the formation
Manufacturing Personnel	67,113
Sales Personnel	2,822
Technicians	14,251
Financial Personnel	938
Administrative Personnel	3,722
Total	88,846
Education Level	
Education level category	Number (person) of employees
Bachelor Degree or above	17,791
College Degree	11,641
Technical Secondary School Education and below	59,414
Total	88,846

2. Remuneration policy

The Company adheres to the concept of "Comprehensive Incentive System", adopts a salary mechanism combining fixed salary and floating performance salary, approves and pays salaries according to the position, capacity and performance of the employees. At the same time, the Company establishes an award mechanism based on innovative contributions to provide a powerful guarantee for providing employees with continuous and effective incentives. In 2019, on the basis of employee professional technical grade evaluation, the Company implemented the application of the evaluation results in salary adjustment, further optimizing the salary adjustment mechanism for employees; and continued to spend a lot of money on encouraging scientific and

technological personnel and R & D technology breakthroughs, and mobilizing the majority of scientific and technological personnel to actively participate in technological research and development and achieve continuous breakthroughs in core technology fields.

3. Training plan

In 2019, the talent training program closely adhered to the development theme of "making independent innovations and chasing a new era of dreams", adopted core measures such as "learning project design innovation, deepening training model mechanism, jointly enhancing management efficiency, and promoting talent training and upgrading", highlighted effective training of key core talents and fields of the Company, built a diversified independent training mechanism, promoted the transformation and upgrading of talent training, and facilitated and supported corporate development.

(1) Highlighting effective training of key core talents and fields of the Company

In 2019, the Company strongly strengthened the training for college students, middle-level management cadres, and other groups, closely followed the cultivation of cutting-edge technical talents, accelerated the supply of high-quality talents, and conducted trainings for supporting business development and highlighting actual effectiveness.

1) Creating the practical projects for cadres at middle and grass-roots levels, and building the talent echelon for corporate development

By closely following the requirements of the plan of "adhering to cultivating talents independently and building a contingent of high-quality cadres", the Company deepened the advanced-form cadre training mechanism of "foundation-promotion-strengthening", organized and implemented the advanced-form training of cadres, solidified the Company's development confidence, established a positive Professional mentality, and strengthened thinking transformation and quality improvement.

The "Special Training Camp of Supervisor Elites" was organized and implemented, and 164 students graduated. The training camp aimed to "conduct targeted training and achieve accurate improvement" through four stages of "selecting foal eagles, training flying eagles, raising hunting eagles, and allowing skilled eagles to fly freely and high", so as to promote the competence and personal development of director positions.

The cultivation plan of "Pilot School" was organized and implemented, and 73 students graduated. The project aimed at "excellence training", adopted dual-track linkage training, focused on the learning resource system, conducted practical training based on the ten competence model latitudes, and promoted the efficient and accurate improvement of the business level of grassroots management personnel.

The college student training camp of "New Era · Pursuing Dreams at Gree" was organized and implemented, and the on-boarding training of nearly 4,000 college students was completed. The "6-1-3" training model was further optimized and deepened, and carefully designed with the stage of professional development and the core of training content, to promote the training of college students from all aspects and angles. Chairman Dong Mingzhu

personally opened the first lesson in life of "unleashing your style and striving for your future" for college students.

2) Focusing on technologies in the Company's key areas and supported high-quality development of the Company's core business

According to the Company's annual development goals, focusing on the important areas and topics of the Company's strategic development in 2019, 80 learning projects such as key thematic training camps, cutting-edge technology and R&D support topics, operation management training topics, etc. were organized and implemented, to comprehensively connect strategy and performance, and practice the Company's self-training, full-staff training, systematic training and lifelong training of talents.

Combined with actual business needs, the Company introduced external advantage learning resources together with business unit, and organized and completed technological frontier expert lectures with a total of 20 topics in 8 major series of information technology, big data technology, communication technology, central air conditioning technology, process technology, motor technology, equipment technology and washing technology, to promote the development of employees to professional talents in the high-end, fine and sophisticated fields.

The Company implemented the "Fault Finding Action" plan, comprehensively improved the quality of the work of the organization and employees, and cultivated the construction of quality culture, to facilitate the Company's high-quality development. With quality as the center, and the system construction requirements as the core, the Company joined hands with external units to organize quality series of special trainings so as to support the effective implementation of the "Perfect Quality Model".

3) Boosting the skill improvement of marketing service personnel and supporting the Company's first-line market sales and services

In order to actively respond to the new challenges brought about by market changes, and better grasp the market and serve the market, the Company built a marketing strategy blueprint of "Gree Features", continued to create a marketing team with outstanding comprehensive capabilities and excellent business qualities, and organized the training camp of marketing service personnel for 2019. Through "theory-based, practice-oriented" organic integration, focusing on the four dimensions of marketing service personnel "cultural cultivation, comprehensive literacy, business skills, product learning", the Company customized advanced-form trainings to help marketing service personnel improve their skills and better support sales and services in the first-line market.

4) Developing a skilled and innovative labor force, and supporting enterprises to achieve quality manufacturing

In order to promote the transformation and upgrading of Gree's talent training, the cultivation of high-quality skilled personnel was mainly promoted through two aspects: "skill upgrade and academic qualification upgrade", highlighting the training practice of "skill upgrade promotes efficiency, and personal upgrade promotes development".

The innovative mechanism for the cultivation of highly skilled talents was established. Such resource advantages

as training (cultivation) bases of high-skilled talents were fully utilized, the training mechanism of high-skilled talents was further deepened, the four-level development plan of "skilled personnel, skilled elites, chief technicians, and Gree craftsmen" was formed, and Gree's unique mechanism for training was created.

The independent skill training and evaluation system was established. Based on the four-step mechanism for cultivation and development of front-line technicians, a three-level (company-level, branch-level, and team-level) training model was established, and the effectiveness evaluation standard with "theory, practice, and performance" as the core was built to form a new training model of skilled talents.

The Company's collaborative model for cultivating skilled talents was developed. Internal and external resources were adopted to organize and carry out targeted trainings of enterprise vocational skills and competitions for vocational skills, the Company's new apprenticeship mechanism was implemented, the subsidies for right position training and skill upgrade were fully utilized to broaden the skills training channels and forms and build Gree's collaborative mode for training of high-skilled new talents.

The spirit of model workers and craftsmen was vigorously promoted. The Company's innovative and technical skilled talents were deeply explored and nurtured, the leading role of professional skill competitions was fully played in the selection and cultivation of skilled talents, and 2019 Gree Electric Appliances' "Ingenuity Dream Achieves Life" Labor Skill Competition was organized and carried out. The Company organized employees to participate in the National Intelligent Manufacturing Application Technology Skill Competition, the Guangdong Provincial Industrial Robot Competition, Zhuhai Municipal Welding Competition and other series of skill competitions and "Xiangzhou Craftsman" Skill Competition, and undertook Zhuhai Municipal Mold Competition, in which Zeng Zhixin from the precision mold company won the first place. The Company cultivated and excavated China craftsmen, built the value orientation of labour being glorious, and created a strong atmosphere of "learning skilled talents, respecting skilled talents, and striving to be skilled talents".

Up to now, the Group has 36,600 skilled talents, of which more than 5,000 are rated as intermediate and senior technicians, and of which many have won the titles of "Guangdong Provincial Technical Expert", "Zhuhai Municipal Technical Expert", "Zhuhai Municipal Post Technical Expert", "Zhuhai Artisan".

(2) Deepening the Company's independent talent training model

Gree Electric Appliances' talent team building never implements "borrowlism", but insists on "independent training". Based on the Company's development experience and cultural heritage, it gradually forms a model of independent training and development mechanism. In 2019, the Company continued to deepen the construction of learning resources and platforms, developed high-quality learning projects, and built a diversified self-cultivation mechanism, so that Gree's talent cultivation further highlighted its independence characteristics.

1) Implementing the requirement of "everyone acting as a lecturer" and creating high-quality learning resources

The 2019 special activities called "Three auditoriums for extracting experience" were organized and held. The activities called "Middle-level cadres on the platform - Micro classroom for managerial cadres" were organized, and 130 courses were selected, to further deepen the accumulation of internal excellent management experience

and wisdom. The special activities called "Technology experts on the platform - Auditorium for technology experts" were organized, and 150 courses were selected, to form a mechanism for inheriting business experience. The activities called "Business elites on the platform - Auditorium for internal lecturers" were organized, to provide employees with the training resources support needed for business learning and career development, involving 49 major topics in 9 categories and attracting more than 5,000 participants.

2) Cultivating excellent lecturers and forming a learning atmosphere for all staff

The team of internal lecturers is a think tank for the Company to develop all kinds of talents and is a core force for inheriting Gree's excellent corporate culture and corporate wisdom. In 2019, the Company's team of internal lecturers developed the "empowering two-line" model based on internal lecturer competence and cultivation, and comprehensively strengthened team building from the two dimensions of internal lecturer's "selection, cultivation, use, retention" and growth and promotion. A Call for New Voices - Selection of New Lecturers was organized and held, and 30 lecturers were selected. The "Intelligence and Inheritance · Lecturer Glory" 2019 Gree Lecturer Group Teacher's Day Condolences and Recognition Event was organized, creating a good atmosphere of "respecting teachers and cherishing virtues, loving learning and giving thanks" throughout the Company. The "Intelligent Manufacturing Heritage" competition was organized and implemented to explore the Group's top 30 and top 10 lecturers. In the 2019 Guangdong Provincial Enterprise Lecturer Competition, Gree's lecturer Zhang Zhiqian won the first prize and the honorary title of "Guangdong Technical Expert", and another lecturer Lu Qinghua won the honorary title of "Top Ten Lecturers" in Guangdong Province. In 2019, internal lecturers conducted more than 2,100 training sessions for 3,800 hours, and the student satisfaction was 94.6%.

3) Creating high-quality learning products and forming a talent training experience sharing and exchange platform

In order to further accumulate and inherit the talent training experience, and form a talent training experience sharing and exchange platform, the Company organized and implemented the "Energizing Cup" learning project design competition. The competition was themed by "casting product thinking and creating high-quality learning", explored a batch of new development projects of design and operation talents, and accumulated a batch of classic talent development projects for continuous development and improvement, thus creating high-quality learning products to boost performance.

The Company organized and carried out the "My Product, My Creativity" product innovation design competition for college students, to provide a platform for college students within the Group to "expand thinking, develop creativity, and enhance cooperation". The Company organized and held the 2019 "Empowerment Organization • Get Together with Wisdom" training and development annual meeting, showing Gree's independent talent training model and mechanism, and creating a sharing and exchange platform for internal and external training and learning.

(3) Promoting the transformation and upgrading of Gree talent training

The Company accelerated the implementation of the construction of Gree College, promoted the operation of Gree Pearl Industrial College, organized the construction and operation of primary and middle school students'

research practice education base, promoted the transformation of training system to education system, and solved the systemic and effective problems of talent cultivation.

Accelerating the construction of Gree College

In 2019, with the strong support of Guangdong Provincial Department of Education, Zhuhai Municipal Party Committee and Zhuhai Municipal Government, Gree College made breakthrough progress in project construction land, project construction procedures, project planning and design, and discipline professional construction. Gree College entered the essence construction stage from the preparatory stage. The College is located in the University Town Area of Tangjiawan Town, Zhuhai High-tech Zone, covering an area of 200,000 square meters. Based on high-end manufacturing, focusing on the "dual-smart" strategy, customized in collaboration with German universities and by integrating university and enterprise, truly following the educational focus of "emphasis on cultivating professional ethics, technology application skills, and innovation and entrepreneurship abilities", the College will cultivate high-end enterprise management talents, applied high-end technology R & D talents and practical high-end skill operation talents needed for the development of new manufacturing industry. At present, the College is in the planning and design stage. In strict accordance with the high-standard and high-level campus requirements of "informatization, intelligence, internationalization", the Company will accelerate the construction of Gree College and creatively turn Gree College into a characteristic university striving to train development-oriented, compound and innovative manufacturing multi-level elite talents.

2) Promoting the operation of Gree Pearl Industrial College

Gree Pearl Industrial College makes full use of the two favorable systems of enterprises and universities, implements Gree's "enterprise spirit, management policy and quality policy" and other corporate management and cultural concepts, sets up unique school-running concepts and teaching systems, and creatively builds the union industry university a characteristic college closely and highly suitable for the development of manufacturing industry. The College adheres to the guide of serving the development of Gree, and takes the development experience and culture of Gree Electric Appliances as a China manufacturing brand, to create a new high-end high-skilled talent education highland, so as to deliver high-quality technical and skilled employees with "strong quality awareness, standardized behaviors and recognition of Gree culture" for the development of Gree. In 2019, the College experienced further development in aspects of enrollment, discipline and professional construction, teacher internships, special projects, and co-construction of practical operation bases. There were 22 classes in 10 majors, with about 750 students. At the same time, a professional university-enterprise co-construction system in the majors of electronic information, electrical automation, intelligent control technology, cloud computing, big data, etc. was established to jointly build a professional training base for air conditioning and refrigeration, and an intelligent equipment training center so as to cultivate the customization talents required by Gree.

4. Labor outsourcing

Applicable Not applicable

Section X Corporate Governance

I. Basic conditions of corporate governance

In strict accordance with the Company Law, Securities Law and other relevant national laws and regulations and the Guidelines for Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Company establishes the normative corporate governance structure and the 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.

Great differences exist between the actual corporate governance and the normative document related to listed company governance published by the CSRC

Yes No

No great differences exist between the actual corporate governance and the normative document related to listed company governance published by the CSRC

II. Independence of the Company relative to the controlling shareholder in the aspects such as business operation, personnel, assets, organization and finance

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.

III. Horizontal competition

Applicable Not applicable

IV. Convening of the annual general meeting of shareholders and interim general meeting of shareholders during the Report Period

1. General meetings of shareholders during the Report Period

Session of meeting	Type of meeting	Proportion of participating investors	Date of meeting	Date of disclosure	Disclosure index
The first interim	Interim general	38.76%	16 January, 2019	17 January,	The Announcement on Resolutions of the

general meeting of shareholders for the year of 2019	meeting of shareholders			2019	First Interim General Meeting of Shareholders for the Year 2019 and so on on www.cninfo.com.cn
2018 annual general meeting of shareholders	Annual general meeting of shareholders	46.65%	26 June, 2019	27 June, 2019	The Announcement on Resolutions of the General Meeting of Shareholders for the Year 2018 and so on on www.cninfo.com.cn
The Second Interim General Meeting of Shareholders for the Year 2019	Interim general meeting of shareholders	42.51%	18 November, 2019	19 November, 2019	The Announcement on Resolutions of the Second Interim General Meeting of Shareholders for the Year 2019 and so on on www.cninfo.com.cn

2. Convening of an interim general meeting of shareholders requested by the preferred shareholders whose voting rights have been restored

Applicable Not applicable

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

1. Attendance of independent directors at meetings of the Board of Directors and general meetings of shareholders

Attendance of independent directors at meetings of the Board of Directors and general meetings of shareholders							
Name of independent director	Number of meetings of the Board of Directors requiring attendance in the Report Period	Times of attending meetings of the Board of Directors on the field	Times of attending meetings of the Board of Directors in the way of communication	Times of attending meetings of the Board of Directors by entrusting	Times of absence from meetings of the Board of Directors	Failed to personally attend the meetings of the Board of Directors for two consecutive times	Times of attending the general meetings of Shareholders
Liu Shuwei	8	2	6	0	0	No	2
Xing Ziwen	8	2	6	0	0	No	2
Wang Xiaohua	8	2	6	0	0	No	1

Description about the failure to personally attend the meeting of the Board of Directors for two consecutive times

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

Independent directors raised objection to relevant issues of the Company

Yes No

The independent directors didn't raise any objection to relevant issues of the Company.

3. Other descriptions for performance of duties by independent directors

Whether the relevant suggestions on the Company by independent directors were adopted

Yes No

Description about the relevant suggestions on the Company by independent directors that were adopted or not adopted

Within the Report Period, the independent directors of the Company were able to act in maintaining 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 effective 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.

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

During the replacement of the Company's board of directors and board of supervisors in 2019, the nomination committee carefully reviewed the qualifications of directors and supervisors nominated by each shareholder unit, board of directors, and board of supervisors, and reviewed the qualifications of each candidate during the selection of senior management personnel.

The remuneration and appraisal committee reviewed and approved the Remuneration Distribution Plan for Directors, Supervisors and Senior Management Personnel for the Year 2019.

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

- a. 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.
- b. 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.
- c. After the annual audit certified public accountants issued preliminary opinions, the audit committee reviewed the 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 2019 on the basis of these financial statements.
- d. The audit committee reviewed the financial statements for the year 2019 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, 2019 and operating results and cash flows for the year 2019 in all major aspects and agreed to submit them to the board of directors for deliberation.
- f. The audit committee summarized and evaluated the audit work for this year as done by Union Power CPAs 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 Union Power CPAs Co., Ltd. as the audit institution for the year 2020.

VII. Work of the Board of Supervisors

The Board of Supervisors found whether there are risks in the supervision during the Report Period.

Yes No

The Board of Supervisors had no objection to the supervision during the Report Period.

VIII. Appraisal and incentive 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.

IX. Internal control

1. Details about major defects found in internal control in the Report Period

Yes No

2. Internal control self-evaluation report

Full disclosure date of the internal control evaluation report	30 April, 2020	
Full disclosure index of the internal control evaluation report	www.cninfo.com.cn	
Proportion of the total amount of unit assets included in the evaluation scope to the total amount of assets in the consolidated financial statements of the Company	97.00%	
Proportion of the unit operating income included in the evaluation scope to the unit operating income in the consolidated financial statements of the Company	98.00%	
Defect identification standard		
Category	Financial report	Non-financial report

Qualitative standard	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2019 disclosed on www.cninfo.com.cn by the Company on 30 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2019 disclosed on www.cninfo.com.cn by the Company on 30 April.
Quantitative standard	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2019 disclosed on www.cninfo.com.cn by the Company on 30 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2019 disclosed on www.cninfo.com.cn by the Company on 30 April.
Number of major defects in the financial report		0
Number of major defects in the non-financial report		0
Number of important defects in the financial report		0
Number of important defects in the non-financial report		0

X. Internal control audit report

Applicable Not applicable

Deliberation opinion section in the internal control audit report	
We hold that the Company has maintained effective internal control of financial reports in accordance with the Basic Rules for Internal Control of Enterprises and relevant regulations.	
Disclosure of internal control audit report	Disclosed
Full disclosure date of the internal control audit report	30 April, 2020
Full disclosure index of the internal control audit report	www.cninfo.com.cn
Type of internal control audit report opinions	Standard without reserved opinion
Major defects found in the non-financial report	No

The accounting firm issued the internal control audit report of non-standard opinions

Yes No

The internal control audit report issued by the accounting firm is consistent with the self-evaluation report opinion of the Board of Directors

Yes No

Section XI Related Information of Corporate Bonds

Whether the Company has any corporate bonds that have been issued publicly and listed on the stock exchange, and have not become due on the approved submission date of the annual report or have become due but have not been not paid in full.

No

Section XII Financial Report

I. Audit report

Audit opinion type	Standard without reserved opinion
Signing date of the audit report	29 April, 2020
Name of the audit institution	Union Power Certified Public Accountants (Special General Partnership)
Audit Report Doc No.	Union Power Audit No. (2020) No. 050146
Name of the certified public accountant	Gong Jingwei, Wu Zihao

Text of the Audit Report

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

1 Audit opinion

We have audited the financial statements of Gree Electric Appliances, Inc. of Zhuhai (hereinafter referred to as "your company"), including the consolidated and parent company's balance sheets ended 31 December, 2019 and consolidated and parent company's income statements, consolidated and parent company's cash flow statements and consolidated and parent company's Statement of Changes in Owners' Equity and notes to the financial statements for the year 2019.

In our opinion, the accompanying financial statements 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 your company ended 31 December, 2019 and consolidated and parent company's operating results and cash flows for the year 2019.

2 Basis for forming audit opinions

We have conducted our audit work according to the provisions of Audit Standards for Certified Public Accountants of China. The part related to "CPA's responsibility for the audit of financial statements" in the audit report further elaborates our responsibilities under these standards. In accordance with the China Code of Ethics for Certified Public Account, we are independent of your company and performed other responsibilities in respect of professional ethics. We believe the audit evidences obtained by us are sufficient and proper and shall provide the basis for expressing our audit opinion.

3 Key audit items

The key audit items are the items that are deemed to be the most important ones in the current financial statement audit according to our professional judgment. The response to these items is based on the overall audit of the financial statements and the formation of audit opinions. We do not give separate opinions on these items.

(1) Related party relationships and transactions

Key audit items	How this item is dealt with in auditing
<p>Refer to the description in "Note (XII) 4" "Note (XII) 5" "Note (XII) 6" and "Note (XII) 8" in the financial report.</p> <p>In 2019, your company purchased RMB 2,450,099,500 of raw materials, fixed assets and other products from the related parties, and sold RMB 20,850,962,800 of air conditioners, intelligent equipment and other products to the related parties in total.</p> <p>Because of the significant transaction amount of your company's related party, the related party relationships and integrity of its transaction disclosure and the fairness of the related transaction will have a significant impact on the business performance and disclosure of information. Therefore, we regard the related party relationships and their transactions as key audit items.</p>	<ol style="list-style-type: none"> 1. We understood, evaluated and tested the internal control related to the identification and disclosure of related party relationships and their transactions, and reviewed effectiveness of the corresponding internal control design and implementation; 2. We obtained the management's statement on integrity of the related party relationships and their transactions, obtained a list of related party relationships provided by management, and checked it against the information obtained from other public channels; 3. We checked the major procurement, sales and other contracts to identify whether there was an undisclosed related party, and also obtained the resolution of the board of directors and the resolution of the shareholders' meeting related to the related transaction, checked the permissions and procedure of the related transaction decision, judged the legality and compliance of related transactions, and checked if it was authorized and approved appropriately; 4. We carried out the sampling inspection procedure, checked the corresponding transaction agreement, delivery order, receipt document, sales invoice, purchase invoice, sales receipt and purchase payment voucher, analyzed the purpose of transaction to determine whether the way of obtaining cash flow of the two parties before and after the transaction, amount and risks were substantially changed, and whether the transaction has commercial substance, and combined other audit procedures such as letters to verify authenticity of the related transaction; 5. We compared the sale and purchase prices of the related party with the sale and purchase prices of similar products of the non-related parties or the market prices of similar products, and judged fairness of the related transaction price; 6. We expanded the scope of the post-period test procedure and checked whether there was a sales return so as to deal with false sales; 7. We also checked adequacy of the information disclosure related to the affiliated relationship and related transaction in "Note (XII) 4" "Note (XII) 5" "Note (XII) 6" and "Note (XII) 8" in the financial report.

(2) Confirmation of deferred income tax assets

Key audit items	How this item is dealt with in auditing
<p>Refer to the description in "Note (V) 26" and "Note (VII) 22" in the financial report.</p> <p>Your company's consolidated balance sheet showed the deferred income tax assets of RMB 12,541,085,100 as of 31 December, 2019.</p> <p>The confirmation of deferred income tax assets depends on significant judgment of the management. In making judgments, the management needs to assess whether sufficient taxable income can be obtained in the future, and the possibility of generating the above taxable income and reversal of deductible temporary difference in the future. In consideration of the importance of confirmation of the deferred income tax assets to the consolidated financial statements and the significant judgment and estimate involving the management in the prediction of the future taxable income, there may be error or potential management bias. Therefore, we identified it as a key audit item of your company.</p>	<ol style="list-style-type: none"> 1. We tested design and implementation of the internal control related to confirmation of deferred income tax assets; 2. We invited tax experts to join the team and help us assess analysis of the management from the perspective of tax technology. 3. We obtained the future usable tax profit confirming method by the management and the important hypothesis, as well as forecast of the financial situation in the corresponding future period, and evaluated whether its preparation is in conformity with the general trend of the household electrical appliance industry and the situation of the enterprise; 4. We compared the estimate of the management during prediction in the previous year with the actual payable income tax of this year to consider historical accuracy of the prediction result made by the management, and evaluated there was any sign of management bias in selection of key hypothesis index by the management; 5. We also checked adequacy of the information disclosure related to the deferred income tax assets in "Note (V) 26" and "Note (VII) 22" in the financial report.

(3) Provision for obsolete stocks

Key audit items	How this item is dealt with in auditing
<p>Refer to the description in "Note (V) 12" "Note (VII) 8" and "Note (VII) 56" in the financial report.</p> <p>As of 31 December, 2019, the book value of inventory in your company's consolidated balance sheet was RMB 24,084,854,100, wherein the book balance of inventory was RMB 24,342,480,200 and the provision for obsolete stocks was RMB 257,626,100.</p> <p>Confirmation of the provision for obsolete stocks depends on estimation of the net realizable value of the stock. For confirmation of the net realizable value of the stock, the management should estimate the future selling price of stock, cost (e.g., the related cost) to be incurred by the time of completion, selling expenses, and the related tax amount.</p> <p>In consideration of the importance of confirmation of the stocks and provision for obsolete stocks to the consolidated financial statements and the complicated calculation process of provision for obsolete stocks, and major judgments, assumptions and estimates of the management involved when the net realizable value of the stock is determined, there may be error or potential management bias. Therefore, we identified it as a key audit item of your company.</p>	<ol style="list-style-type: none"> 1. We tested implementation of the internal control related to confirmation of provision for obsolete stocks; 2. We evaluated the important judgments, assumptions and estimates involved in calculation of the net realizable value by management, and also checked the bases and documents for the management to determine items such as the future selling price of stock, cost (e.g., the related cost) to be incurred by the time of completion, selling expenses, and the related tax amount; 3. We carried out the auditing procedures such as checking and recalculation, and particularly we recalculated to determine the net realizable value of the stock according to the related data; 4. We conducted an analytic review of the inventory age to determine whether the corresponding provision for obsolete stocks is adequate; 5. We conducted supervision of inventory taking. During supervision of inventory taking, we focused on authenticity and accuracy of the inventory and use of the inventory, checked for slow moving inventory and defective inventory so as to evaluate adequacy of the provision for obsolete stocks; 6. We also checked adequacy of the information disclosure related to the provision for obsolete stocks in "Note (V) 12", "Note (VII) 8" and "Note (VII) 56" in the financial report.

4 Other information

The management of your company is responsible for other information. Other information includes the information covered in the 2019 annual report of your company, excluding the financial statements and our audit reports.

Our audit opinions published on financial statements do not cover any other information, and we will not publish any form of forensic conclusion on other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

5 Responsibilities of management and those charged with governance for financial statements

The management of your company is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards to achieve a fair presentation, and for the designing, implementing and maintaining internal control that is

necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, management of your company is responsible for assessing your company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate your company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing your company's financial reporting process.

6 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management of your company.

(IV) Conclude on the appropriateness of using the going concern assumption by the management of your company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on our company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause your company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence for the financial information of your company's entity or business activities so as to express opinions on the financial statements. We are responsible for guiding, supervising and implementing group audits. We assume full responsibility for the audit opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to those charged with governance regarding the observed professional moral requirements related to independence, and communicate with those charged with governance about all the relationships and other matters that may be reasonably considered to affect our independence, as well as the related countermeasures (if applicable).

In the matters we communicated with those charged with governance, we determine the matters that are most important to audit of the current period financial statements, thus constituting key audit matters. We describe these matters in the audit report, unless laws

and regulations prohibit public disclosure of these matters, or, in a few cases, we confirm that the matter should not be communicated in the audit report if it is reasonably anticipated that the negative consequence caused by communicating a matter in the audit report exceeds the benefit generated in terms of public interests.

Union Power Certified Public Accountants
(Special General Partnership)

Chinese CPA:

(engagement partner):

Gong Jingwei

Chinese CPA:

Wu Zihao

Wuhan, China

29 April, 2020

Consolidated Balance Sheet (assets)
**Prepared by: GREE ELECTRIC APPLIANCES,
INC. OF ZHUHAI**

Unit: RMB Yuan

Assets	Note	31 December, 2019	1 January, 2019	31 December, 2018
Current assets:				
Monetary capital	(VII) 1	125,400,715,267.64	115,022,653,811.67	113,079,030,368.11
Cash and deposits in central bank				
Deposits in other banks				
Deposit for recognizance				
Lending funds				
Trading financial assets	(VII) 2	955,208,583.58	1,012,470,387.43	Not applicable
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses		Not applicable	Not applicable	1,012,470,387.43
Derivative financial assets	(VII) 3	92,392,625.69	170,216,138.92	170,216,138.92
Bills receivable				35,911,567,876.04
Accounts receivable	(VII) 4	8,513,334,545.08	7,642,434,078.24	7,699,658,990.16
Receivables financing	(VII) 5	28,226,248,997.12	34,300,472,580.13	Not applicable
Prepayment	(VII) 6	2,395,610,555.26	2,161,876,009.22	2,161,876,009.22
Other receivables	(VII) 7	159,134,399.10	290,346,336.38	2,553,689,544.47
Inventories	(VII) 8	24,084,854,064.29	20,011,518,230.53	20,011,518,230.53
Assets held for sale				
Non-current assets due within one year	(VII) 9	445,397,710.39		
Other current assets	(VII) 10	23,091,144,216.68	18,913,345,857.70	17,110,921,223.89
Total current assets		213,364,040,964.83	199,525,333,430.22	199,710,948,768.77
Non-current assets:				
Disbursement of loans and advances	(VII) 11	14,423,786,409.22	9,081,714,083.52	9,071,332,784.86
Debt investment	(VII) 12		37,216,700.19	Not applicable
Available-for-sale financial assets		Not applicable	Not applicable	2,216,195,036.33
Other debt investments	(VII) 13	296,836,282.20	1,064,120,569.43	Not applicable
Held-to-maturity investment		Not applicable	Not applicable	
Long-term receivables				
Long-term equity investment	(VII) 14	7,064,186,161.29	2,250,732,461.71	2,250,732,461.71
Other equity instrument investments	(VII) 15	4,644,601,697.51	1,144,907,946.33	Not applicable
Other non-current financial assets	(VII) 16	2,003,483,333.33		Not applicable
Investment real estate	(VII) 17	498,648,691.85	537,589,343.08	537,589,343.08
Fixed assets	(VII) 18	19,121,930,757.04	18,385,761,475.54	18,385,761,475.54
Construction in Progress	(VII) 19	2,431,051,409.94	1,663,938,988.55	1,663,938,988.55
Productive biological assets				
Oil and gas assets				
Intangible assets	(VII) 20	5,305,541,098.92	5,204,500,167.30	5,204,500,167.30
Development expenditures				
Business reputation	(VII) 21	325,919,390.58	51,804,350.47	51,804,350.47
Long-term deferred expenses		2,718,105.35	4,237,554.01	4,237,554.01
Deferred income tax assets	(VII) 22	12,541,085,078.09	11,377,090,764.13	11,349,573,709.69
Other non-current assets	(VII) 23	948,328,035.13	787,542,636.50	787,542,636.50
Total non-current assets		69,608,116,450.45	51,591,157,040.76	51,523,208,508.04
Total assets		282,972,157,415.28	251,116,490,470.98	251,234,157,276.81

Legal representative:
Responsible person in charge of accounting work:
In-charge person of accounting institution:

Consolidated Balance Sheet (liabilities and owner's equity)
**Prepared by: GREE ELECTRIC APPLIANCES, INC.
OF ZHUHAI**

Unit: RMB Yuan

Liabilities and owners' equity	Note	31 December, 2019	1 January, 2019	31 December, 2018
Current liabilities:				
Short-term borrowing	(VII) 24	15,944,176,463.01	22,197,899,406.88	22,067,750,002.70
Borrowings from the central bank				
Deposits from customers and interbank	(VII) 25	352,512,311.72	319,477,242.91	315,879,779.13
Loans from other banks	(VII) 26	1,000,446,666.67		
Trading financial liabilities				Not applicable
Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses		Not applicable	Not applicable	
Derivative financial liabilities	(VII) 27		257,364,882.07	257,364,882.07
Financial assets sold for repurchase	(VII) 28	2,074,500,000.00		
Deposit-taking				
Bills payable	(VII) 29	25,285,207,843.86	10,835,428,282.29	10,835,428,282.29
Accounts payable	(VII) 30	41,656,815,752.46	38,987,371,471.02	38,987,371,471.02
Advances from customers	(VII) 31	8,225,707,662.42	9,792,041,417.16	9,792,041,417.16
Payroll payable	(VII) 32	3,430,968,964.33	2,473,204,451.69	2,473,204,451.69
Taxes payable	(VII) 33	3,703,779,716.33	4,848,347,673.70	4,848,347,673.70
Other payables	(VII) 34	2,712,692,973.66	3,084,011,741.38	4,747,139,263.00
Liabilities held for sale				
Non-current liabilities due within one year				
Other current liabilities	(VII) 35	65,181,491,855.14	64,890,979,418.62	63,361,598,764.96
Total current liabilities		169,568,300,209.60	157,686,125,987.72	157,686,125,987.72
Non-current liabilities:				
Long-term borrowing	(VII) 36	46,885,882.86		
Bonds payable				
Including: Preferred stock				
Perpetual bond				
Long-term payables				
Long-term payroll payable	(VII) 37	141,021,228.00	130,840,170.00	130,840,170.00
Accrued liabilities				
Deferred income	(VII) 38	240,504,270.47	166,293,620.03	166,293,620.03
Deferred income tax liabilities	(VII) 22	927,789,301.27	536,185,771.60	536,185,771.60
Other non-current liabilities				
Total non-current liabilities		1,356,200,682.60	833,319,561.63	833,319,561.63
Total liabilities		170,924,500,892.20	158,519,445,549.35	158,519,445,549.35
Owners' equity:				
Capital stock	(VII) 39	6,015,730,878.00	6,015,730,878.00	6,015,730,878.00
Other equity instruments				
Including: Preferred stock				
Perpetual bond				
Capital reserves	(VII) 40	93,379,500.71	93,379,500.71	93,379,500.71
Less: Treasury stock				
Other comprehensive income	(VII) 41	6,260,291,981.13	-620,246,513.23	-550,806,051.51
Special reserves				
Surplus reserve	(VII) 42	3,499,671,556.59	3,499,671,556.59	3,499,671,556.59
General risk provisions	(VII) 43	489,855,826.75	329,417,571.48	329,417,571.48
Undistributed profit	(VII) 44	93,794,643,539.49	81,891,475,269.72	81,939,701,613.83
Total owners' equity attributable to parent company		110,153,573,282.67	91,209,428,263.27	91,327,095,069.10
Minority equity		1,894,083,240.41	1,387,616,658.36	1,387,616,658.36
Total owners' equity		112,047,656,523.08	92,597,044,921.63	92,714,711,727.46
Total liabilities and owners' equity		282,972,157,415.28	251,116,490,470.98	251,234,157,276.81

Legal representative:
Responsible person in charge of accounting work:
In-charge person of accounting institution:

Balance Sheet of Parent Company (assets)
Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	31 December, 2019	1 January, 2019	31 December, 2018
Current assets:				
Monetary capital		121,906,528,984.14	104,197,391,376.56	102,696,932,265.26
Trading financial assets		945,701,633.58	412,114,127.42	Not applicable
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses		Not applicable	Not applicable	412,114,127.42
Derivative financial assets			73,920,207.86	73,920,207.86
Bills receivable				32,516,210,775.80
Accounts receivable	(XVI) 1	3,873,270,521.33	2,531,171,861.80	2,531,171,861.80
Receivables financing		24,599,149,450.48	31,977,018,142.64	Not applicable
Prepayment		16,755,065,015.75	11,907,653,260.68	11,907,653,260.68
Other receivables	(XVI) 2	2,757,398,837.97	2,176,997,136.30	3,898,630,873.93
Inventories		9,763,530,439.65	8,529,208,778.48	8,529,208,778.48
Assets held for sale				
Non-current assets due within one year				
Other current assets		11,140,701,427.28	12,988,336,943.42	12,311,814,484.26
Total current assets		191,741,346,310.18	174,793,811,835.16	174,877,656,635.49
Non-current assets:				
Debt investment				Not applicable
Available-for-sale financial assets		Not applicable	Not applicable	764,190,199.08
Other debt investments				Not applicable
Held-to-maturity investment		Not applicable	Not applicable	
Long-term receivables				
Long-term equity investment	(XVI) 3	20,224,198,957.34	12,538,945,257.76	12,538,945,257.76
Other equity instrument investments		4,271,848,596.31	764,190,199.08	Not applicable
Other non-current financial assets		2,003,483,333.33		Not applicable
Investment real estate		24,475,730.79	26,777,855.79	26,777,855.79
Fixed assets		2,965,550,178.74	3,124,307,345.06	3,124,307,345.06
Construction in Progress		262,245,182.66	168,094,835.04	168,094,835.04
Productive biological assets				
Oil and gas assets				
Intangible assets		761,621,258.44	748,344,213.16	748,344,213.16
Development expenditures				
Long-term deferred expenses				
Deferred income tax assets		12,019,079,098.54	10,944,089,573.35	10,931,512,853.30
Other non-current assets		195,330,890.98	130,258,604.75	130,258,604.75
Total non-current assets		42,727,833,227.13	28,445,007,883.99	28,432,431,163.94
Total assets		234,469,179,537.31	203,238,819,719.15	203,310,087,799.43

Legal representative:
Responsible person in charge of accounting work:
In-charge person of accounting institution:

Consolidated Balance Sheet of Parent Company (liabilities and owner's equity)
Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Liabilities and owners' equity	Note	31 December, 2019	1 January, 2019	31 December, 2018
Current liabilities:				
Short-term borrowing		11,188,890,759.19	17,836,242,752.95	17,759,081,480.00
Trading financial liabilities				Not applicable
Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses		Not applicable	Not applicable	
Derivative financial liabilities			45,078,940.00	45,078,940.00
Bills payable		23,013,715,200.07	9,836,497,468.09	9,836,497,468.09
Accounts payable		45,097,063,852.05	35,079,353,570.62	35,079,353,570.62
Advances from customers		11,832,592,136.06	13,470,828,988.39	13,470,828,988.39
Contractual liabilities				
Payroll payable		1,398,044,643.25	1,114,026,322.53	1,114,026,322.53
Taxes payable		1,819,362,036.62	2,902,885,192.91	2,902,885,192.91
Other payables		4,897,515,153.02	1,260,548,926.79	1,795,358,032.57
Liabilities held for sale				
Non-current liabilities due within one year				
Other current liabilities		64,375,139,451.87	63,805,868,580.72	63,348,220,747.89
Total current liabilities		163,622,323,232.13	145,351,330,743.00	145,351,330,743.00
Non-current liabilities:				
Long-term borrowing				
Bonds payable				
Including: Preferred stock				
Perpetual bond				
Long-term payables				
Long-term payroll payable		141,021,228.00	130,840,170.00	130,840,170.00
Accrued liabilities				
Deferred income		51,891,300.00	30,607,319.00	30,607,319.00
Deferred income tax liabilities		528,382,787.62	311,380,274.15	311,380,274.15
Other non-current liabilities				
Total non-current liabilities		721,295,315.62	472,827,763.15	472,827,763.15
Total liabilities		164,343,618,547.75	145,824,158,506.15	145,824,158,506.15
Owners' equity:				
Capital stock		6,015,730,878.00	6,015,730,878.00	6,015,730,878.00
Other equity instruments				
Including: Preferred stock				
Perpetual bond				
Capital reserves		179,564,695.55	179,564,695.55	179,564,695.55
Less: Treasury stock				
Other comprehensive income		6,462,024,096.41	-399,596,999.61	-330,283,919.33
Special reserves				
Surplus reserve		3,497,114,024.31	3,497,114,024.31	3,497,114,024.31
Undistributed profit		53,971,127,295.29	48,121,848,614.75	48,123,803,614.75
Total owners' equity		70,125,560,989.56	57,414,661,213.00	57,485,929,293.28
Total liabilities and owners' equity		234,469,179,537.31	203,238,819,719.15	203,310,087,799.43

Legal representative:
Responsible person in charge of accounting work:
In-charge person of accounting institution:

Consolidated Income Statement

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	For the Year 2019	For the Year 2018
I. Total operating revenues		200,508,333,611.34	200,023,997,743.87
Including: Operating Revenue	(VII) 45	198,153,027,540.35	198,123,177,056.84
Interest revenue	(VII) 46	2,351,471,964.56	1,899,287,824.22
Earned premium			
Fee and commission income	(VII) 46	3,834,106.43	1,532,862.81
II. Total operating costs		170,723,573,765.20	169,327,655,069.32
Including: Operating Cost	(VII) 45	143,499,372,581.36	138,234,167,710.13
Interest expense	(VII) 46	110,579,966.36	45,341,946.69
Handling charges and commission expenses	(VII) 46	603,394.43	657,689.31
Refunded premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Expenditures dividend policy			
Amortized reinsurance expenditures			
Taxes and surcharges	(VII) 47	1,542,983,748.63	1,741,892,704.57
Sales expense	(VII) 48	18,309,812,188.35	18,899,578,046.25
Overhead Expense	(VII) 49	3,795,645,600.08	4,365,850,083.19
R&D expenses	(VII) 50	5,891,219,715.90	6,988,368,285.92
Financial expense	(VII) 51	-2,426,643,429.91	-948,201,396.74
Including: Interest expense		1,598,276,258.59	1,068,308,309.96
Interest revenue		3,698,387,243.32	2,384,486,815.64
Add: Other incomes	(VII) 52	936,148,644.87	408,553,205.53
Income from investments (losses expressed with "-")	(VII) 53	-226,634,780.62	106,768,935.01
Including: Investment incomes from joint venture and partnership		-20,983,248.83	560,513.87
Income from derecognition of financial assets measured at amortization costs ("-") stands for losses)			Not applicable
Income from net exposure hedging ("-") stands for losses)			Not applicable
Income from changes in fair value ("-") stands for losses)	(VII) 54	228,264,067.88	46,257,424.83
Credit impairment losses ("-") stands for losses)	(VII) 55	-279,448,586.27	Not applicable
Asset impairment losses ("-") stands for losses)	(VII) 56	-842,893,299.94	-261,674,177.33
Income from disposal of assets (losses expressed with "-")	(VII) 57	4,911,230.34	636,629.29
III. Operating profit (losses expressed with "-")		29,605,107,122.40	30,996,884,691.88
Add: Non-operating revenues	(VII) 58	345,706,663.13	317,857,733.42
Less: Non-operating expenses	(VII) 59	598,106,556.83	41,234,701.05
IV. Total profit (total losses expressed with "-")		29,352,707,228.70	31,273,507,724.25
Less: Income tax expenses	(VII) 60	4,525,463,624.73	4,894,477,907.19
V. Net profit (net loss expressed with "-")		24,827,243,603.97	26,379,029,817.06
Including: Pre-combination net profits of the combined party in the business combination involving enterprises under common control			184,503.98
(I) Classification by going concern:			
1. Continuous operating net profit (net loss expressed with "-")		24,827,761,617.47	26,379,101,213.82
2. Discontinued operation net profit (net loss expressed with "-")		-518,013.50	-71,396.76
(II) Classification by ownership:			

1. Net profits attributable to shareholders of the parent company in the current period ("-" stands for net losses)		24,696,641,368.84	26,202,787,681.42
2. Minority shareholders' gains and losses ("-" stands for net losses)		130,602,235.13	176,242,135.64
VI. Net of tax of other comprehensive income	(VII) 41	6,880,143,079.03	-457,274,293.16
(I) Net of tax of other comprehensive income attributable to shareholders of the parent company		6,880,538,494.36	-459,105,380.38
1. Other comprehensive income which cannot be reclassified into profits and losses		6,811,462,395.19	-16,491,946.00
(1) Recalculated changes in defined benefit plans		-8,029,478.00	-16,491,946.00
(2) Other comprehensive income which cannot be transferred to profit or loss under the equity method		4,784,432,411.50	
(3) Changes in fair value of other equity instrument investments		2,035,059,461.69	Not applicable
(4) Changes in fair value of the company's own credit risk			Not applicable
2. Other comprehensive income which will be reclassified into profits and losses in the future		69,076,099.17	-442,613,434.38
(1) Other comprehensive income that can be transferred to profit or loss under the equity method		4,536.91	187,494.29
(2) Changes in fair value of other debt investments		9,498,573.66	Not applicable
(3) Gains and losses from changes in fair value of financial assets available for sale		Not applicable	-519,311,273.76
(4) Amount of financial assets reclassified and included into other comprehensive income			Not applicable
(5) Gains and losses from held-to-maturity investments reclassified as financial assets available for sale		Not applicable	
(6) Provision for credit impairment of other debt investments			Not applicable
(7) Cash flow hedge reserve (Effective part of cash flow hedging profits or losses)		10,465,879.70	-17,863,663.45
(8) Difference arising from translation of financial statements in foreign currency		49,107,108.90	94,374,008.54
(9) Others			
(II) Net of tax of other comprehensive income attributable to minority shareholders		-395,415.33	1,831,087.22
VII. Total comprehensive income		31,707,386,683.00	25,921,755,523.90
(I) Total comprehensive income attributable to shareholders of the parent company		31,577,179,863.20	25,743,682,301.04
(II) Total comprehensive income attributable to minority shareholders		130,206,819.80	178,073,222.86
VIII. Earnings per share:	(XVIII) 2		
(I) Basic earnings per share		4.11	4.36
(II) Diluted earning per share		4.11	4.36

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Income Statement of Parent Company

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	For the Year 2019	For the Year 2018
I. Operating revenues	(XVI) 4	136,219,366,183.61	161,753,766,107.09
Less: Operating Cost	(XVI) 4	98,709,058,850.15	119,138,891,358.78
Taxes and surcharges		594,645,728.21	794,981,560.14
Sales expense		17,663,837,022.22	19,690,156,573.66
Overhead Expense		963,036,368.05	940,247,027.67
R&D expenses		4,450,053,310.36	5,120,483,984.30
Financial expense		-3,740,059,339.22	-2,190,327,164.77
Including: Interest expense		792,553,518.40	1,032,859,821.02
Interest revenue		4,022,458,638.70	2,957,965,151.82
Add: Other incomes		104,241,039.06	70,644,867.83
Income from investments (losses expressed with "-")	(XVI) 5	4,621,766,925.83	3,846,958,399.63
Including: Investment incomes from joint venture and partnership		-20,983,248.83	129,541.96
Income from derecognition of financial assets measured at amortization costs ("- stands for losses)			Not applicable
Income from net exposure hedging ("- stands for losses)			Not applicable
Income from changes in fair value ("- stands for losses)		-6,160,581.57	50,758,723.95
Credit impairment losses ("- stands for losses)		-116,414,495.32	Not applicable
Asset impairment losses ("- stands for losses)		-788,564,505.35	-70,695,217.15
Income from disposal of assets (losses expressed with "-")		2,293,132.37	-317,786.26
II. Operating profit (losses expressed with "-")		21,395,955,758.86	22,156,681,755.31
Add: Non-operating revenues		42,197,397.49	39,339,935.29
Less: Non-operating expenses		561,145,018.76	5,213,829.75
III. Total profit (total losses expressed with "-")		20,877,008,137.59	22,190,807,860.85
Less: Income tax expenses		2,394,694,613.25	2,811,122,896.75
IV. Net profit (net loss expressed with "-")		18,482,313,524.34	19,379,684,964.10
1. Continuous operating net profit (net loss expressed with "-")		18,482,313,524.34	19,379,684,964.10
2. Discontinued operation net profit (net loss expressed with "-")			
V. Net of tax of other comprehensive income		6,861,621,096.02	-260,377,541.13
1. Other comprehensive income which cannot be reclassified into profits and losses		6,835,662,576.38	-16,491,946.00
(1) Recalculated changes in defined benefit plans		-8,029,478.00	-16,491,946.00
(2) Other comprehensive income which cannot be transferred to profit or loss under the equity method		4,784,432,411.50	
(3) Changes in fair value of other equity instrument investments		2,059,259,642.88	Not applicable
(4) Changes in fair value of the company's own credit risk			Not applicable
2. Other comprehensive income which will be reclassified into profits and losses in the future		25,958,519.64	-243,885,595.13
(1) Other comprehensive income that can be transferred to profit or loss under the equity method		4,536.91	187,494.29
(2) Changes in fair value of other debt investments		15,488,103.03	Not applicable
(3) Gains and losses from changes in fair value of financial assets available for sale		Not applicable	-226,209,425.97
(4) Amount of financial assets reclassified and included into other comprehensive income			Not applicable
(5) Gains and losses from held-to-maturity investments reclassified as financial assets available for sale		Not applicable	
(6) Provision for credit impairment of other debt investments			Not applicable
(7) Cash flow hedge reserve (Effective part of cash flow hedging profits or losses)		10,465,879.70	-17,863,663.45

(8) Difference arising from translation of financial statements in foreign currency			
(9) Others			
VI. Total comprehensive income		25,343,934,620.36	19,119,307,422.97

Legal representative: _____ Responsible person in charge of accounting work: _____ In-charge person of accounting institution: _____

Consolidated Cash Flow Statement

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: Yuan

Item	Note	For the Year 2019	For the Year 2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		166,387,697,953.52	135,029,126,382.98
Net increase in deposits and due from banks		31,898,181.64	48,934,991.36
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions		1,000,000,000.00	
Cash received from original insurance contracts			
Net increase received from reinsurance business			
Net increase in deposits from the insured and investment			
Cash received from interests, fees and commissions		1,051,389,792.25	1,208,127,832.48
Net increase in placements from other financial institutions			
Net increase in repurchase business capital		2,074,500,000.00	
Refund of tax and levies		1,854,373,548.43	2,356,588,272.30
Other cash received relating to operating activities	(VII) 61 (1)	2,796,063,838.34	7,566,986,223.85
Sub-total of cash inflows from operating activities		175,195,923,314.18	146,209,763,702.97
Cash payments for goods acquired and services received		94,214,771,389.83	78,045,526,788.80
Net increase in loans and advances to customers		7,529,473,836.40	2,343,375,955.55
Net increase in deposits with central bank and other financial institutions		-31,341,719.47	104,458,700.38
Cash paid for interests, fees and commissions		103,327,387.96	31,566,054.63
Cash paid for policy dividends			
Cash paid to and on behalf of employees		8,831,213,736.01	8,575,412,582.19
Payments of all types of taxes		15,128,311,796.96	15,141,797,894.72
Other cash paid relating to operating activities	(VII) 61 (2)	21,526,452,792.90	15,026,834,183.72
Sub-total of cash outflows from operating activities		147,302,209,220.59	119,268,972,159.99
Net cash flows from operating activities		27,893,714,093.59	26,940,791,542.98
II. Cash flows from investing activities:			
Cash received from recovery of investments		3,130,974,036.48	6,710,785,947.97
Cash received from return of investments		426,919,989.41	579,489,614.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,614,513.94	6,302,072.99
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	(VII) 61 (3)	4,878,025,331.18	2,652,398,105.48
Sub-total of cash inflows from investing activities		8,445,533,871.01	9,948,975,741.20
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		4,713,187,965.97	3,837,549,166.56
Cash paid for investments		7,192,756,039.01	15,477,712,506.03

Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units		774,183,781.48	1,029,686,312.94
Other cash paid relating to investing activities	(VII) 61 (4)	7,040,454,685.32	11,449,793,031.34
Sub-total of cash outflows from investing activities		19,720,582,471.78	31,794,741,016.87
Net Cash Flow from Investment Activities		-11,275,048,600.77	-21,845,765,275.67
III. Cash flows from financing activities:			
Cash received from absorbing investment		326,850,000.00	
Including: Cash received from minority shareholder investment by subsidiary		326,850,000.00	
Cash received from borrowings		21,268,257,923.68	27,633,970,524.35
Cash received from bond issue			
Other cash received relating to financing activities	(VII) 61 (5)		5,110,000.00
Sub-total of cash inflows from financing activities		21,595,107,923.68	27,639,080,524.35
Cash repayments of amounts borrowed		27,657,703,656.20	24,227,160,995.94
Cash paid for dividend and profit distribution or interest payment		13,159,380,388.41	862,910,396.59
Including: Dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid relating to financing activities	(VII) 61 (6)		35,162,649.65
Sub-total of cash outflows from financing activities		40,817,084,044.61	25,125,234,042.18
Net Cash Flow from Financing Activities		-19,221,976,120.93	2,513,846,482.17
IV. Effect of foreign exchange rate changes on cash		203,761,625.26	-196,368,149.08
V. Net increase in cash and cash equivalents		-2,399,549,002.85	7,412,504,600.40
Add: Beginning balance of cash and cash equivalents		28,772,120,824.34	21,359,616,223.94
VI. Ending balance of cash and cash equivalents		26,372,571,821.49	28,772,120,824.34

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Cash Flow Statements of Parent Company

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	For the Year 2019	For the Year 2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		112,341,680,710.73	104,307,759,700.58
Net increase in deposits and due from banks			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from interests, fees and commissions			
Net increase in placements from other financial institutions			
Net increase in repurchase business capital			
Refund of tax and levies		1,465,166,072.58	1,879,978,085.63
Other cash received relating to operating activities		51,510,498,359.13	8,310,656,390.83
Sub-total of cash inflows from operating activities		165,317,345,142.44	114,498,394,177.04
Cash payments for goods acquired and services received		105,224,849,035.82	74,899,174,798.26
Net increase in loans and advances to customers			
Net increase in financial assets held for trading purposes			
Net increase in deposits with central bank and other financial institutions			
Cash paid for interests, fees and commissions			
Cash paid to and on behalf of employees		3,453,320,937.66	3,342,083,985.11
Payments of all types of taxes		9,443,887,671.06	9,482,565,857.21
Other cash paid relating to operating activities		19,406,931,680.64	13,157,727,738.20
Sub-total of cash outflows from operating activities		137,528,989,325.18	100,881,552,378.78
Net cash flows from operating activities		27,788,355,817.26	13,616,841,798.26
II. Cash flows from investing activities:			
Cash received from recovery of investments		4,302,974,036.48	1,520,299,695.69
Cash received from return of investments		201,582,776.58	39,636,400.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,947,642.20	5,323,648.72
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		7,274,898,788.81	5,025,218,440.57
Sub-total of cash inflows from investing activities		11,783,403,244.07	6,590,478,185.77
Cash paid for purchase and construction of fixed assets, intangible assets and other. long-term assets		1,390,377,306.14	684,486,871.30
Cash paid for investments		8,174,203,389.69	11,009,107,127.65
Net cash paid for acquisition of subsidiaries and other business units			1,247,087,108.76
Other cash paid relating to investing activities		14,656,152,091.36	7,785,360,046.49
Sub-total of cash outflows from investing activities		24,220,732,787.19	20,726,041,154.20
Net Cash Flow from Investment Activities		-12,437,329,543.12	-14,135,562,968.43
III. Cash flows from financing activities:			
Cash received from absorbing investment			

Cash received from borrowings		16,640,128,940.00	23,443,352,980.00
Cash received from bond issue			
Other cash received relating to financing activities		3,805,792,927.96	1,727,534,511.00
Sub-total of cash inflows from financing activities		20,445,921,867.96	25,170,887,491.00
Cash repayments of amounts borrowed		23,372,991,990.00	17,648,573,616.66
Cash paid for dividend and profit distribution or interest payment		13,031,345,175.19	768,898,753.56
Other cash paid relating to financing activities		2,041,863,709.67	458,537,863.15
Sub-total of cash outflows from financing activities		38,446,200,874.86	18,876,010,233.37
Net Cash Flow from Financing Activities		-18,000,279,006.90	6,294,877,257.63
IV. Effect of foreign exchange rate changes on cash		693,156,236.38	953,014,876.37
V. Net increase in cash and cash equivalents		-1,956,096,496.38	6,729,170,963.83
Add: Beginning balance of cash and cash equivalents		32,315,862,463.84	25,586,691,500.01
VI. Ending balance of cash and cash equivalents		30,359,765,967.46	32,315,862,463.84

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Consolidated Statement of Changes In Owners' Equity

Unit: RMB Yuan

Item	For the Year 2019											
	Owners' equity attributable to parent company										Minority equity	Total owners' equity
	Capital stock	Other equity instruments			Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
	Preferred stock	Perpetual bond	Others									
I. Ending balance for the previous year	6,015,730,878.00	0.00	0.00	0.00	0.00	-550,806,051.51	0.00	3,499,671,556.59	329,417,571.48	81,939,701,613.83	1,387,616,658.36	92,714,711,727.46
Add: Changes in accounting policies						-69,440,461.72				-48,226,344.11	0.00	-117,666,805.83
Early error correction												0.00
Business combination involving enterprises under common control												0.00
Others												0.00
2. Beginning balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-620,246,513.23	0.00	3,499,671,556.59	329,417,571.48	81,891,475,269.72	1,387,616,658.36	92,597,044,921.63
III. Increase or decrease in the current year (decrease expressed with "-")	0.00	0.00	0.00	0.00	0.00	6,880,538,494.36	0.00	0.00	160,438,255.27	11,903,168,269.77	506,466,582.05	19,450,611,601.45
(I) Total comprehensive income						6,880,538,494.36				24,696,641,368.84	130,206,819.80	31,707,386,683.00
(II) Capital invested by owners and stock capital decrease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	395,965,448.59	395,965,448.59
1. Equity invested by owners											326,850,000.00	326,850,000.00
2. Stock capital invested by holders of other equity instruments												0.00
3. Amounts of share-based payments recognized into owner's equity												0.00
4. Others											69,115,448.59	69,115,448.59
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	160,438,255.27	-12,793,473,099.07	-19,705,686.34	-12,652,740,530.14
1. Appropriation to surplus reserves									0.00	0.00		0.00
2. Appropriation to general risk provisions									160,438,255.27	-160,438,255.27		0.00
3. Allocation to owners										-12,633,034,843.80	-19,705,686.34	-12,652,740,530.14
4. Others												0.00
(IV) Internal carry-over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer of capital reserves into capital												0.00
2. Transfer of surplus reserves into capital												0.00
3. Surplus reserves for making up losses												0.00
4. Set benefit plan change carried over into retained earnings												0.00
5. Other comprehensive income carried forward to retained earnings												0.00
6. Others												0.00
(V) Appropriative reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Amount withdrawn for the period												0.00
2. Amount used for the period												0.00
(VI) Others												0.00
IV. Ending balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	6,260,291,981.13	0.00	3,499,671,556.59	489,855,826.75	93,794,643,539.49	1,894,083,240.41	112,047,656,523.08

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Notes to items of the consolidated statement of changes in owners' equity (continued)

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	For the Year 2018											
	Owners' equity attributable to parent company										Minority equity	Total owners' equity
	Capital stock	Other equity instruments			Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
	Preferred stock	Perpetual bond	Others									
I. Ending balance for the previous year	6,015,730,878.00	0.00	0.00	0.00	0.00	-91,700,671.13	0.00	3,499,671,556.59	327,347,621.67	55,740,076,085.90	1,239,791,691.45	66,834,797,763.19
Add: Changes in accounting policies												0.00
Early error correction												0.00
Business combination involving enterprises under common control										-1,092,203.68		19,907,796.32
Others												0.00
2. Beginning balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-91,700,671.13	0.00	3,499,671,556.59	327,347,621.67	55,738,983,882.22	1,239,791,691.45	66,854,705,559.51
III. Increase or decrease in the current year (decrease expressed with "-")	0.00	0.00	0.00	0.00	0.00	-459,105,380.38	0.00	0.00	2,069,949.81	26,200,717,731.61	147,824,966.91	25,860,006,167.95
(I) Total comprehensive income						-459,105,380.38				26,202,787,681.42	178,073,222.86	25,921,755,523.90
(II) Capital invested by owners and stock capital decrease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-31,501,100.00
1. Equity invested by owners												0.00
2. Stock capital invested by holders of other equity instruments												0.00
3. Amounts of share-based payments recognized into owner's equity												0.00
4. Others												-31,501,100.00
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,069,949.81	-2,069,949.81	-30,248,255.95	-30,248,255.95
1. Appropriation to surplus reserves								0.00		0.00		0.00
2. Appropriation to general risk provisions									2,069,949.81	-2,069,949.81		0.00
3. Allocation to owners										0.00	-30,248,255.95	-30,248,255.95
4. Others												0.00
(IV) Internal carry-over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer of capital reserves into capital												0.00
2. Transfer of surplus reserves into capital												0.00
3. Surplus reserves for making up losses												0.00
4. Set benefit plan change carried over into retained earnings												0.00
5. Other comprehensive income carried forward to retained earnings												0.00
6. Others												0.00
(V) Appropriative reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Amount withdrawn for the period												0.00
2. Amount used for the period												0.00
(VI) Others												0.00
IV. Ending balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-550,806,051.51	0.00	3,499,671,556.59	329,417,571.48	81,939,701,613.83	1,387,616,658.36	92,714,711,727.46

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Statement of Changes In Owners' Equity of Parent Company

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	For the Year 2019									
	Capital stock	Other equity instruments			Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owners' equity
		Preferred stock	Perpetual bond	Others						
I. Ending balance for the previous year	6,015,730,878.00	0.00	0.00	0.00	0.00	-330,283,919.33	0.00	3,497,114,024.31	48,123,803,614.75	57,485,929,293.28
Add: Changes in accounting policies						-69,313,080.28			-1,955,000.00	-71,268,080.28
Early error correction										0.00
Others										0.00
2. Beginning balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-399,596,999.61	0.00	3,497,114,024.31	48,121,848,614.75	57,414,661,213.00
III. Increase or decrease in the current year (decrease expressed with "-")	0.00	0.00	0.00	0.00	0.00	6,861,621,096.02	0.00	0.00	5,849,278,680.54	12,710,899,776.56
(I) Total comprehensive income						6,861,621,096.02			18,482,313,524.34	25,343,934,620.36
(II) Capital invested by owners and stock capital decrease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Equity invested by owners										0.00
2. Stock capital invested by holders of other equity instruments										0.00
3. Amounts of share-based payments recognized into owner's equity										0.00
4. Others										0.00
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-12,633,034,843.80	-12,633,034,843.80
1. Appropriation to surplus reserves								0.00	0.00	0.00
2. Allocation to owners									-12,633,034,843.80	-12,633,034,843.80
3. Others										0.00
(IV) Internal carry-over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer of capital reserves into capital										0.00
2. Transfer of surplus reserves into capital										0.00
3. Surplus reserves for making up losses										0.00
4. Set benefit plan change carried over into retained earnings										0.00
5. Other comprehensive income carried forward to retained earnings										0.00
6. Others										0.00
(V) Appropriative reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Amount withdrawn for the period										0.00
2. Amount used for the period										0.00
(VI) Others										0.00
IV. Ending balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	6,462,024,096.41	0.00	3,497,114,024.31	53,971,127,295.29	70,125,560,989.56

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Notes to items of the parent company's statement of changes in owners' equity (continued)

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	For the Year 2018									
	Capital stock	Other equity instruments			Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owners' equity
		Preferred stock	Perpetual bond	Others						
I. Ending balance for the previous year	6,015,730,878.00	0.00	0.00	0.00	0.00	-69,906,378.20	0.00	3,497,114,024.31	28,744,118,650.65	38,378,030,670.01
Add: Changes in accounting policies										0.00
Early error correction										0.00
Others										0.00
2. Beginning balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-69,906,378.20	0.00	3,497,114,024.31	28,744,118,650.65	38,378,030,670.01
III. Increase or decrease in the current year (decrease expressed with "-")	0.00	0.00	0.00	0.00	0.00	-260,377,541.13	0.00	0.00	19,379,684,964.10	19,107,898,623.27
(I) Total comprehensive income						-260,377,541.13			19,379,684,964.10	19,119,307,422.97
(II) Capital invested by owners and stock capital decrease	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	-11,408,799.70
1. Equity invested by owners										0.00
2. Stock capital invested by holders of other equity instruments										0.00
3. Amounts of share-based payments recognized into owner's equity										0.00
4. Others										-11,408,799.70
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriation to surplus reserves								0.00	0.00	0.00
2. Allocation to owners									0.00	0.00
3. Others										0.00
(IV) Internal carry-over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer of capital reserves into capital										0.00
2. Transfer of surplus reserves into capital										0.00
3. Surplus reserves for making up losses										0.00
4. Set benefit plan change carried over into retained earnings										0.00
5. Other comprehensive income carried forward to retained earnings										0.00
6. Others										0.00
(V) Appropriative reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Amount withdrawn for the period										0.00
2. Amount used for the period										0.00
(VI) Others										0.00
IV. Ending balance for the current year	6,015,730,878.00	0.00	0.00	0.00	0.00	-330,283,919.33	0.00	3,497,114,024.31	48,123,803,614.75	57,485,929,293.28

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Notes to Financial Statements for the Year 2019

(I) Basic information of the Company

Gree Electric Appliances, Inc. of Zhuhai (hereinafter referred to as "the Company") was established in December, 1989, with the unified social credit code 91440400192548256N.

The registered capital and equity of the Company was RMB 6,015,730,878.00 by the end of 31 December, 2019. For the specific equity, see Note (VII) 39.

1. Registered address, organizational form and headquarters address of the Company

Organizational form of the Company: joint stock limited company

Registered address and headquarters office address of the Company: Jinji West Road, Qianshan, Zhuhai City, Guangdong Province

2. Nature of business and main business activities of the Company

The Company falls in to the household electrical appliance industry and is engaged in production and sales of air conditioners and their accessories, and home appliances and their accessories.

3. Names of the parent company and final parent company of the group

As at 31 December, 2019, Zhuhai Gree Group Co., Ltd. was the actual controller of the Company. For the specific change in the actual controller of the Company, see Note (XII) 1.

4. Approved submitter and approved submission date of the financial report

This financial report was submitted under approval of the Board of Directors of the Company as of 29 April, 2020.

(II) Scope of consolidated financial statements of the current period and its change

Totally 92 subsidiaries were incorporated in the coverage of the consolidated financial statements by the end of the Report Period. For details, see Note (IX) 1. For the detailed changes to the scope of consolidated financial statements in the Report Period, see Note (VIII).

(III) Preparation basis of the financial statements

1. Preparation basis of the financial statements

The Company prepares the financial statements on the basis of a going concern and according to the transactions

and events actually incurred and the disclosure provisions in the Accounting Standards for Business Enterprises - Basic Standards (promulgated by the Ministry of Finance Order No. 33, revised by the Ministry of Finance Order No. 76) and the specific accounting standards, the Implementation Guide for the Accounting Standards for Business Enterprises, the Interpretations of the Accounting Standards for Business Enterprises and other applicable regulations promulgated and revised by the Ministry of Finance on and after 15 February, 2006 (collectively referred to as "the Accounting Standards for Business Enterprises"), as well as the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision) promulgated by China Securities Regulatory Commission ("CSRC").

According to the relevant provisions of the Enterprise Accounting Standards, the Company's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are measured on the basis of historical cost. If an asset is impaired, the corresponding impairment provision shall be made in accordance with relevant regulations.

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 31 December, 2019 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.

(IV) 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 31 December, 2019, and the related information such as operating results and cash flows in the year 2019. 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.

(V) 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 home appliances and their accessories. The Company has 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 (V) herein.

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. Some subsidiaries of the Company adopt currencies other than Renminbi as the functional currency.

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 owners' equity of the subsidiaries that isn't attributable to the Company shall be separately presented as the minority shareholders' equity under the owners' 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 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:

a Independently held assets, as well as the jointly held assets to be recognized according to the share of the Company;

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

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

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

e 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. 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.

8. 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.

9. Financial instruments

When the Company becomes a party to a financial instrument contract, it recognizes a financial asset or financial liability.

(1) Classification, recognition and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into: financial assets measured at amortization cost, financial assets which are measured at their fair values and of which the changes are included into other comprehensive income, and financial assets which are measured at their fair values and of which the changes are included into the current profits and losses.

The financial assets initially recognized by the Company shall be measured at their fair values. For the financial assets which are measured at their fair values and of which the changes are included into the current profits and losses, the transaction expenses thereof are directly included into the current profits and losses; for other categories of financial assets, the transaction expenses thereof are included into the initially recognized amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of services that do not contain or do not consider significant financing components, the Company shall use the amount of consideration expected to be entitled to be charged as the initial confirmation amount.

1) Financial assets measured at amortization costs

The Company's business model for managing financial assets measured at amortization cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with basic borrowing arrangements, that is, cash flows generated on a specific date, are for the payment of principal and interest based on the outstanding principal amount. The Company adopts the effective interest rate method for such financial assets and performs subsequent measurement based on amortization cost. The gains or losses arising from their amortization or impairment are included into the current profits and losses.

2) Financial assets which are measured at their fair values and of which the changes are included into other comprehensive income

The Company's business model for managing such financial assets is to collect and sell contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with basic borrowing arrangements. The Company measures such financial assets at fair value and includes the changes of fair value are included in other comprehensive income, but impairment losses or gains, exchange gains and losses and interest income calculated according to the actual interest rate method are included into the current profits and losses.

In addition, the Company designates some non-trading equity instrument investments as financial assets which are measured at their fair values and of which the changes are included into other comprehensive income. The Company includes the relevant dividend income of such financial assets into the current profits and losses, and includes the changes of fair value in other comprehensive income. When the financial assets are derecognized, the cumulative gains or losses previously included into other comprehensive income will be transferred from other comprehensive income to retained income, but will not be included into the current profits and losses.

3) Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses

The Company classifies the financial assets other than the above financial assets measured at amortization cost and financial assets which are measured at their fair values and of which the changes are included into other comprehensive income as financial assets which are measured at their fair values and of which the changes are included into the current profits and losses. In addition, in the initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company designates some financial assets as financial assets which are measured at fair value and of which the changes are included into the current profits and losses. For such financial assets, the Company uses fair value for subsequent measurement, and the changes of fair value are included in the current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are initially classified as financial liabilities which are measured at fair value and of which the changes are included in the current profits or losses and other financial liabilities. For the financial liabilities which are measured at their fair values and of which the changes are included into the current profits and losses, the transaction expenses thereof are directly included into the current profits and losses; for other financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

1) Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses

Financial liabilities which are measured at fair value and of which the changes are included in the current profits or losses include trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as those which are measured at fair value at the initial recognition and of which changes are included in the current profits or losses.

Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, the changes in fair value are included in current profits or losses.

For financial liabilities designated as those which are measured at fair value at the initial recognition and of which changes are included in the current profits or losses, the changes of fair value caused by changes in the Company's own credit risk are included in other comprehensive income, and when the recognition of the liabilities is terminated, the cumulative changes in fair value caused by changes in own credit risk included in other comprehensive income are transferred to retained earnings. Other changes in fair value are included in current profits or losses. If the accounting mismatch in profits and losses may be caused or expanded as the effects of changes in the own credit risk of such financial liabilities are processed in the above manner, the Company will include all gains or losses of such financial liabilities (including the amount affected by changes in the Company's own credit risk) included in the current profit and loss.

2) Other financial liabilities

Except for the transfer of financial assets that does not meet the conditions for derecognition or continued

involvement in the financial liabilities and financial guarantee contracts formed by the transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortization cost, which are subsequently measured at amortization cost. Gains or losses arising from derecognition or amortization are included in the current profits and losses.

(3) Basis for the recognition and method for the measurement of financial assets

Financial assets that meet one of the following conditions shall be derecognized:

- 1) The contract right to receive the cash flow of the financial assets is terminated;
- 2) The financial assets have been transferred, and almost all the risks and rewards of ownership of the financial assets are transferred to the transferring party;
- 3) The financial assets have been transferred, although the enterprise has neither transferred nor retained almost all the risks and rewards of the ownership of the financial assets, it has given up control over the financial assets.

If the enterprise has neither transferred nor retained almost all the risks and rewards of the ownership of the financial assets, and has not given up control over the financial assets, the relevant financial assets shall be recognized according to the extent of continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The extent of continued involvement in the transferred financial assets refers to the level of risk that the changes in the value of the financial assets expose the enterprise to.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the sum of the consideration received due to the transfer and the cumulative amount of changes in fair value originally included in other comprehensive income is included in the current profits and losses.

If the partial transfer of financial assets satisfies the conditions for derecognition, the book value of the transferred financial assets will be apportioned between the portion derecognized and the portion not derecognized according to their relative fair values, and the difference between the sum of the consideration received for the transfer and the amount of cumulative changes in the fair value which was previously directly recognized in owner's equity and which should be apportioned to the portion derecognized and the above book amount apportioned will be include in the current profits and losses.

The Company must determine whether almost all the risks and rewards of ownership of the financial assets have been transferred before endorsing the transfer of financial assets sold by means of recourse and financial assets held. If almost all the risks and rewards of ownership of the financial asset have been transferred to the transferee, the financial asset will be derecognized; if the risks and rewards of the ownership of the financial asset have been retained, the financial asset will not be derecognized; if almost all the risks and rewards of ownership of the financial asset have not been transferred or retained, the enterprise needs to continue to determine whether it retains control over the asset and performs accounting treatment in accordance with the principles described in the preceding paragraphs.

(4) Derecognition of financial liabilities

If the present obligation for a financial liability has been fully or partially discharged, the financial liability or the relevant portion thereof will be derecognized. If the Company (borrower) signs an agreement with the lender to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, the original financial liability will be derecognized and the new financial liability will be recognized at the same time. If a material amendment is made to the contractual terms for the original financial liability or the relevant portion thereof, the original financial liability will be derecognized, and the new financial liability will be recognized according to the amended terms at the same time.

If the financial liability or the relevant portion thereof is derecognized, the difference between the book value of the financial liability derecognized and the consideration paid for it (including the non-cash asset transferred or the liability assumed) will be included in the current profits or losses.

(5) Offsetting financial assets with financial liabilities

When the Company has the legal right to offset the financial asset and the financial liability with recognized amount, and such legal rights are currently enforceable, and the Company plans to settle in net or simultaneously realize the financial asset and liquidate the financial liability, the financial asset and the financial liability will be presented in the balance sheet in net amounts after mutual offset. In addition, financial assets and financial liabilities are presented separately in the balance sheet, and are not offset against each other.

(6) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can receive for the sale of an asset or need to pay for the transfer of a liability in the orderly transaction that occurs on the measurement date. For financial instruments for which there is an active market, the fair value thereof will be determined by the Company based on the quotation in the active market; Quotation in the active market refers to the price that is easily obtained from exchanges, brokers, industry associations, pricing service agencies, etc. on a regular basis, and represents the price of market transactions that actually occur in fair trading. For financial instruments for which there is no active market, the fair value thereof will be determined by the Company using the valuation techniques. 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. At the time of valuation, the Company adopts a valuation technique that is applicable in the current circumstances and that there is sufficient available data and other information to support, selects the input values consistent with the asset or liability characteristics considered by the market participants in the transaction of the underlying asset or liability, and as far as possible uses relevant observable input values. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

(7) 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 Company treats issue (including refinancing), repurchases, sale or

cancellation of equity instruments as changes in equity, and transaction expenses related to equity transactions are deducted from equity. The Company does not recognize changes in the fair value of equity instruments.

If the Company's equity instruments distribute dividends (including "interest" generated by instruments classified as equity instruments) during the existence period, such dividends will be treated as profit distribution.

10. Impairment of financial assets

Financial assets of which the Company needs to recognize impairment losses include financial assets measured at amortization cost, and debt instrument investments which are measured at fair value and of which changes included in other comprehensive income, mainly including receivables financing, accounts receivable, other receivables, loans and advances, debt investment, other debt investment, long-term receivables, etc.

(1) Method for recognition of impairment provisions

Based on the expected credit loss, the Company makes impairment provision and recognizes credit impairment loss according to the applicable expected credit loss measurement method (general method or simplified method) for the above items.

Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among them, for purchased or originated credit-impaired financial assets, the Company discounts the difference at the credit-adjusted effective interest rate of the financial assets.

The general method for measuring expected credit losses is that the Company assesses on each balance sheet date whether the credit risk of financial assets has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the Company measures the loss provisions according to the amount equal to lifetime expected credit losses. If the credit risk has not increased significantly since initial recognition, the Company measures the loss provisions according to the amount equal to 12-month expected credit losses. The Company considers all reasonable and valid information, including forward-looking information, when assessing expected credit losses.

For financial instruments with lower credit risk on the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition.

(2) Criteria for judging whether credit risk has increased significantly since initial recognition

If the probability of default of a financial asset in the expected lifetime determined on the balance sheet date is significantly higher than the probability of default in the expected lifetime determined at the time of initial recognition, it indicates that the credit risk of the financial asset has increased significantly. Except for special circumstances, the Company uses the change in default risk that occurs within the next 12 months as a reasonable estimate of the change in default risk that occurs throughout the lifetime to determine whether the credit risk has increased significantly since initial recognition.

(3) Combination method for assessing expected credit risk based on combination

The Company individually assesses credit risk for financial assets that have significantly different credit risks, such as: receivables in dispute with the other party or involving litigation and arbitration; and receivables with obvious signs that the debtor is likely to fail to meet its repayment obligations.

In addition to financial assets of which credit risk is individually assessed, the Company divides financial assets into different combinations based on common risk characteristics, and assesses credit risk on the basis of the combination.

(4) Accounting treatment method of financing assets

At the end of the period, the Company calculates the estimated credit losses of various financial assets. If the estimated credit losses are greater than the book value of the current impairment provisions, the difference is recognized as an impairment loss; If the estimated credit losses are smaller than the book value of the current impairment provisions, the difference is recognized as an impairment gain.

(5) Method for determining credit loss of various financial assets

1) Notes receivable

The Company measures the loss provision for notes receivable based on the lifetime expected credit loss amount. Based on the credit risk characteristics of notes receivable, financial assets are divided into different combinations:

Item	Basis for recognition of combinations
Banker's acceptance bill	The acceptor is a bank institution or a financial company
Trade acceptance draft	The acceptor is a company other than a bank institution or financial company

2) Accounts receivable

For accounts receivable that do not contain significant financing components and contain significant financing components, the Company measures the loss provision based on the lifetime expected credit loss amount.

In addition to accounts receivable of which credit risk is individually assessed, the Company divides accounts receivable into different combinations based on their credit risk characteristics:

Item	Basis for recognition of combinations
Combination 1: Account age combination	The combination takes the account age of accounts receivable as the basis for the combination
Combination 2: Low risk combination	The combination takes the dismantling subsidy of waste electrical and electronic products receivable from government departments as the basis for the combination
Combination 3: None risk combination	The combination takes the receivables from related units within the scope of consolidation as the basis for the combination

3) Loans and advances

Based on the internal assessment results of the credit risk management system of the relevant financial

instruments, the Company defines whether credit impairment has occurred: the Company calculates the expected credit loss of the financial assets at the expected credit loss rate of different categories, according to the five-level classification of the financial industry (normal, concerned, secondary, suspicious and loss) based on the borrower's actual repayment ability.

4) Other receivables

The Company measures impairment losses using an amount equivalent to 12-month or lifetime expected credit losses, based on whether the credit risk of other receivables has increased significantly since initial recognition. In addition to other receivables of which credit risk is individually assessed, the Company divides other receivables into different combinations based on their credit risk characteristics:

Item	Basis for recognition of combinations
Combination 1: Account age combination	The combination takes the account age of other receivables as the basis for the combination
Combination 2: None risk combination	The combination takes the receivables from related units within the scope of consolidation as the basis for the combination

5) Debt investment

Debt investment mainly accounts for bond investment measured at amortization cost. The Company measures impairment losses using an amount equivalent to 12-month or lifetime expected credit losses, based on whether the credit risk of debt investment has increased significantly since initial recognition.

6) Other debt investments

Other debt investments mainly accounts for the debt investments which are measured at their fair values and of which the changes are included into other comprehensive income. The Company measures impairment losses using an amount equivalent to 12-month or lifetime expected credit losses, based on whether the credit risk of other debt investments has increased significantly since initial recognition.

11. Receivables financing

For notes receivable and accounts receivable classified as measured at fair value and of which changes are included in other comprehensive income, the portion within one year (including one year) from the date of acquisition is presented as receivables financing; while the portion beyond one year is presented as other debt investment. For related accounting policies, please refer to Note (V), 9 "Financial Instruments" and Note (V), 10 "Impairment of Financial Assets".

12. Inventories

(1) Classification of inventories

The Company's inventories mainly include raw materials, work in progress, finished products, development costs, and development products.

Development cost refers to the property that has not been completed and is for sale; the Company accounts for the land use rights purchased and used for commercial housing development as the development cost. Development product refers to the property that has been completed and is to be sold.

(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.

Development cost and product development cost include land transfer fees, infrastructure expenditures, construction and installation engineering expenditures, borrowing costs incurred before the development project is completed, and other related costs incurred in the development process. When developing product is carried forward the cost, the total cost is allocated between the sold and unsold properties in proportion to the construction area.

(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

Where the Company recovers its book value by selling (including the non monetary asset exchange with commercial substance; it is the same below), not continuously using a non-current asset or disposal group, it shall be classified into the category of assets held for sale. The non-current asset or disposal group to be classified into the category of assets held for sale shall meet the following conditions at the same time:

According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current circumstances;

The sale is very likely to happen, i.e., the Company has made a decision on a sale plan and has obtained the

determined purchase commitment, and the sale is expected to be completed within one year. The relevant regulations require that the relevant organ of authority of the Company or regulatory authorities must approve the sale, it shall have been approved. A determined purchase commitment refers to a legally binding purchase agreement signed between the Company and other parties. The agreement includes important terms such as the transaction price, time and severe penalties for breach of contract, making it almost impossible to make major adjustments or cancel the agreement.

For the non-current asset or disposal group specially obtained by the Company for resale, if it meets the specified condition that "the sale is expected to be completed within one year" on the date of acquisition and it is very likely to meet other classification conditions of the category held for sale in a short period of time (usually 3 months), it shall be classified into the category held for sale on the date of acquisition.

The disposal group refers to a group of assets that are disposed of as a whole in a transaction through sale or other means, and the liabilities that are directly related to these assets and transferred in the transaction. Where the goodwill obtained in the merger of enterprises is apportioned for the asset group or asset group combination to which the disposal group belongs according to Accounting Standards for Enterprises No.8 - Asset Impairment, this disposal group should contain the goodwill apportioned to the disposal group.

(2) Accounting treatment

For the non-current asset and disposal group that is classified as the category held for sale, the Company carries out initial measurement or re-measurement according to the smaller result of the net value of the book value and the fair value minus the net amount of the disposal expense. Where the net value of the fair value minus the disposal cost is lower than the original book value, the difference is confirmed as assets impairment loss and include in the current profits and losses, and the provision for impairment of the assets held for sale is made at the same time; for the amount of assets impairment loss confirmed by the disposal group held for sale, the book value of the goodwill in the disposal group is deducted first, and then its book value is deducted in proportion according to the ratios of the book values of various non-current assets applicable to measurement of the category held for sales in the disposal group.

Where the net value of the fair value of non-current assets held for sale on the balance sheet date minus the selling expense increases subsequently, the previous write-down amount is restored and will be reversed in the amount of assets impairment loss after classification as the category held for sales is confirmed, and the reversed amount shall be included in the current profits and losses. The assets impairment loss confirmed before classification as the category held for sales shall not be reversed.

Where the net value of the fair value of disposal group held for sale on the balance sheet date minus the selling expense increases subsequently, the previous write-down amount is restored and will be reversed in the amount of assets impairment loss confirmed for non-current assets applicable to the measurement provisions of the category held for sale after classification as the category held for sales, and the reversed amount shall be included in the current profits and losses.

For the deducted book value of goodwill and the non-current assets applicable to the measurement provisions of

the category held for sale, the assets impairment loss confirmed before classification as the category held for sales shall not be reversed. For the subsequently reversed amount of assets impairment loss confirmed for the disposal group held for sale, its book value is increased in proportion according to the ratios of the book values of various non-current assets applicable to measurement provisions of the category held for sales in the disposal group excluding the goodwill. The non-current assets held for sale or non-current assets in the disposal group are not made for provision for impairment or amortized, and the interests on debts and other expenses in the disposal group held for sale will be confirmed continuously.

The measurement methods of the category held for sale do not apply to the deferred income tax assets, financial assets complying with the specifications of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment real estate and biological assets measured at fair value, contract rights produced in the insurance contract, and the assets produced in the welfare of the workers, and they are measured according to the relevant criteria or corresponding accounting policies formulated by the Company. Where the disposal group contains the non-current assets applicable to the measurement method of the category held for sale, the measurement method of the category held for sale is applicable to the whole disposal group. The related accounting standards apply to measurement of liabilities in the disposal group.

When the non-current assets or disposal group is removed from the disposal group held for sale because it does not meet the classification condition of the category held for sale anymore and will not be classified as the category held for sale or non-current assets, it shall be measured according to the smaller one of the following two:

- 1) Book value before being classified as held for sale, and the adjusted amount of depreciation, amortization or impairment that should be recognized under the assumption that it is not classified as held for sale; and
- 2) Recoverable amount.

14. Long-term equity investment

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 ability to use the power over the invested entity to influence the Company's return amount;
- 4) The Company acknowledges the control force for the invested entity that meets the above three conditions.

Judgment standards of significant influence:

- 1) 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.
- 2) Where the Company can exert a great influence on the invested entity, the invested entity is an associated enterprise of the Company.
- 3) 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 1 January, 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 20.00% (included) but less than 50.00% 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 20.00% (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 outsourcing fixed assets includes the purchase price, related taxes and charges, and transportation costs, loading and unloading fees, installation fees, and professional service fees that can be attributed to the asset before the fixed asset reaches its intended use state.
- 2) If the payment for the purchase of a fixed asset is delayed beyond the normal credit conditions, and is of a financing nature in essence, the cost of the fixed asset is determined on the basis of 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.
- 3) The cost of constructing a fixed asset on its own is composed of the necessary expenditures incurred before the asset is constructed and ready for its intended use.
- 4) The cost invested by the investor in a fixed asset is determined according to the value stipulated in the investment contract or agreement, unless the value stipulated in the contract or agreement is not fair.
- 5) The costs of the fixed assets which are obtained through non-monetary asset exchange, debt restructuring, business merger or financial leases are determined according to the relevant provisions of the Accounting Standards for Business Enterprises No.7 - Non-Monetary Asset Exchange, the Accounting Standards for Business Enterprises No.12 - Debt Restructuring, the Accounting Standards for Business Enterprises No.20 - Business Combinations, and the Accounting Standards for Business Enterprises No.21 - Leases respectively.

(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 (year)	Annual depreciation rate (%)
Houses and buildings	5.00	20.00	4.75
Machinery equipment	5.00	6.00-10.00	9.50-15.83
Electronic equipment	5.00	2.00-3.00	31.67-47.50
Transportation equipment	5.00	3.00-4.00	23.75-31.67
Others	5.00	3.00-5.00	19.00-31.67

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:

- a Expenditures for the asset have been incurred;
- b Borrowing costs have been incurred; and
- c 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:

When an abnormal interruption occurs during the construction or production of an asset which satisfies the conditions for capitalization and the interruption continues for more than three months consecutively, the capitalization of borrowing expense will be paused, the borrowing expense incurred during the suspension will be included in the current profits and losses.

(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) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specifically borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.
- 2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalization rate of the general borrowing used. 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.
 - 2) Development expenditures in internal research and development projects shall be recognized as intangible assets where they satisfy all of the following conditions:
 - a Technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - b Intention to complete the intangible asset and use or sell it;
 - c 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;
 - d Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
 - e 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. Asset impairment

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. Accrued 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) Definition of employees' wages and salaries

It 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) Scope of employees

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) Recognizing short-term wages and salaries

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) During the accounting period when employees provide services to the Company, the Company recognizes the contribution amount payable calculated according to the defined contribution plan as a liability, and includes it in the current profits and losses or related asset costs.

- 2) The accounting treatment of the defined benefit plan usually includes the following steps:

- a 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;

- b 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;

c 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;

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

(5) 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) Employee welfares

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:

The Company is engaged in production and sales of air conditioners and their accessories, and home appliances and their accessories. The corresponding income includes the income from selling goods, labor service provision income, and the income of abalienating the right to use assets, in which the income from selling goods includes the domestic sales income and export sales income.

(1) Income 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 income amount and relevant costs incurred or to be incurred can be reliably measured, and the relevant economic benefits are likely to flow into the enterprise, the income from selling goods shall be recognized.

1) For the income from domestic sales of products, the Company adopts the form of payment in advance, and recognizes the income when the product is outbound and delivered to the purchaser, the delivery order or outbound order is issued, and the amount of income from product sales is determined;

2) For the income from export sales, the Company recognizes the income when the Company's products declare and leave the port, the bill of lading is obtained and the amount of income from product sales is determined.

(2) Income from rendering labor services

The Company's income from rendering labor services includes the income from external provided storage services, income from material processing services, service charge and commission income. The Company's progress in completion of the transaction can be reliably determined, the income amount and relevant costs incurred or to be incurred can be reliably measured, and the income from rendering labor services is confirmed when the relevant economic benefits are likely to flow into the enterprise.

1) Regarding the income from storage services, after the relevant labor services are provided, the Company will settle the income on a monthly basis when the amount of income has been determined according to the working hours and standard wages of the services provided, facilities used and related expenses.

2) Regarding the income from processing services, the Company will determine the income when it processes the materials according to the contract and delivers it to the customer to obtain the customer's receipt document, and the amount of income is determined.

Method of determining the schedule of completion under the transaction concerning the rendering of labor services: measuring the completed work (or the proportion of the provided service to the total amount of labor service that should be provided, and the proportion of the cost that has been incurred to the total cost estimated). Where the transaction result of the labor service provided on the balance sheet date cannot be estimated reliably, it shall be handled according to the following circumstances:

a If it expects that the cost of labor services incurred can be made up, the Company shall recognize the income 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.

b If it expects that the cost of labor services incurred cannot be made up, the cost of labor services incurred shall be recorded into the profits and losses of the current period, and the income from rendering labor services shall not be recognized.

3) The Company's service charge and commission income include the service charge income of acceptance business, service charge income of loan by mandate, etc.

For the service charge and commission income, the time points for service rendering, risk and remuneration transfer are confirmed according to the business settlement sheet formulated through settlement with the customer when the business is completed, and the specific amount of income is recognized according to the terms and ratios stipulated in the business contract or agreement.

(3) Income from abalienating the right to use assets

The income from abalienating the right to use assets includes the interest income, leasehold income, etc.

The Company confirms the income from abalienating the right to use assets when the income amount can be reliably measured and the relevant economic benefits are likely to flow into the enterprise.

1) The Company's interest income is mainly the interest income from deposits of financial enterprises and interest income from loans. The income from the interest of the money deposited at a financial enterprise is recognized by period according to the time of depositing and the actual interest rate. The loan interest income is recognized when the Company grants self-operating loan and the interest is accrued by period. The loan interest income is recognized according to the effective interest rate method.

The effective interest rate method means that the amortization cost of a financial asset or financial liability and interest income or interest expenditure of each period are calculated according to its effective rate of interest. The effective rate of interest refers to the interest rate used to discount the future cash flow of a financial asset or financial liability within the expected period of existence or a shorter period to the current book value of the financial asset or financial liability. When determining the effective rate of interest, the Company predicts the future cash flow on the basis of considering all the contract terms of financial asset or financial liability, but does not consider the loss of future credits. All the charges paid or collected by the Company and becoming a constituent part of the effective rate of interest, transaction expense and transaction premium or discount shall be considered when the effective rate of interest is determined.

2) The Company's rental income recognition conditions are as follows:

- a The lease contract, agreement or other settlement notices recognized by the lessee are available;
- b The obligations stipulated in the contract are fulfilled, the lease invoice is issued, and the price has been obtained or will be obtained for sure;
- c The rental cost can be measured reliably.

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 pertinent to assets shall be recognized as deferred income and included in the profits and losses by period according to the reasonable and systematic methods in the service life of the relevant asset when this asset reaches the intended state of use. Where the relevant asset is sold, transferred, scrapped or damaged before the service life ends, the related deferred income balance unallocated is transferred to the profits and losses of the current period of asset disposal.

If the government subsidies pertinent to incomes are used for compensating the related expenses or losses in the later period, they shall be recognized as deferred income when being obtained and shall be recorded into the current-period profits and losses in the period when the relevant expenses or losses are recognized; if the government subsidies pertinent to incomes are used for compensating the related cost expenses or losses incurred, they shall be recorded into the current-period profits and losses directly when being obtained.

The government subsidies pertinent to daily activities shall be recorded in other incomes; the government subsidies not pertinent to daily activities shall be recorded in the non-operating incomes and expenditures.

(3) The obtained subsidized interest of policy preference undergoes accounting treatment by differentiating the following two obtaining ways:

- 1) Where the financial department disburses the discount fund to the loan bank so that the loan bank provides a loan to the Company at the policy-based preferential interest rate, the fair value of loan is used as the entry value of loan, the borrowing cost is calculated according to the effective interest rate method, and the difference between the actual amount received and the fair value of borrowing is recognized as deferred income. The deferred income is amortized using the effective interest rate method in the borrowing remaining period to offset the relevant borrowing cost.

- 2) Where the financial department disburses the discount fund to the Company directly, the corresponding discount is used to offset the relevant borrowing cost.

- (4) Where the government subsidies are monetary assets, they shall be measured according to the amount received or receivable. Where the government subsidies of non-monetary assets, they 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. 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) Other conditions that shall be matched according to specific conditions of the Company and this matter of subsidy.

26. Income tax

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:
 - a The transaction is not business combination;
 - b 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. Lease

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:

a The ownership of the leased asset is transferred to the lessee when the term of lease expires;

b 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;

c Even if the ownership of the asset is not transferred, the lease term covers the major part (over 75.00% (included)) of the service life of the leased asset;

d In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all (over 90.00% (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 90.00% (included)) of the fair value of the leased asset on the lease beginning date; and

e 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 shall be accounted according to the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payment, and the depreciation shall be accrued according to the depreciation policy of its own fixed assets.

(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. Discontinued operation

Discontinued operation refers to a constituent part that meets one of the following conditions and can be distinguished separately, and this constituent part has been disposed of or classified into the category held for sale:

(1) This constituent part represents an independent main business or a separate main business area;

(2) This constituent part is one part of an associated plan for disposing of an independent main business or a separate main business area;

(3) This constituent part is a subsidiary specially acquired for resale.

The Company lists the continuous operation profit and loss and discontinued operation profit and loss in the consolidated income statement and the income statement respectively. For the non-current asset or disposal group held for sale that does not comply with the definition of discontinued operation, its impairment loss and reversed amount and profit and loss from disposal shall be listed as continuous operation profit and loss. The impairment loss and reversed amount of discontinued operation and other operation profits and losses and profits and losses from disposal shall be listed as discontinued operation profits and losses.

For the discontinued operation listed in the current period, in the current financial statements, the information originally listed as continuous operation profit and loss is re-listed as discontinued operation profits and losses of the comparable accounting period. Where the disposal group for discontinued use that is not for sale meets the condition of the relevant constituent part in the definition of discontinued operation, it shall be listed as discontinued operation from the date of discontinued use. Where the control right of a subsidiary is lost due to reasons such as selling the investment into the subsidiary and this subsidiary complies with the definition of discontinued operation, the relevant discontinued operation profits and losses shall be listed in the consolidated income statement.

29. Segment report

The Company determines the operating segment based on the internal organizational structure, management requirements and internal reporting system, determines the report segment based on the operating segment, and discloses the segment information.

The operating segment refers to the constituent part in the Company that meets the following conditions at the same time:

- (1) This constituent part can generate income and cost in daily activities;
- (2) The management of the Company can regularly evaluate the operating results of the constituent part so as to decide configuration of resources to it and evaluate its performance;
- (3) The Company can obtain the relevant accounting information of this constituent part such as its financial status, operating results and cash flows. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they can be combined into one operating segment.

30. Hedging

To avoid certain risks, the Company hedges certain financial instruments as hedging instruments. Hedge that meets the prescribed conditions will be handled by the Company using hedge accounting methods. The Company's hedging includes fair value hedge, cash flow hedge and hedge of net investment in overseas operations.

At the beginning of the hedging, the Company officially designates the hedging tool and the hedged item, and prepares written documents on the hedging relationship and the risk management strategy and risk management objectives of the Company engages in hedging. In addition, the Company will continue to assess the effectiveness

of the hedging when and after the hedging begins.

(1) Fair value hedge

For eligible hedging instruments designated as fair value hedge, the gains or losses generated thereby are included in the current profits and losses. If a hedging instrument is hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value and of which changes are included in other comprehensive income, the gains and losses generated thereby are included in other comprehensive income. Gain or loss of a hedged item due to hedging risk exposure is included in the current profits and losses, while adjusting the book value of the hedged item. If a hedged item is measured at fair value, the gain or loss of the hedged item due to hedging risk exposure does not need to adjust the book value of the hedged item, and the related gain and loss are included in the current profits or losses or other comprehensive income.

When the Company revokes the designation of the hedging relationship, the hedging instrument has expired or is sold, the contract is terminated or exercised, or the conditions for the use of hedging accounting is no longer met, the use of hedging accounting is terminated.

(2) Cash flow hedge

For eligible hedging instruments designated as cash flow hedge, the portion of the gains or losses generated thereby that is determined to be an effective hedge is included in other comprehensive income, while the portion that is determined to be an ineffective hedge is included in the current profits and losses.

If the expected transaction causes the Company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of the non-financial asset or non-financial liability forms a firm commitment applicable to fair value hedge accounting, the Company will transfer out the amount of cash flow hedge reserve originally recognized in other comprehensive income and includes it in the initial recognition amount of the asset or liability. For other cash flow hedging, the Company will, during the same period in which the hedged expected cash flow affects the profit or loss, transfer out the amount of cash flow hedge reserve originally recognized in other comprehensive income and includes it in the current profits and losses.

If it is expected that all or part of the net loss originally included in other comprehensive income cannot be compensated in the future accounting period, the portion which cannot be compensated will be transferred out and included in the current profits and losses.

When the Company terminates the use of hedging accounting for cash flow hedges, the accumulated cash flow hedge reserve that has been included in other comprehensive income will be retained when future cash flow expectations still occur, and will be transferred out of other comprehensive income and included in the current profits and losses when future cash flow expectations no longer occur.

(3) Hedge of net investment in an overseas operation

Hedge of net investment in overseas operations is accounted for using a method similar to the cash flow hedge. Among the gains or losses of hedging instruments, the portion that is determined to be an effective hedge is included in other comprehensive income, while the portion that is determined to be an ineffective hedge is

included in the current profits and losses.

Gains and losses that have been included in other comprehensive income will be transferred out of other comprehensive income and included in the current profits and losses when disposing of overseas operations.

31. Major accounting policies and accounting estimate changes

(1) Changes of major accounting policies

1) Changes in accounting policies resulting from the implementation of new standards for financial instruments

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (2017 Revision) (Finance and Accounting [2017] No. 7), the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (2017 Revision) (Finance and Accounting [2017] No. 8), and the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting (2017 Revision) (Finance and Accounting [2017] No. 9) on 31 March, 2017, and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (2017 Revision) (Finance and Accounting [2017] No. 14) on 2 May, 2017 (the above standards are collectively referred to as "new standards for financial instruments"), requiring domestic listed companies to implement the new financial instruments standards from 1 January, 2019.

As approved by the resolution of the fourth meeting of the eleventh session of board of directors of the Company on 29 April, 2019, the Company began to implement the aforementioned new standards for financial instruments from 1 January, 2019.

Under the new standards for financial instruments, all recognized financial assets are subsequently measured at amortization cost or fair value. On the implementation date of the new standards for financial instruments, the Company's business model for managing the financial assets is evaluated based on the Company's existing facts and circumstances on that day, and the contractual cash flow characteristics on the financial assets are evaluated based on the facts and circumstances at the time of initial recognition of the financial assets, and the financial assets are divided into three categories: measured at amortization cost, measured at their fair values and of which the changes are included into other comprehensive income, and measured at their fair values and of which the changes are included into the current profits and losses. Among them, for equity instrument investment measured at their fair values and of which the changes are included into other comprehensive income, when the financial assets are derecognized, the cumulative gains or losses previously included into other comprehensive income will be transferred from other comprehensive income to retained income, but will not be included into the current profits and losses.

Under the new standards for financial instruments, the Company, on the basis of expected credit losses, makes provisions for impairment of financial assets measured at amortization cost and debt instrument investments which are measured at fair value and of which the changes are included into other comprehensive income, and recognizes credit impairment losses.

The Company applies the new standards for financial instruments retrospectively. However, if the classification

and measurement (including impairment) involves any inconsistency between the data of the previous comparative financial statements and the new standards for financial instruments, the Company chooses not to restate. Therefore, for the cumulative impact of the implementation of the standards for the first time, the Company adjusts the retained earnings or other comprehensive income at the beginning of 2019 and the amount of other related items in the financial statements, and does not restate the 2018 financial statements.

2) Changes in the format of financial statements

The Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Finance and Accounting [2019] No. 6) and the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Version) (Finance and Accounting [2019] No. 16) in April and September 2019 respectively, revising the format of financial statements of general enterprises and the format of consolidated financial statements. The Company prepared financial statements according to the relevant requirements and in accordance with the format of financial statements for general enterprises (applicable to the enterprises that have implemented the new financial standards, the new revenue standards and the new lease standards). Major changes are as follows:

A. The "notes receivable and accounts receivable" item is split into the "notes receivable" item and the "accounts receivable" item; the "notes payable and accounts payable" item is split into the "notes payable" item and the "account payable" item;

B. The "receivables financing" item is added;

C. Interest receivable or interest payable presented in the "other receivables" or "other payables" items only reflect the interest which is receivable or payable upon the maturity of the relevant financial instruments but has not been received or paid on the balance sheet date; the interest on financial instruments accrued based on the actual interest rate method is included in the book balance of the corresponding financial instruments;

D. The "asset impairment loss" and "credit impairment loss" items move downward from the "other gains" item to the "fair value change gain" item, and the "credit impairment loss" item is presented before the "asset impairment loss" item;

E. The "investment income" item newly includes the "income from derecognition of financial assets measured at amortization costs".

The Company has retrospectively restated the comparative statements accordingly according to the above presentation requirements.

3) Impact of implementation of new standards for financial instruments and changes in the format of financial statements on consolidated financial statements

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Assets:							
Monetary capital	113,079,030,368.11	1,943,623,443.56					115,022,653,811.67
Trading financial assets		1,012,470,387.43					1,012,470,387.43
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	1,012,470,387.43	-1,012,470,387.43					
Notes receivable and accounts receivable	43,611,226,866.20	-9,229,039,643.82	-34,382,187,222.38				
Including: Bills receivable	35,911,567,876.04	-1,529,380,653.66	-34,382,187,222.38				
Accounts receivable	7,699,658,990.16	-7,699,658,990.16					
Accounts receivable		7,699,658,990.16				-57,224,911.92	7,642,434,078.24
Receivables financing			34,382,187,222.38		-81,714,642.25		34,300,472,580.13
Other receivables	2,553,689,544.47	-2,257,098,901.99				-6,244,306.10	290,346,336.38
Including: Interests receivable	2,257,098,901.99	-2,257,098,901.99					
Other current assets	17,110,921,223.89	1,802,424,633.81					18,913,345,857.70
Original value of available-for-sale financial assets	2,217,095,036.33			-2,217,095,036.33			
Less: Impairment provisions of available-for-sale financial assets	900,000.00			-900,000.00			
Net amount of available-for-sale financial assets	2,216,195,036.33			-2,216,195,036.33			
Disbursement of loans and advances	9,071,332,784.86	10,381,298.66					9,081,714,083.52
Debt investment		1,216,700.19		36,000,000.00			37,216,700.19

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Other debt investments		28,833,479.43		1,035,287,090.00			1,064,120,569.43
Other equity instrument investments				1,144,907,946.33			1,144,907,946.33
Deferred income tax assets	11,349,573,709.69				12,274,180.53	15,242,873.91	11,377,090,764.13
Liabilities:							
Short-term borrowing	22,067,750,002.70	130,149,404.18					22,197,899,406.88
Deposits from customers and interbank	315,879,779.13	3,597,463.78					319,477,242.91
Other payables	4,747,139,263.00	-1,663,127,521.62					3,084,011,741.38
Including: Interests payable	133,746,867.96	-133,746,867.96					
Other current liabilities	63,361,598,764.96	1,529,380,653.66					64,890,979,418.62
Owners' equity:							
Including: Other comprehensive income	-550,806,051.51				-69,440,461.72		-620,246,513.23
Undistributed profit	81,939,701,613.83					-48,226,344.11	81,891,475,269.72

4) Impact of implementation of new standards for financial instruments and changes in the format of financial statements on the parent company's financial statements

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Assets:							
Monetary capital	102,696,932,265.26	1,500,459,111.30					104,197,391,376.56
Trading financial assets		412,114,127.42					412,114,127.42
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	412,114,127.42	-412,114,127.42					
Notes receivable and accounts receivable	35,047,382,637.60	-2,988,819,694.63	-32,058,562,942.97				
Including: Bills receivable	32,516,210,775.80	-457,647,832.83	-32,058,562,942.97				
Accounts receivable	2,531,171,861.80	-2,531,171,861.80					
Accounts receivable		2,531,171,861.80					2,531,171,861.80
Receivables financing			32,058,562,942.97		-81,544,800.33		31,977,018,142.64
Other receivables	3,898,630,873.93	-1,719,333,737.63				-2,300,000.00	2,176,997,136.30
Including: Interests receivable	1,803,079,868.37	-1,803,079,868.37					
Other current assets	12,311,814,484.26	676,522,459.16					12,988,336,943.42
Original value of available-for-sale financial assets	765,090,199.08			-765,090,199.08			
Less: Impairment provisions of available-for-sale financial assets	900,000.00			-900,000.00			
Net amount of available-for-sale financial assets	764,190,199.08			-764,190,199.08			
Other equity instrument investments				764,190,199.08			764,190,199.08
Deferred income tax assets	10,931,512,853.30				12,231,720.05	345,000.00	10,944,089,573.35

Item	Book value presented according to the original standards	Impact of the preparation of format of financial statements	Impact of the implementation of new standards for financial instruments				Book value presented according to the new standards
	31 December, 2018		Reclassification		Remeasurement		1 January, 2019
			Transfer-in of original notes receivable	Transfer-in of assets originally classified as available-for-sale financial assets	Change from cost measurement to fair value measurement	Impact of new standards for financial instruments on credit loss adjustment	
Liabilities:							
Short-term borrowing	17,759,081,480.00	77,161,272.95					17,836,242,752.95
Other payables	1,795,358,032.57	-534,809,105.78					1,260,548,926.79
Including: Interests payable	108,650,144.21	-108,650,144.21					
Other current liabilities	63,348,220,747.89	457,647,832.83					63,805,868,580.72
Owners' equity:							
Including: Other comprehensive income	-330,283,919.33				-69,313,080.28		-399,596,999.61
Undistributed profit	48,123,803,614.75				-1,955,000.00		48,121,848,614.75

(2) Changes of accounting estimates

None.

(VI) 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	16.00%, 13.00%, 11.00%, 10.00%, etc.
Urban maintenance & construction tax	Circulation taxes payable	7.00%, 5.00%
Educational surcharges	Circulation taxes payable	3.00%
Local education surcharge	Circulation taxes payable	2.00%
Business income tax	Taxable income	34.00%, 25.00%, 20.00%, 16.50%, 15.00%

[Note] The place of business of the Company's subsidiary Hong Kong Gree Electric Appliances Sales Limited is Hong Kong Special Administrative Region, and the profit tax rate of Hong Kong is 16.50%; the place of business of the Company's subsidiaries Gree (Brazil) Electric Appliances Co., Ltd. and Brazil United Electric Appliances Industry and Commerce Co., Ltd. is Brazil, and the federal enterprise income tax rate of Brazil is 34.00%.

2. 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. GR201744011432). The Company applied the income tax rate of 15.00%.

(2) Deemed to be high and new tech enterprises, the following subsidiaries of the Company applied the enterprise income tax rate of 15.00% in 2019:

No.	Name of tax payer	Certificate number	Time for acquiring the certificate	Valid period
1	Zhuhai Landa Compressor Co., Ltd.	GR201744006896	11 December, 2017	Three years
2	Hefei Landa Compressor Co., Ltd.	GR201734000080	20 July, 2017	Three years
3	Zhengzhou Landa Compressor Co., Ltd.	GR201741000023	29 August, 2017	Three years
4	Wuhan Landa Compressor Co., Ltd.	GR201742002031	30 November, 2017	Three years
5	Gree Electric Enterprises (Ma'anshan) Ltd.	GR201734000580	20 July, 2017	Three years
6	Zhuhai Kaibang Motor Manufacture Co., Ltd.	GR201844002288	28 November, 2018	Three years
7	Hefei Kaibang Motor Manufacture Co., Ltd.	GR201734000276	3 November, 2017	Three years
8	Henan Kaibang Motor Manufacture Co., Ltd.	GR201741000090	29 August, 2017	Three years
9	Gree (Hefei) Electric Appliances Co., Ltd.	GR201734000583	20 July, 2017	Three years
10	GREE (Zhongshan) Home Appliances Co., Ltd.	GR201744005669	11 December, 2017	Three years
11	Zhuhai Gree Xinyuan Electronics Co., Ltd.	GR201944009719	30 November, 2019	Three years
12	Zhuhai Gree Daikin Precision Mold Co., Ltd.	GR201944005454	2 December, 2019	Three years

No.	Name of tax payer	Certificate number	Time for acquiring the certificate	Valid period
13	Zhuhai Gree Dakin Device Co., Ltd.	GR201844007626	28 November, 2018	Three years
14	Gree (Wuhan) Electric Appliances Co., Ltd.	GR201942003097	28 November, 2019	Three years
15	Gree (Shijiazhuang) Electric Appliances Co., Ltd.	GR201913002804	2 December, 2019	Three years
16	Gree (Zhengzhou) Electric Appliances Co., Ltd.	GR201741000063	29 August, 2017	Three years
17	Gree (Wuhu) Electric Appliances Co., Ltd.	GR201734001093	20 July, 2017	Three years
18	Changsha Gree HVAC Equipment Co., Ltd.	GR201743000499	5 September, 2017	Three years
19	Zhuhai IVP Information Technology Co., Ltd.	GR201944005394	2 December, 2019	Three years
20	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	GR201744008385	11 December, 2017	Three years
21	Zhuhai Gree Precision Mold Co., Ltd.	GR201744008914	11 December, 2017	Three years
22	Zhuhai Gree Energy Environment Technology Co., Ltd.	GR201744011297	11 December, 2017	Three years
23	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	GR201913002825	2 December, 2019	Three years
24	Hefei Kinghome Electrical Co., Ltd.	GR201834001303	24 July, 2018	Three years
25	Zhuhai Gree New Material Co., Ltd.	GR201944009559	2 December, 2019	Three years

(3) The following subsidiaries of the Company enjoy the country's western development policy, and applied the income tax rate of 15.00%.

No.	Name of tax payer	Preferential tax policy	Start time
1	Gree (Chongqing) Electric Appliances Co., Ltd.	Preferential tax policy of western development	1 January, 2008
2	Chongqing Landa Compressor Co., Ltd.	Preferential tax policy of western development	1 January, 2015
3	Chongqing Kaibang Motor Manufacture Co., Ltd.	Preferential tax policy of western development	1 January, 2013

(VII) Item notes of consolidated financial statements

For the following note items (including notes to the main items of the parent company's financial statements), unless otherwise specified, "the beginning of the period" means 1 January, 2019, "the end of the period" means 31 December, 2019, and "the end of the previous year" means 31 December, 2018, "the current year" refers to 2019, and "the previous year" refers to 2018.

1. Monetary capital

Item	Balance at the end of the period	Beginning Balance
Cash	1,357,064.14	1,678,449.67
Bank deposits	62,105,349,148.41	64,418,416,813.66

Item	Balance at the end of the period	Beginning Balance
Other monetary capital [Note 1]	10,695,206,587.82	3,608,319,521.92
Deposits in central bank [Note 2]	3,016,086,870.50	3,047,519,040.61
Deposits in other banks	47,928,688,430.00	42,003,096,542.25
Subtotal	123,746,688,100.87	113,079,030,368.11
Accrued interest	1,654,027,166.77	1,943,623,443.56
Total	125,400,715,267.64	115,022,653,811.67
Including: Total amount deposited abroad	631,329,193.55	819,859,100.33

[Note 1] The balance at the end of the period of other monetary capital refers to banks' acceptance bills, guarantee deposits, credit margin deposits, etc., where the restricted fund was RMB 10,315,346,592.40.

[Note 2] The reserve requirements on deposit in the Company's deposits in central bank are RMB 3,014,082,457.76, and its use is restricted;

[Note 3] Except the above situations, there are no other funds in the end-of-period balance of monetary funds that have limited use and potential recovery risks due to mortgage, pledge or freezing.

2. Trading financial assets

Item	Balance at the end of the period	Beginning Balance
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	955,208,583.58	1,012,470,387.43
Wherein: Debt instrument investment	955,208,583.58	1,012,470,387.43
Total	955,208,583.58	1,012,470,387.43

3. Derivative financial assets

Item	Balance at the end of the period	Beginning Balance
Forward foreign exchange settlement/sale and others	92,392,625.69	170,216,138.92
Total	92,392,625.69	170,216,138.92

4. Accounts receivable

(1) Disclosure by account age

Aging	Balance at the end of the period
Within 1 year	7,697,417,213.86
1 to 2 years	926,391,719.35
2 to 3 years	355,717,739.24
Over 3 years	265,497,478.10

Aging	Balance at the end of the period
Subtotal	9,245,024,150.55
Less: Bad debt provisions	731,689,605.47
Total	8,513,334,545.08

[Note] The Company's accounts receivable with the account age of over 1 year are mainly subsidy receivables of RMB 857,341,045.00 for dismantling waste electrical and electronic products and receivables of RMB 325,764,921.27 for commercial coal-to-electricity and subway projects.

(2) Presentation by accruing method for bad debt provisions

Category	Balance at the end of the period				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage of appropriation (%)	
Accounts receivable with bad debt provisions accrued separately	132,904,666.21	1.44	132,904,666.21	100.00	
Accounts receivable with bad debt provisions accrued according to the combination	9,112,119,484.34	98.56	598,784,939.26	6.57	8,513,334,545.08
Including: Combination 1: Account age combination	7,825,227,159.34	84.64	494,357,918.17	6.32	7,330,869,241.17
Combination 2: Low risk combination	1,286,892,325.00	13.92	104,427,021.09	8.11	1,182,465,303.91
Total	9,245,024,150.55	100.00	731,689,605.47	7.91	8,513,334,545.08

(Continued)

Category	Beginning Balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage of appropriation (%)	
Accounts receivable with bad debt provisions accrued separately	131,048,814.98	1.60	131,048,814.98	100.00	
Accounts receivable with bad debt provisions accrued according to the combination	8,081,100,658.05	98.40	438,666,579.81	5.43	7,642,434,078.24
Including: Combination 1: Account age combination	7,176,263,253.05	87.38	381,441,667.89	5.32	6,794,821,585.16
Combination 2: Low risk combination	904,837,405.00	11.02	57,224,911.92	6.32	847,612,493.08

Total	8,212,149,473.03	100.00	569,715,394.79	6.94	7,642,434,078.24
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1) Accounts receivable with bad debt provisions accrued separately at the end of the period

Accounts receivable	Balance at the end of the period			
	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
A total of 11 units	132,904,666.21	132,904,666.21	100.00	Expected to be difficult to recover
Total	132,904,666.21	132,904,666.21	100.00	

2) In the combination, the accounts receivable of which bad debt provisions are appropriated according to the account age combination

Item	Balance at the end of the period		
	Book balance	Bad debt provision	Percentage of appropriation (%)
Within 1 year	7,267,865,933.86	363,393,296.77	5.00
1 to 2 years	524,837,349.35	104,967,469.87	20.00
2 to 3 years	13,053,449.24	6,526,724.64	50.00
Over 3 years	19,470,426.89	19,470,426.89	100.00
Total	7,825,227,159.34	494,357,918.17	6.32

[Note] Please refer to Note (V) 10 for the basis for determining the combination.

(3) Particulars on bad debt provisions

Category	Beginning Balance	Change of the current period			Balance at the end of the period
		Appropriation	Resold or wrote-off	Increase due to change in the consolidation scope	
Aging combination	381,441,667.89	102,146,847.31	2,147,164.37	12,916,567.34	494,357,918.17
Low risk combination	57,224,911.92	47,202,109.17			104,427,021.09
Accrued separately	131,048,814.98	1,855,851.23			132,904,666.21
Total	569,715,394.79	151,204,807.71	2,147,164.37	12,916,567.34	731,689,605.47

(4) Particulars on accounts receivable actually wrote-off in the current period

Item	Wrote-off amount
Accounts receivable actually wrote-off	2,147,164.37

[Note] There was no significant writing-off of accounts receivable during the current period.

(5) Accounts receivable of top 5 debtors in the balance at the end of the period collected by the debtor

Name of entity	Balance at the end of the period of accounts receivable	Percentage (%) in the total balance at the end of the period of accounts receivable	Balance of provision for bad debts at the end of the period
First	1,286,892,325.00	13.92	104,427,021.09
Second	1,191,750,098.12	12.89	59,587,504.91
Third	342,684,906.60	3.71	17,134,245.33
Fourth	325,578,866.60	3.52	16,278,943.33
Fifth	237,002,786.32	2.56	11,850,139.32
Total	3,383,908,982.64	36.60	209,277,853.98

(6) Accounts receivable derecognized due to the transfer of financial assets

None.

(7) Assets and liabilities formed due to the transfer and continuous involvement of accounts receivable

None.

5. Receivables financing

(1) Receivables financing presented by category

Item	Balance at the end of the period	Beginning Balance
Notes receivable measured at fair value	28,226,248,997.12	34,300,472,580.13
Wherein: Banker's acceptance	28,180,783,659.30	34,252,255,182.54
Including: Notes accepted by Gree Finance Company [Note 2]	3,534,750,791.04	703,493,516.64
Trade acceptance	45,465,337.82	48,217,397.59
Total	28,226,248,997.12	34,300,472,580.13

[Note 1] For details about the classification and combination of receivables financing, please refer to (V) 10 and (V) 11 of this note.

[Note 2] As of the disclosure date of this report, the notes accepted by Zhuhai Gree Group Finance Co., Ltd. have all been accepted.

(2) Receivables financing pledged at the end of the period

Item	Pledged amount at the end of the period
Notes receivable measured at fair value	8,874,415,345.76
Wherein: Banker's acceptance	8,874,415,345.76
Total	8,874,415,345.76

(3) Receivables financing that has been endorsed or discounted at the end of the period but has not yet expired

Item	Amount whose recognition is terminated at the end of the period	Amount whose recognition is not terminated at the end of the period
Notes receivable which have been endorsed or discounted but not yet due	35,021,232,248.70	802,418,995.36
Wherein: Banker's acceptance	35,021,232,248.70	
Trade acceptance		802,418,995.36
Total	35,021,232,248.70	802,418,995.36

[Note] Regarding notes receivable that the Company has endorsed or discounted at the end of the period but has not yet expired, for their details of the underrecognized amount at the end of the period, see Note (VII) 10.

(4) Notes transferred by the Company into accounts receivable due to the note issuer's failure of performance

None.

(5) Receivables financing actually wrote-off in the current period

None.

6. Prepayment

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

Aging	Balance at the end of the period		Beginning Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,375,291,199.19	99.15	2,116,062,087.45	97.89
1 to 2 years	16,328,421.09	0.68	39,664,171.13	1.83
2 to 3 years	1,401,531.66	0.06	4,157,995.19	0.19
Over 3 years	2,589,403.32	0.11	1,991,755.45	0.09
Total	2,395,610,555.26	100.00	2,161,876,009.22	100.00

(2) Prepayments whose aging exceeded one year and amount was important

None.

(3) Top 5 debtors of prepayment amount

The aggregate balance amount of prepayments of top 5 suppliers in the balance at the end of the period collected by the supplier was RMB 1,039,393,363.58, accounting for 43.39% of the total balance of prepayments at the end of the period.

7. Other receivables

Item	Balance at the end of the period	Beginning Balance
Other receivables	159,134,399.10	290,346,336.38
Total	159,134,399.10	290,346,336.38

[Note] The Company had no interest receivable and dividend receivable balances at the beginning and the end of the period.

(1) Other receivables disclosed by account age

Aging	Balance at the end of the period
Within 1 year	162,121,375.23
1 to 2 years	4,913,714.10
2 to 3 years	2,376,942.91
Over 3 years	8,292,663.13
Subtotal	177,704,695.37
Less: Bad debt provisions	18,570,296.27
Total	159,134,399.10

(2) Other receivables disclosed by amount nature

Nature of money	Book balance at the end of the period	Book balance at the beginning of the period
Current and low-risk payments	177,704,695.37	321,241,112.39
Less: Bad debt provisions	18,570,296.27	30,894,776.01
Total	159,134,399.10	290,346,336.38

(3) Particulars on accruing of bad debt provisions

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January, 2019	14,934,891.98		15,959,884.03	30,894,776.01
Balance as at 1 January, 2019 in the current period				
Appropriation for the current period				
Reserved in the current period	6,857,775.30		572,227.09	7,430,002.39
Wrote-off in the current period			4,914,193.73	4,914,193.73
Increase due to change in the consolidation scope	19,716.38			19,716.38
Balance as at 31 December, 2019	8,096,833.06		10,473,463.21	18,570,296.27

(4) Particulars on accruing of provisions for bad debts in the current period

Category	Beginning Balance	Change of the current period				Balance at the end of the period
		Appropriation	Recovered or reversed	Resold or wrote-off	Increase due to change in the consolidation scope	
Aging combination	30,894,776.01		7,430,002.39	4,914,193.73	19,716.38	18,570,296.27
Total	30,894,776.01		7,430,002.39	4,914,193.73	19,716.38	18,570,296.27

(5) Particulars on other receivables actually wrote-off in the current period

Item	Wrote-off amount
Other receivables actually wrote-off	4,914,193.73

[Note] There was no significant writing-off of other receivables during the current period.

(6) Other receivables of top 5 debtors in the balance at the end of the period collected by the debtor

Name of entity	Nature of money	Balance at the end of the period	Aging	Proportion to the total balance of other receivables at the end of the period (%)	Balance of provision for bad debts at the end of the period
First	Intercourse funds	4,617,192.35	Within 1 year	2.60	230,859.62
Second	Intercourse funds	4,051,289.71	Within 1 year	2.28	202,564.49
Third	Intercourse funds	2,313,178.85	Within 1 year	1.30	115,658.94
Fourth	Intercourse funds	2,209,431.01	Within 1 year	1.24	110,471.55
Fifth	Intercourse funds	1,441,019.34	Within 1 year	0.81	72,050.97
Total		14,632,111.26		8.23	731,605.57

(7) Other receivables involving government subsidies

None.

(8) Other receivables derecognized due to the transfer of financial assets

None.

(9) Assets and liabilities formed due to the transfer and continuous involvement of other receivables

None.

8. Inventories

(1) Type of inventories

Item	Balance at the end of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	10,313,734,271.81	207,784,826.11	10,105,949,445.70
Goods in process	1,833,675,212.23	0.00	1,833,675,212.23
Finished goods	11,120,744,840.53	49,841,301.93	11,070,903,538.60
Development cost [Note]	1,074,325,867.76	0.00	1,074,325,867.76
Total	24,342,480,192.33	257,626,128.04	24,084,854,064.29

(Continued)

Item	Beginning Balance		
	Book balance	Provision for price fall	Carrying amount
Raw material	8,790,176,373.99	251,248,578.65	8,538,927,795.34
Goods in process	1,833,419,414.90		1,833,419,414.90
Finished goods	9,668,991,016.29	29,819,996.00	9,639,171,020.29
Total	20,292,586,805.18	281,068,574.65	20,011,518,230.53

[Note] The development cost is a supporting project of Luoyang base real estate developed and constructed by the Company based on the housing needs of employees.

(2) Provision for obsolete stocks

Type of inventories	Beginning Balance	Increased amount in the current period		Decreased amount in the current period	Balance at the end of the period
		Appropriation	Change in the consolidation scope	Write-off amount	
Raw material	251,248,578.65	36,066,957.21		79,530,709.75	207,784,826.11
Finished goods	29,819,996.00	20,484,925.26	10,743,000.00	11,206,619.33	49,841,301.93
Total	281,068,574.65	56,551,882.47	10,743,000.00	90,737,329.08	257,626,128.04

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	Writing off the provision for decline in value of inventories in the current period
Raw material	The lower of the inventory cost and net realizable value	Applied for or sold in the current period
Finished goods	The lower of the inventory cost and net realizable value	Sold in the current period

- (3) Balance of inventories at the end of the period did not include the capitalization amount of the borrowing expenses.

9. Non-current assets due within one year

Item	Balance at the end of the period	Beginning Balance	Remarks
Other debt investments due within one year	410,404,100.00		See Note (VII) 13 for details
Debt investments due within one year	18,000,000.00		See Note (VII) 12 for details
Subtotal	428,404,100.00		
Accrued interest	16,993,610.39		
Total	445,397,710.39		

[Note] The Company had no significant debt investment due within one year at the end of the period. For other debt investments due within one year at the end of the period, please refer to Note (VII) 13.

10. Other current assets

Item	Balance at the end of the period	Beginning Balance
Structured deposits and wealth management products	16,211,800,000.00	14,981,400,000.00
Input tax to be deducted and prepaid tax	3,744,248,963.45	2,112,824,647.14
Notes that have endorsed or discounted but have not yet expired [Note]	2,876,918,995.36	1,529,380,653.66
Hedging tools and others	37,399,876.25	16,696,576.75
Subtotal	22,870,367,835.06	18,640,301,877.55
Accrued interest	220,776,381.62	273,043,980.15
Total	23,091,144,216.68	18,913,345,857.70

[Note] As of the disclosure date of this report, the accepted amount of the notes that have endorsed or discounted but have not yet expired was RMB 2,074,500,000.00.

11. Disbursement of loans and advances

- (1) Distribution of enterprises and individuals

Item	Balance at the end of the period	Beginning Balance
Loans and advances measured at amortized costs		
Disbursement of corporate loans and advances	14,771,705,384.26	9,304,270,332.72
Including: (1) Loan	14,723,530,000.00	7,067,977,952.89
(2) Discount	48,175,384.26	2,236,292,379.83

Item	Balance at the end of the period	Beginning Balance
Including: discount asset interest adjustment	-470,366.74	-13,231,581.88
Less: loan loss provision	369,304,393.78	232,937,547.86
Including: combined appropriation	369,304,393.78	232,937,547.86
Subtotal	14,402,400,990.48	9,071,332,784.86
Accrued interest	21,385,418.74	10,381,298.66
Carrying amount of disbursement of corporate loans and advances	14,423,786,409.22	9,081,714,083.52

[Note] In order to promote the win-win development of the industrial chain, and strengthen financial credit support for member units and upstream and downstream enterprises, based on the real transaction background, the Company carefully verified the credit status and repayment ability of loan customers and fully played the role of its own funds, enhanced the Company's capital income and increased foreign loans and advances.

(2) Changes in loss provision for loans

Item	Balance at the end of the period	Beginning Balance
Loans and advances measured at amortized costs		
Beginning Balance	232,937,547.86	171,525,398.64
Appropriation for the current period	136,366,845.92	61,412,149.22
Balance at the end of the period	369,304,393.78	232,937,547.86

12. Debt investment

(1) Particulars on debt investment

Item	Balance at the end of the period			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Trust products	18,000,000.00		18,000,000.00	36,000,000.00		36,000,000.00
Accrued interest	608,350.13		608,350.13	1,216,700.19		1,216,700.19
Less: Debt investments due within one year	18,608,350.13		18,608,350.13			
Total				37,216,700.19		37,216,700.19

(2) Important debt investment

None.

(3) Particulars on Accruing of impairment provisions

None.

13. Other debt investments

(1) Particulars on other debt investments

Item	Balance at the end of the period				Accumulated loss provisions recognized in other comprehensive income
	Cost	Accrued interest	Changes in fair value	Carrying amount	
Treasuries	291,763,065.93	3,378,082.20	1,695,134.07	296,836,282.20	
Corporate bonds	409,921,468.45	16,385,260.26	482,631.55	426,789,360.26	
Subtotal	701,684,534.38	19,763,342.46	2,177,765.62	723,625,642.46	
Less: Other debt investments due within one year	409,921,468.45	16,385,260.26	482,631.55	426,789,360.26	
Total	291,763,065.93	3,378,082.20	1,695,134.07	296,836,282.20	

(Continued)

Item	Beginning Balance				Accumulated loss provisions recognized in other comprehensive income
	Cost	Accrued interest	Changes in fair value	Carrying amount	
Treasuries	290,640,325.69	3,378,082.20	-2,097,625.69	291,920,782.20	
Corporate bonds	738,430,653.09	25,455,397.23	8,313,736.91	772,199,787.23	
Subtotal	1,029,070,978.78	28,833,479.43	6,216,111.22	1,064,120,569.43	
Less: Other debt investments due within one year					
Total	1,029,070,978.78	28,833,479.43	6,216,111.22	1,064,120,569.43	

(2) Important other debt investments

Item	Balance at the end of the period				Beginning Balance			
	Face value	Coupon rate	Real interest rate	Date due	Face value	Coupon rate	Real interest rate	Date due
16 Interest-bearing treasuries 17 (1)	200,000,000.00	2.74%	3.10%	4 August, 2026	200,000,000.00	2.74%	3.10%	4 August, 2026
16 Interest-bearing treasuries 17 (2)	100,000,000.00	2.74%	3.44%	4 August, 2026	100,000,000.00	2.74%	3.44%	4 August, 2026
17 Baoanji MTN001	60,000,000.00	6.20%	6.24%	18 August, 2020	60,000,000.00	6.20%	6.24%	18 August, 2020
10 State grid bonds 01	350,000,000.00	4.74%	4.98%	5 February, 2020	350,000,000.00	4.74%	4.98%	5 February,

Item	Balance at the end of the period				Beginning Balance			
	Face value	Coupon rate	Real interest rate	Date due	Face value	Coupon rate	Real interest rate	Date due
								2020
Total	710,000,000.00	—	—	—	710,000,000.00	—	—	—

(3) Particulars on Accruing of impairment provisions

None.

14. Long-term equity investment

Name of invested entities	Beginning Balance		Increase/Decrease in the current period								Balance 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	Original value	Provision for impairment
1. Partnership												
Songyuan Food Group Co., Ltd.	70,904,579.15				3,767,568.71						74,672,147.86	
Subtotal	70,904,579.15				3,767,568.71						74,672,147.86	
2. Joint venture											-	
Gree (Vietnam) Electric Appliances, Inc.	1,940,009.35	1,940,009.35	-	-	-	-	-	-	-	-	1,940,009.35	1,940,009.35
Liaowang All Media Communication Co., Ltd.	28,057,883.29		-	-	3,453,907.07	-	-	-	-	-	31,511,790.36	
Beijing Gree Technology Co., Ltd.	2,309,507.13		-	-	392,326.58	-	-	-	-	-	2,701,833.71	
Chongqing Pargo Mechanical Equipment Co., Ltd.	10,715,459.43		-	-	850,045.78	-	-	-	-	-	11,565,505.21	
Gree Volinco (Hong Kong) Ltd.	972,937.26		-	-	-53,146.98	4,536.91	-	-	-	-	924,327.19	
Wuhan Digital Design and Manufacturing Innovation Center Co., Ltd.	14,483,961.08		-	-	90,880.77	-	-	-	-	-	14,574,841.85	
Hunan Guoxin Semiconductor Technology Co., Ltd.	9,950,321.68		-	-	59,848.82	-	-	-	-	-	10,010,170.50	
Zhuhai Ronglin Equity Investment Partnership (Limited Partnership)	2,113,337,812.69		-	-	-30,054,643.59	4,784,432,411.50	-	-	-	-	6,867,715,580.60	
Henan Yuze Finance Leasing Co., Ltd.	-		50,000,000.00	-	509,964.01	-	-	-	-	-	50,509,964.01	
Subtotal	2,181,767,891.91	1,940,009.35	50,000,000.00	-	-24,750,817.54	4,784,436,948.41	-	-	-	-	6,991,454,022.78	1,940,009.35
Total	2,252,672,471.06	1,940,009.35	50,000,000.00	-	-20,983,248.83	4,784,436,948.41	-	-	-	-	7,066,126,170.64	1,940,009.35

[Note] According to the partnership agreement of Zhuhai Ronglin Equity Investment Partnership (L.P.) (hereinafter referred to as "Zhuhai Ronglin"), the Company holds a 91.27% equity of Zhuhai Ronglin, and the Company participates in the project regarding acquisition of Nexperia Holding B.V by Wingtech Technology Co., Ltd. through investment in Zhuhai Ronglin, so it has no control over Zhuhai Ronglin. Therefore, during the report period, Zhuhai Ronglin was not included in the Company's consolidation scope of financial statements.

15. Other equity instrument investments

(1) Particulars on other equity instrument investments

Item	Balance at the end of the period	Beginning Balance
Shanghai Highly (Group) Co., Ltd.	775,199,650.33	801,289,952.19
Xinjiang Joinworld Company Limited	210,550,455.81	
Wingtech Technology Co., Ltd. [Note]	3,316,957,037.50	
RSMACALLINE-HSHS	341,894,553.87	343,617,994.14
Total	4,644,601,697.51	1,144,907,946.33

[Note] In November 2018, the Company signed a relevant investment agreement with Wingtech Technology Co., Ltd. (stock code: 600745, stock abbreviation: Wingtech Technology), Hefei Zhongwen Jintai Co., Ltd. (hereinafter referred to as "Hefei Zhongwen Jintai") and Zhuhai Ronglin and invested RMB 3 billion to participate in the project regarding acquisition of Nexperia Holdings B.V. (hereinafter referred to as "Nexperia Group") by Wingtech Technology, of which RMB 885 million was invested in Hefei Zhongwen Jintai for accepting the transfer of the share of LP property held by Hefei Xinping Industrial Investment Fund (L.P.) in Hefei Guangxin Semiconductor Industry Center (L.P.); and RMB 2.115 billion was invested in Zhuhai Ronglin for accepting the transfer of the share of LP property held by Zhuhai Rongyue Equity Investment Partnership (L.P.) in Hefei Guangxun Semiconductor Industry Investment Center (L.P.) (hereinafter referred to as "Hefei Guangxun").

On 25 June, 2019, Wingtech Technology's reorganization was approved by the China Securities Regulatory Commission (CSRC Approval [2019] No. 1112).

In October 2019, RMB 885 million equity interest held by the Company in Hefei Zhongwen Jintai (accounting for 6.88% of Hefei Zhongwen Jintai's equity) and the LP share indirectly held by the Company in Hefei Guangxun through Zhuhai Ronglin, were transferred to Wingtech Technology, and at the same time, the registration procedures for securities related to the new shares issued by Wingtech Technology for the issuance of shares and the purchase of assets were completed. The Company and Zhuhai Ronglin became shareholders of Wingtech Technology, holding 35,858,995 shares and 92,420,040 shares of Wingtech Technology respectively, which accounted for 3.45% and 8.88% of the total equity of Wingtech before raising supporting funds.

The above-mentioned shares will be listed and traded on the Shanghai Stock Exchange. The shares held by the Company and Zhuhai Ronglin are tradable shares with restricted sales, and the restricted period is 36 months from the date of registration of the new shares.

(2) Particulars on non-trading equity instrument investment

Item	Dividend income recognized in the current period	Amount change in the fair value cumulatively recorded into other comprehensive income	Amount transferred from other comprehensive income into retained earnings	Reason for designation as at fair value through other comprehensive income

Item	Dividend income recognized in the current period	Amount change in the fair value cumulatively recorded into other comprehensive income	Amount transferred from other comprehensive income into retained earnings	Reason for designation as at fair value through other comprehensive income
Shanghai Highly (Group) Co., Ltd.	14,408,571.49	-369,871,271.40		According to the management's intention and contractual cash flow
Xinjiang Joinworld Company Limited		10,550,458.57		According to the management's intention and contractual cash flow
Wingtech Technology Co., Ltd.		2,431,957,040.90		According to the management's intention and contractual cash flow
RSMACALLINE-HSHS	14,398,299.50	-359,345,947.63		According to the management's intention and contractual cash flow
Total	28,806,870.99	1,713,290,280.44		

16. Other non-current financial assets

Item	Balance at the end of the period	Beginning Balance
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	2,003,483,333.33	
Including: trust products	2,003,483,333.33	
Total	2,003,483,333.33	

17. Investment real estate

Investment real estate using cost measurement model

Item	Houses and buildings	Total
I. Total of original carrying amount	-	-
1. Beginning Balance	703,336,514.05	703,336,514.05
2. Increased amount in the current period	7,304,179.66	7,304,179.66
Including: amount transferred into construction in progress	7,304,179.66	7,304,179.66
3. Decreased amount in the current period	6,845,296.61	6,845,296.61
Including: amount transferred into fixed assets	6,845,296.61	6,845,296.61
4. Balance at the end of the period	703,795,397.10	703,795,397.10
II. Accumulated depreciation and accumulated amortization	-	-
1. Beginning Balance	165,747,170.97	165,747,170.97
2. Increased amount in the current period	39,464,443.54	39,464,443.54
Including: appropriation	39,464,443.54	39,464,443.54

Item	Houses and buildings	Total
3. Decreased amount in the current period	64,909.26	64,909.26
Including: amount transferred into fixed assets	64,909.26	64,909.26
4. Balance at the end of the period	205,146,705.25	205,146,705.25
III. Provision for impairment	-	-
IV. Carrying amount	-	-
1. Carrying amount at the end of the period	498,648,691.85	498,648,691.85
2. Carrying amount at the beginning of the period	537,589,343.08	537,589,343.08

[Note] As of 31 December, 2019, the book value of investment real estate - houses and buildings that the Company has not obtained the property ownership certificates was RMB 62,328,158.02.

18. Fixed assets

Item	Balance at the end of the period	Beginning Balance
Fixed assets	19,111,024,793.28	18,374,177,210.67
Fixed assets in liquidation	10,905,963.76	11,584,264.87
Total	19,121,930,757.04	18,385,761,475.54

[Note] The fixed assets in the table above refer to the fixed assets after deduction of the fixed assets in liquidation.

(1) Fixed assets

1) Information of fixed assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Other equipments	Total
I. Total of original carrying amount						
1. Beginning Balance	15,111,600,882.63	12,981,060,812.52	1,010,182,345.44	1,111,422,671.43	397,225,896.87	30,611,492,608.89
2. Increased amount in the current period	1,197,281,256.99	2,255,730,830.69	111,778,135.41	341,221,610.26	61,556,660.28	3,967,568,493.63
Including: (1) Procurement		1,448,441,156.66	104,640,408.39	339,019,620.32	52,948,430.98	1,945,049,616.35
(2) Amount transferred into investment real estate	6,845,296.61					6,845,296.61
(3) Transfer-in from construction in progress	1,146,034,075.19	471,728,519.49				1,617,762,594.68
(4) Increase by business combination	44,401,885.19	335,561,154.54	7,137,727.02	2,201,989.94	8,608,229.30	397,910,985.99
3. Decreased amount in the current period	535,597.70	169,952,632.62	23,214,572.38	23,720,298.09	7,055,816.92	224,478,917.71
Including: Disposal or scrap	535,597.70	169,952,632.62	23,214,572.38	23,720,298.09	7,055,816.92	224,478,917.71
4. Balance at the end of the period	16,308,346,541.92	15,066,839,010.59	1,098,745,908.47	1,428,923,983.60	451,726,740.23	34,354,582,184.81
II. Accumulated depreciation						
1. Beginning Balance	3,580,887,919.13	6,709,078,797.20	634,114,290.47	959,795,457.00	334,851,529.98	12,218,727,993.78

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Other equipments	Total
2. Increased amount in the current period	878,924,843.01	1,846,763,395.18	107,744,066.74	326,620,575.29	27,404,904.30	3,187,457,784.52
Including: (1) Appropriation	858,300,789.80	1,631,118,304.21	102,353,401.78	325,056,352.04	20,810,061.67	2,937,638,909.50
(2) Increase by business combination	20,559,143.95	215,645,090.97	5,390,664.96	1,564,223.25	6,594,842.63	249,753,965.76
(3) Amount transferred into investment real estate	64,909.26					64,909.26
3. Decreased amount in the current period	55,100.00	136,227,712.00	21,588,120.46	17,286,909.16	4,806,204.50	179,964,046.12
Including: Disposal or scrap	55,100.00	136,227,712.00	21,588,120.46	17,286,909.16	4,806,204.50	179,964,046.12
4. Balance at the end of the period	4,459,757,662.14	8,419,614,480.38	720,270,236.75	1,269,129,123.13	357,450,229.78	15,226,221,732.18
III. Provision for impairment						
1. Beginning Balance	13,995,429.77	4,126,388.66	8,282.39	141,619.69	315,683.93	18,587,404.44
2. Increased amount in the current period						
3. Decreased amount in the current period	206,957.50	1,025,775.16		10,459.06	8,553.37	1,251,745.09
Including: Disposal or scrap	206,957.50	1,025,775.16		10,459.06	8,553.37	1,251,745.09
4. Balance at the end of the period	13,788,472.27	3,100,613.50	8,282.39	131,160.63	307,130.56	17,335,659.35
IV. Carrying amount						
1. Carrying amount at the end of the period	11,834,800,407.51	6,644,123,916.71	378,467,389.33	159,663,699.84	93,969,379.89	19,111,024,793.28
2. Carrying amount at the beginning of the period	11,516,717,533.73	6,267,855,626.66	376,059,772.58	151,485,594.74	62,058,682.96	18,374,177,210.67

[Note] As of 31 December, 2019, the book value of fixed assets - houses and buildings that the Company has not obtained the property ownership certificates was RMB 4,749,669,365.42.

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

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

4) The Company had no fixed assets leased in under operating leases.

(2) Fixed assets in liquidation

Item	Balance at the end of the period	Beginning Balance
Fixed assets in liquidation	10,905,963.76	11,584,264.87
Total	10,905,963.76	11,584,264.87

19. Construction in Progress

Item	Balance at the end of the period	Beginning Balance
Construction in Progress	2,431,051,409.94	1,663,938,988.55
Total	2,431,051,409.94	1,663,938,988.55

[Note] The construction in progress in the above table refers to the construction in progress after deduction of engineering materials.

(1) Basic information of construction in progress

Item	Balance at the end of the period			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Hangzhou Gree project	638,157,589.99	0.00	638,157,589.99	602,859,503.86	0.00	602,859,503.86
Luoyang Gree Project	442,202,237.46	0.00	442,202,237.46	10,774,423.01	0.00	10,774,423.01
Nanjing Gree Project	333,459,029.75	0.00	333,459,029.75	1,755,887.87	0.00	1,755,887.87
Gree HQ project	262,245,182.66	0.00	262,245,182.66	168,094,835.04	0.00	168,094,835.04
Landa compressor project	132,330,042.15	0.00	132,330,042.15	99,768,186.70	0.00	99,768,186.70
Tianjin green project	116,723,040.76	0.00	116,723,040.76	149,456,425.67	0.00	149,456,425.67
Wu'an Precision Project	113,318,790.64	0.00	113,318,790.64	650,943.40	0.00	650,943.40
Wuhan Gree project	104,859,292.68	0.00	104,859,292.68	28,981,609.46	0.00	28,981,609.46

Item	Balance at the end of the period			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Zhengzhou Gree project	59,928,438.47	0.00	59,928,438.47	20,957,373.36	0.00	20,957,373.36
Chengdu Gree Project	36,203,794.46	0.00	36,203,794.46	0.00	0.00	0.00
Gree Mould Project	33,781,886.17	0.00	33,781,886.17	30,931,777.66	0.00	30,931,777.66
Electrical engineering	23,809,625.98	0.00	23,809,625.98	5,056,477.85	0.00	5,056,477.85
Wuhu Gree project	23,740,409.47	0.00	23,740,409.47	29,664,001.36	0.00	29,664,001.36
Intelligent equipment project	18,837,539.53	0.00	18,837,539.53	47,301,293.44	0.00	47,301,293.44
Others	91,454,509.77	0.00	91,454,509.77	467,686,249.87	0.00	467,686,249.87
Total	2,431,051,409.94	0.00	2,431,051,409.94	1,663,938,988.55	0.00	1,663,938,988.55

(2) Changes in important construction projects in progress

Item Name	Beginning Balance	Increase for the current period	Transferred-in this period		Balance at the end of the period
			Amount transferred into fixed assets	Amount transferred into investment real estate	
Hangzhou Gree project	602,859,503.86	442,999,482.35	407,701,396.22	-	638,157,589.99
Luoyang Gree Project	10,774,423.01	431,427,814.45	-	-	442,202,237.46
Nanjing Gree Project	1,755,887.87	331,703,141.88	-	-	333,459,029.75
Gree HQ project	168,094,835.04	235,639,222.39	141,488,874.77	-	262,245,182.66
Landa compressor project	99,768,186.70	183,848,653.58	151,286,798.13	-	132,330,042.15
Tianjin green project	149,456,425.67	2,174,042.30	34,907,427.21	-	116,723,040.76
Wu'an Precision Project	650,943.40	112,667,847.24	-	-	113,318,790.64
Wuhan Gree project	28,981,609.46	103,125,617.43	27,247,934.21	-	104,859,292.68
Zhengzhou Gree project	20,957,373.36	58,369,830.84	19,398,765.73	-	59,928,438.47
Chengdu Gree Project	-	36,203,794.46	-	-	36,203,794.46
Gree Mould Project	30,931,777.66	79,479,793.79	76,629,685.28	-	33,781,886.17

Electrical engineering	5,056,477.85	60,938,827.82	42,185,679.69	-	23,809,625.98
Wuhu Gree project	29,664,001.36	38,357,552.32	44,281,144.21	-	23,740,409.47
Intelligent equipment project	47,301,293.44	1,457,127.53	29,920,881.44	-	18,837,539.53
Others	467,686,249.87	273,786,447.35	642,714,007.79	7,304,179.66	91,454,509.77
Total	1,663,938,988.55	2,392,179,195.73	1,617,762,594.68	7,304,179.66	2,431,051,409.94

[Note] The Company had no impairment of construction in progress or interest capitalization in the current period.

20. Intangible assets

Item	Land use rights	Patent technology and others	Total
I. Total of original carrying amount	0.00	0.00	0.00
1. Beginning Balance	4,953,018,535.94	996,209,258.71	5,949,227,794.65
2. Increased amount in the current period	901,111,198.53	193,676,700.88	1,094,787,899.41
Including: (1) Outsourcing	846,227,719.63	107,976,700.88	954,204,420.51
(2) Increase by business combination	54,883,478.90	85,700,000.00	140,583,478.90
3. Decrease amount of the current period [Note 1]		235,145,374.23	235,145,374.23
Including: write-off		235,145,374.23	235,145,374.23
4. Balance at the end of the period	5,854,129,734.47	954,740,585.36	6,808,870,319.83
II. Accumulated amortization	0.00	0.00	0.00
1. Beginning Balance	566,306,709.38	178,420,917.97	744,727,627.35
2. Increased amount in the current period	113,284,492.81	105,172,924.04	218,457,416.85
Including: (1) Amortization	110,623,513.91	105,172,924.04	215,796,437.95
(2) Increase by business combination	2,660,978.90	0.00	2,660,978.90
3. Decreased amount in the current period	0.00	235,145,374.23	235,145,374.23
Including: write-off		235,145,374.23	235,145,374.23
4. Balance at the end of the period	679,591,202.19	48,448,467.78	728,039,669.97
III. Provision for impairment	0.00	0.00	0.00
1. Beginning Balance			
2. Increased amount in the current period [Note 2]		775,289,550.94	775,289,550.94
Including: appropriation		775,289,550.94	775,289,550.94
3. Decreased amount in the current period			
4. Balance at the end of the period		775,289,550.94	775,289,550.94

Item	Land use rights	Patent technology and others	Total
IV. Carrying amount	0.00	0.00	0.00
1. Carrying amount at the end of the period	5,174,538,532.28	131,002,566.64	5,305,541,098.92
2. Carrying amount at the beginning of the period	4,386,711,826.56	817,788,340.74	5,204,500,167.30

[Note 1] Write-off amounts of intangible assets - patented technology and others in the current period were the used quota licensing rights;

[Note 2] Impairment provisions accrued for intangible assets - patented technology and others in the current period were due to changes in market prices of quota licensing rights at the end of the period;

[Note 3] As of 31 December, 2019, the book value of intangible assets that the Company has not obtained the property ownership certificates was RMB 660,833,169.61.

21. Business reputation

(1) Original carrying amount of business reputation

Name of invested entity or matter generating business reputation	Beginning Balance	Increase in the current period		Decrease for the current period		Balance at the end of the period
		Formed by business combination	Others	Disposal	Others	
Hefei Kinghome Electrical Co., Ltd.	51,804,350.47					51,804,350.47
Nanjing Walsin Nonferrous Metal Co., Ltd.		274,115,040.11				274,115,040.11
Total	51,804,350.47	274,115,040.11				325,919,390.58

[Note] The Company acquired 94.30% equity of Nanjing Walsin Nonferrous Metal Co., Ltd. (hereinafter referred to as "Nanjing Walsin") in the current period, the business combination cost was RMB 1,417,551,321.45, the combination date was 31 May, 2019, the fair value of the identifiable net assets of Nanjing Walsin was RMB 1,143,436,281.34, and the amount of formed business reputation was RMB 274,115,040.11. For details, see Note (VIII) 1.

(2) Business reputation group and impairment test

The Company tested the impairment of business reputation by combining the assets or assets group related to business reputation that can benefit from the synergistic effect of business combination. Because it was difficult to directly obtain the fair market value of assets or assets group containing business reputation, the Company calculated the recoverable amount of assets group by using the method of predicting the present value of future cash flow. Its predicted cash flow was based on the forecast of future cash flow of assets or asset groups, and the future cash flow was compiled and predicted according to historical actual operation data, industry development trend, capacity planning, expected income growth rate, gross interest rate and other indicators. Other key data

used in the impairment test include the expected product sales revenue, production costs and other related costs. The Company determines the above key data based on the historical experience and forecast of market development. The discount rate adopted by the Company is the pre-tax interest rate which reflects the time value of the current market currency and specific risks of the relevant assets group.

At the end of this year, the assets group in which business reputation was located was consistent with the assets group determined at the time of business reputation formation on the acquisition date, and its composition has not changed.

The discount rate used by the Company's cash flow forecast was 11.47% ~ 13.40%. According to the test results, the recoverable amount of the asset group related to business reputation was greater than the recognizable book value of the asset group and the book value of all business reputations (including minority shareholders), and the business reputation does not require provision for impairment.

22. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets recognized

Item	Balance at the end of the period		Beginning Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Assets depreciation reserves	1,818,201,959.97	324,279,108.41	859,671,436.18	169,931,920.89
Deductible loss	442,563,341.90	106,861,346.18	323,800,099.52	75,245,195.07
Accrued expenses	78,082,911,509.22	11,713,704,909.46	70,839,789,625.69	10,626,930,497.14
Payroll payable	1,147,772,355.98	181,068,388.98	894,547,169.93	136,359,247.55
Amortization of assets	295,771,738.84	45,001,546.37	744,843,631.94	113,429,122.16
Changes in fair value of other equity instrument investments			340,091,000.46	51,013,650.07
Others	1,115,621,255.53	170,169,778.69	1,284,207,382.91	204,181,131.25
Total	82,902,842,161.44	12,541,085,078.09	75,286,950,346.63	11,377,090,764.13

(2) Deferred income tax liabilities recognized

Item	Balance at the end of the period		Beginning Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of derivative financial assets	144,585,199.56	23,711,924.81	314,210,913.04	58,831,224.22
Accrued interest	1,916,560,659.72	361,013,520.74	2,348,738,257.49	380,352,576.58
Amortization of assets	977,566,325.96	159,701,815.27	525,248,955.96	81,706,854.14
Changes in fair value of other equity instrument investments	2,082,567,402.93	312,385,110.44		

Item	Balance at the end of the period		Beginning Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Others	320,552,939.98	70,976,930.01	97,823,370.13	15,295,116.66
Total	5,441,832,528.15	927,789,301.27	3,286,021,496.62	536,185,771.60

(3) Breakdown of deductible temporary differences or deductible losses of deferred income tax assets not recognized

Item	Balance at the end of the period	Beginning Balance
Deductible temporary differences	523,331,619.91	620,681,542.48
Deductible loss	196,707,582.91	229,002,253.83
Total	720,039,202.82	849,683,796.31

(4) The deductible losses of deferred income tax assets not recognized will become due in the following years:

Year	Balance at the end of the period	Beginning Balance
2021		2,681,316.95
2022		874,596.45
2023	33,889,569.81	63,536,169.91
2024	4,243.31	
2029	437,450.85	
Open-ended	162,376,318.94	161,905,241.24
Total	196,707,582.91	228,997,324.55

[Note] The decrease of the deductible loss balance of unrecognized deferred income tax assets in the current period was profit achieved by some subsidiaries in the current year, which was caused by using the deductible loss of unrecognized deferred income tax assets in previous years.

23. Other non-current assets

Item	Balance at the end of the period	Beginning Balance
Advance payment for the project and deposit	210,752,497.85	156,505,997.04
Advance payment for equipment	600,147,738.32	631,036,639.46
Advance payment of land transfer fee and others	137,427,798.96	
Total	948,328,035.13	787,542,636.50

24. Short-term borrowing

(1) Classification of short-term borrowings

Borrowing conditions	Balance at the end of the period	Beginning Balance
Pledge loans	60,000,000.00	4,354,000,000.00
Guaranteed loan	767,512,482.00	
Borrowing on credit	14,905,397,876.22	17,713,750,002.70
Subtotal	15,732,910,358.22	22,067,750,002.70
Accrued interest	211,266,104.79	130,149,404.18
Total	15,944,176,463.01	22,197,899,406.88

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

25. Deposits from customers and interbank

Item	Balance at the end of the period	Beginning Balance
Current deposits	95,908,461.12	40,924,930.78
Fixed time deposits	134,656,999.65	110,897,348.35
Draft deposits	117,212,500.00	164,057,500.00
Subtotal	347,777,960.77	315,879,779.13
Accrued interest	4,734,350.95	3,597,463.78
Total	352,512,311.72	319,477,242.91

26. Loans from other banks

Item	Balance at the end of the period	Beginning Balance
Credit lending	1,000,000,000.00	
Accrued interest	446,666.67	
Total	1,000,446,666.67	

27. Derivative financial liabilities

Item	Balance at the end of the period	Beginning Balance
Forward Foreign Exchange Contract		257,364,882.07
Total		257,364,882.07

28. Financial assets sold for repurchase

Item	Balance at the end of the period	Beginning Balance
Bills rediscounted	2,074,500,000.00	
Total	2,074,500,000.00	

29. Bills payable

Item	Balance at the end of the period	Beginning Balance
Banker's acceptance bill	25,284,631,379.70	10,835,428,282.29
Trade acceptance draft	576,464.16	
Total	25,285,207,843.86	10,835,428,282.29

30. Accounts payable

Item	Balance at the end of the period	Beginning Balance
Trade payable	40,581,441,741.13	38,282,494,963.50
Others	1,075,374,011.33	704,876,507.52
Total	41,656,815,752.46	38,987,371,471.02

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

31. Advances from customers

Item	Balance at the end of the period	Beginning Balance
Loans	8,225,707,662.42	9,792,041,417.16
Total	8,225,707,662.42	9,792,041,417.16

32. Payroll payable

(1) Classification of payroll payable

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
I. Short-term wages and salaries	2,471,155,103.64	9,352,117,659.17	8,396,439,821.08	3,426,832,941.73
Dimission benefits - defined contribution plan	2,049,348.05	596,533,062.33	594,446,387.78	4,136,022.60
Total	2,473,204,451.69	9,948,650,721.50	8,990,886,208.86	3,430,968,964.33

(2) Listing of short-term wages and salaries

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Wages, bonuses, subsidies and allowances	1,768,463,148.33	8,019,949,735.97	7,165,065,550.62	2,623,347,333.68
2. Employee welfares		698,073,353.00	698,073,353.00	
3. Social insurance premiums	589,032.53	238,428,671.27	238,456,383.21	561,320.59
Including: Medical insurance premium	447,212.06	206,085,276.01	206,004,469.73	528,018.34
Industrial injury insurance premium	110,325.81	12,071,162.53	12,155,387.68	26,100.66

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Birth insurance premium	31,494.66	20,272,232.73	20,296,525.80	7,201.59
4. Housing accumulation funds	1,530,298.45	157,970,844.10	158,131,088.64	1,370,053.91
5. Labor union expenditures and employee education funds	700,572,624.33	237,695,054.83	136,713,445.61	801,554,233.55
Total	2,471,155,103.64	9,352,117,659.17	8,396,439,821.08	3,426,832,941.73

(3) Separation benefits - defined contribution plan listing

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Basic endowment insurance premium	1,571,545.90	574,101,238.90	572,465,812.41	3,206,972.39
2. Unemployment insurance premium	477,802.15	22,431,823.43	21,980,575.37	929,050.21
Total	2,049,348.05	596,533,062.33	594,446,387.78	4,136,022.60

33. Taxes payable

Item	Balance at the end of the period	Beginning Balance
Added-value tax	1,672,108,943.75	2,289,562,480.63
Business income tax	1,678,470,486.79	2,082,978,156.94
Others	353,200,285.79	475,807,036.13
Total	3,703,779,716.33	4,848,347,673.70

34. Other payables

Item	Balance at the end of the period	Beginning Balance
Dividends payable	707,913.60	707,913.60
Other payables	2,711,985,060.06	3,083,303,827.78
Total	2,712,692,973.66	3,084,011,741.38

[Note] Other payables in the above table refers to other payables after deduction of the interest payable and dividends payable.

(1) Dividends payable

Item	Balance at the end of the period	Beginning Balance
Corporate shareholder	105,031.73	105,031.73
Public shareholder	602,881.87	602,881.87
Total	707,913.60	707,913.60

(2) Other payables

1) Other payables presented by amount nature

Item	Balance at the end of the period	Beginning Balance
Intercourse funds	1,880,900,981.33	2,323,368,234.27
Margin and deposit	831,084,078.73	759,935,593.51
Total	2,711,985,060.06	3,083,303,827.78

2) Other important payables with aging exceeding 1 year

Item	Balance at the end of the period	Cause of failing to repay or carry over
Entity 1	326,905,170.30	Failure to meet repayment conditions
Total	326,905,170.30	—

35. Other current liabilities

Item	Balance at the end of the period	Beginning Balance
Repair cost	2,032,816,015.42	1,405,491,811.34
Sales rebate	61,751,640,937.64	61,878,214,635.10
Obligation to pay commercial papers which is not derecognized	802,418,995.36	1,529,380,653.66
Others [Note]	594,615,906.72	77,892,318.52
Total	65,181,491,855.14	64,890,979,418.62

[Note] Other current liabilities - others, please refer to Note (VII) 59 for details.

36. Long-term borrowing

Item	Balance at the end of the period	Beginning Balance
Mortgaged borrowings	46,795,740.49	
Accrued interest	90,142.37	
Total	46,885,882.86	

37. Long-term payroll payable

(1) Table of long-term payroll payable

Item	Balance at the end of the period	Beginning Balance
Dimission benefits - net liabilities of defined benefit plan	141,021,228.00	130,840,170.00
Total	141,021,228.00	130,840,170.00

(2) Changes in the defined benefit plan

1) Present value of obligations under the defined benefit plan:

Item	Amount for the current period	Amount for the previous period
I. Beginning balance	130,840,170.00	112,708,961.00
II. Defined benefit cost recorded in the current profits and losses	7,311,017.00	6,565,827.00
1. Service cost of the current period	2,123,433.00	1,742,806.00
2. Net interest	4,487,322.00	4,684,674.00
3. Impact on new personnel	700,262.00	138,347.00
III. Defined benefit cost recorded in other comprehensive income	8,029,478.00	16,491,946.00
Including: actuarial gains (losses represented by "-")	8,029,478.00	16,491,946.00
IV. Other changes	-5,159,437.00	-4,926,564.00
Including: paid benefits	-5,159,437.00	-4,926,564.00
V. Balance at the end of the period	141,021,228.00	130,840,170.00

2) Net liabilities (net assets) of the defined benefit plan:

Item	Amount for the current period	Amount for the previous period
I. Beginning balance	130,840,170.00	112,708,961.00
II. Defined benefit cost recorded in the current profits and losses	7,311,017.00	6,565,827.00
III. Cost of the defined benefit plan included in other comprehensive income	8,029,478.00	16,491,946.00
IV. Other changes	-5,159,437.00	-4,926,564.00
V. Balance at the end of the period	141,021,228.00	130,840,170.00

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

1) Explanation of the content of the defined benefit plan and its related risks, and its impact 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 31 December, 2019. 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) Explanation of major 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 dismission 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.

Quantitative sensitivity analysis of all the used major assumptions by the end of the Report Period:

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	-18,362,457.00
Influence on the present obligation value of defined welfare benefit by decrease of one percentage point	23,196,126.00
Influence on the service cost by increase of one percentage point	-456,768.02
Influence on the service cost by decrease of one percentage point	625,016.78

38. Deferred income

(1) Classification of deferred income

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Government subsidies	166,293,620.03	131,967,192.75	57,756,542.31	240,504,270.47
Total	166,293,620.03	131,967,192.75	57,756,542.31	240,504,270.47

(2) Items involving government subsidies:

Item	Beginning Balance	Amount of subsidies added in the current period	Current period amount recorded in the current period profits and losses	Other changes (Increase: +; Decrease: -)	Balance at the end of the period
I. Government subsidies pertinent to incomes	128,706,598.64	51,430,634.49	40,828,185.81		139,309,047.32
Including: environmental protection upgrade project	442,945.26	1,600,000.00	174,726.34		1,868,218.92
Scientific research project of refrigerating field	84,429,669.82	28,280,032.42	25,388,049.03		87,321,653.21
Others	43,833,983.56	21,550,602.07	15,265,410.44		50,119,175.19
II. Government subsidies pertinent to assets	37,587,021.39	80,536,558.26	16,928,356.50		101,195,223.15
Including: environmental protection upgrade project	8,384,588.19	8,730,000.00	2,629,503.35		14,485,084.84
Scientific research project of refrigerating field	26,699,364.02	65,416,258.26	12,203,870.71		79,911,751.57
Others	2,503,069.18	6,390,300.00	2,094,982.44		6,798,386.74
Total	166,293,620.03	131,967,192.75	57,756,542.31		240,504,270.47

39. Capital stock

Item	Beginning Balance	Increase and decrease changes (+, -) in the Report Period					Balance at the end of the period
		New Issue	Bonus Issue	Stock Converted from Housing Accumulation Fund	Others	Subtotal	
Total number of stocks	6,015,730,878.00						6,015,730,878.00

40. Capital reserves

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Capital stock premium	26,979,063.83			26,979,063.83
Other capital reserves	66,400,436.88			66,400,436.88
Total	93,379,500.71			93,379,500.71

41. Other comprehensive income

Item	Beginning Balance	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	
(I) Other comprehensive income not to be reclassified to profit or loss	-670,287,654.70	7,174,861,155.70		363,398,760.51	6,811,462,395.19		6,141,174,740.49
Including: Changes due to remeasuring and redefining the benefit plan	-36,133,363.00	-8,029,478.00			-8,029,478.00		-44,162,841.00
Other comprehensive income that can't be transferred to profit or loss under the equity method		4,784,432,411.50			4,784,432,411.50		4,784,432,411.50
Changes in fair value of other equity instrument investments	-634,154,291.70	2,398,458,222.20		363,398,760.51	2,035,059,461.69		1,400,905,169.99
Changes in fair value of the company's own credit risk							
(II) Other comprehensive income to be reclassified to profit or loss	50,041,141.47	-15,768,266.55	-87,892,791.90	3,443,841.51	69,076,099.17	-395,415.33	119,117,240.64
Including: Other comprehensive income that can be transferred to profit or loss under the equity method	178,221.26	4,536.91			4,536.91		182,758.17
Changes in fair value of other debt investments	-65,279,552.24	-71,014,562.36	-81,714,642.25	1,596,921.56	9,498,573.66	-395,415.33	-55,780,978.58
Amount of financial assets are reclassified and included into profits and losses							
Provision for credit impairment of other debt investments							
Cash flow hedge reserve	-5,251,427.20	6,134,650.00	-6,178,149.65	1,846,919.95	10,465,879.70		5,214,452.50
Difference arising from translation of financial statements in foreign currency	120,393,899.65	49,107,108.90			49,107,108.90		169,501,008.55
Total other comprehensive income	-620,246,513.23	7,159,092,889.15	-87,892,791.90	366,842,602.02	6,880,538,494.36	-395,415.33	6,260,291,981.13

42. Surplus reserve

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Statutory surplus reserve	2,530,583,291.14	-	-	2,530,583,291.14
Discretionary surplus reserve	969,088,265.45	-	-	969,088,265.45
Total	3,499,671,556.59	-	-	3,499,671,556.59

43. General risk provisions

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
General risk provisions	329,417,571.48	160,438,255.27	-	489,855,826.75
Total	329,417,571.48	160,438,255.27	-	489,855,826.75

44. Undistributed profit

Item	Amount for the current period	Amount for the previous period
Undistributed profit at the beginning of the period	81,939,701,613.83	55,740,076,085.90
Add: Business combinations under common control		-1,092,203.68
Add: Changes in accounting policies	-48,226,344.11	
Total adjustment amount of undistributed profits at the beginning of the period ("+" stands for increase by adjustment and "-" stands for decrease by adjustment) [Note 1]	-48,226,344.11	-1,092,203.68
Undistributed profit at the beginning of the period after adjustment	81,891,475,269.72	55,738,983,882.22
Add: Net profit attributable to owners of parent company for the current period	24,696,641,368.84	26,202,787,681.42
Less: Appropriation of statutory surplus reserve		
Arbitrary surplus reserve accrued		
Appropriation of general risk provisions	160,438,255.27	2,069,949.81
Ordinary stock dividends payable [Note 2]	12,633,034,843.80	
Undistributed profit at the end of the period	93,794,643,539.49	81,939,701,613.83

[Note 1] The Company retrospectively applied the new standards for financial instruments. For the cumulative impact of the first implementation of the standards, the retained earnings at the beginning of 2019 were adjusted. For details, see this Note (V) 31;

[Note 2] According to the resolutions of the Extraordinary General Meeting on 16 January, 2019 and the General Meeting of Shareholders on 26 June, 2019, the Company distributed cash dividends to all shareholders, which were RMB 6.00 (tax included) and RMB 15.00 (including tax) per 10 shares respectively. Calculated according to

the issued 6,015,730,878.00 shares, the actual cash dividend of RMB 12,633,034,843.80 were paid in the current year.

45. Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main business	156,888,659,016.13	103,703,283,171.60	170,592,428,489.17	112,404,155,789.00
Other businesses	41,264,368,524.22	39,796,089,409.76	27,530,748,567.67	25,830,011,921.13
Total	198,153,027,540.35	143,499,372,581.36	198,123,177,056.84	138,234,167,710.13

(1) Main business (classified by industry)

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Manufacturing	156,888,659,016.13	103,703,283,171.60	170,592,428,489.17	112,404,155,789.00
Total	156,888,659,016.13	103,703,283,171.60	170,592,428,489.17	112,404,155,789.00

(2) Main business (classified by product)

Name of product	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating Cost	Operating incomes	Operating Cost
Air Conditioner	138,665,055,103.82	87,192,449,061.21	155,682,359,475.59	98,890,052,827.63
Home Appliances	5,575,911,375.57	4,271,001,457.59	3,794,087,435.54	3,102,311,255.00
Intelligent equipment	2,141,285,558.55	2,014,056,867.41	3,108,531,271.87	2,907,041,559.95
Others	10,506,406,978.19	10,225,775,785.39	8,007,450,306.17	7,504,750,146.42
Total	156,888,659,016.13	103,703,283,171.60	170,592,428,489.17	112,404,155,789.00

(3) Main business (classified by region)

Name of region	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating Cost	Operating incomes	Operating Cost
Domestic	136,073,206,974.43	85,697,917,155.53	148,322,536,473.83	93,103,971,438.42
Overseas	20,815,452,041.70	18,005,366,016.07	22,269,892,015.34	19,300,184,350.58
Total	156,888,659,016.13	103,703,283,171.60	170,592,428,489.17	112,404,155,789.00

46. Interest revenue and interest expense

Item	Amount for the current period	Amount for the previous period
Interest revenue	2,351,471,964.56	1,899,287,824.22
Including: interest revenue from deposits in other banks and central banks	1,676,328,736.19	1,249,442,905.14

Item	Amount for the current period	Amount for the previous period
Interest revenue from loans and advances	496,600,631.52	426,618,074.89
Others	178,542,596.85	223,226,844.19
Interest expense	110,579,966.36	45,341,946.69
Including: expense from transactions with financial institutions	95,647,504.93	26,310,584.80
Others	14,932,461.43	19,031,361.89
Net interest revenue	2,240,891,998.20	1,853,945,877.53

47. Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance & construction tax	459,354,196.12	618,079,352.00
Educational surcharges	334,351,737.99	449,375,886.75
Waste electrical appliance treatment fund	286,294,935.08	293,247,090.00
House property tax	147,560,273.40	127,718,382.68
Land use tax	94,573,090.72	76,630,885.37
Commodity circulation tax and industrial product tax of Brazil	71,779,078.43	52,922,043.94
Others	149,070,436.89	123,919,063.83
Total	1,542,983,748.63	1,741,892,704.57

48. Sales expense

Item	Amount for the current period	Amount for the previous period
Sales expense	18,309,812,188.35	18,899,578,046.25
Total	18,309,812,188.35	18,899,578,046.25

[Note] In 2019, the selling expenses included the installation and maintenance cost, transportation and warehousing fee and loading and unloading fee, sales rebate and promotion fee, accounting for more than 80% of the total selling expenses.

49. Overhead Expense

Item	Amount for the current period	Amount for the previous period
Overhead Expense	3,795,645,600.08	4,365,850,083.19
Total	3,795,645,600.08	4,365,850,083.19

[Note] In 2019, the overhead expenses included the employees' wages and salaries, material consumption, depreciation and amortization, accounting for more than 80% of the total overhead expenses.

50. R&D expenses

Item	Amount for the current period	Amount for the previous period
R&D expenses	5,891,219,715.90	6,988,368,285.92
Total	5,891,219,715.90	6,988,368,285.92

[Note] In 2019, the R&D expenses included the employees' labor cost and direct investment cost, accounting for more than 80% of the total R&D expenses.

51. Financial expense

Item	Amount for the current period	Amount for the previous period
Interest expense [Note 1]	1,598,276,258.59	1,068,308,309.96
Less: Interest income [Note 2]	3,698,387,243.32	2,384,486,815.64
Exchange gain and loss	-366,166,349.99	228,556,360.16
Bank charges	35,131,571.19	128,629,122.01
Interest charges for defined welfare benefit obligations	4,487,322.00	4,684,674.00
Others	15,011.62	6,106,952.77
Total	-2,426,643,429.91	-948,201,396.74

[Note 1] The above interest expenses included the long-term and short-term loan interest expenses and the note discount interest expense immediately recognized upon the derecognition of notes

[Note 2] Both the above interest income and the interest income in Note (VII) 46 were capital gains.

52. Other incomes

(1) Classification of other incomes

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Government subsidies	935,150,874.70	403,676,714.90	923,560,958.61
Personal handling charge refund	997,770.17	4,876,490.63	997,770.17
Total	936,148,644.87	408,553,205.53	924,558,728.78

(2) Government subsidies recorded in the profits and losses of current period

Subsidy items	Amount for the current period	Amount for the previous period	Pertinent to assets/pertinent to incomes
Financial rewards	458,139,748.75	195,252,237.61	Pertinent to assets and incomes
Capital allowance for development projects	149,396,154.17	111,460,558.80	Pertinent to assets and incomes
Technological innovation	147,525,365.16	51,398,026.35	Pertinent to assets and incomes

Subsidy items	Amount for the current period	Amount for the previous period	Pertinent to assets/pertinent to incomes
subsidies income			
Human resources subsidy	103,289,308.06	16,497,832.55	Pertinent to incomes
Others	76,800,298.56	29,068,059.59	Pertinent to assets and incomes
Total	935,150,874.70	403,676,714.90	

53. Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	-20,983,248.83	560,513.87
Investment income from derivative financial instruments	-336,389,070.84	-162,205,608.27
Investment income related to financial assets available for sale	—	92,546,955.76
Investment income related to financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	—	19,119,043.90
Financing products and other investment incomes		156,748,029.75
Investment income related to trading financial assets and debt investment	63,410,268.30	—
Investment income related to other equity instrument investments and other debt investments	67,327,270.75	—
Total	-226,634,780.62	106,768,935.01

54. 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	179,646,941.60	47,780,795.26
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses		-1,523,370.43
Trading financial assets	48,617,126.28	
Total	228,264,067.88	46,257,424.83

55. Credit impairment losses

Item	Amount for the current period	Amount for the previous period
Loss on bad debt	-143,081,740.35	—
Impairment losses of loans and advances	-136,366,845.92	—
Total	-279,448,586.27	—

56. Asset impairment loss

Item	Amount for the current period	Amount for the previous period
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Item	Amount for the current period	Amount for the previous period
Loss on bad debt	—	-85,959,871.55
Inventory falling price loss	-67,603,749.00	-113,397,943.06
Impairment losses of intangible assets [Note]	-775,289,550.94	
Fixed asset impairment loss		-904,213.50
Loan impairment losses	—	-61,412,149.22
Total	-842,893,299.94	-261,674,177.33

[Note] For details, please refer to Note (VII) 20.

57. Income from disposal of assets

Item	Amount for the current period	Amount for the previous period
Profit from disposal of non-current assets (losses indicated with "-")	4,911,230.34	636,629.29
Total	4,911,230.34	636,629.29

58. Non-operating revenues

(1) Classification of non-operating revenues

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Government subsidies not pertinent to operation	292,291,413.05	268,001,389.57	292,291,413.05
Net profit from destruction scrap of non-current assets	738,673.12	3,804,752.28	738,673.12
Including: Gains from disposal of fixed assets	738,673.12	3,804,752.28	738,673.12
Others	52,676,576.96	46,051,591.57	52,676,576.96
Total	345,706,663.13	317,857,733.42	345,706,663.13

(2) Government subsidies recorded in the profits and losses of current period

Subsidy items	Amount for the current period	Amount for the previous period	Amount included in non-recurring gains and losses of the very year
Financial rewards	291,949,736.50	253,415,049.57	291,949,736.50
Others	341,676.55	14,586,340.00	341,676.55
Total	292,291,413.05	268,001,389.57	292,291,413.05

59. Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit
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			and loss
Net loss from destruction scrap of non-current assets	14,943,832.84	27,506,316.92	14,943,832.84
Including: net losses from destruction scrap of fixed assets	14,943,832.84	27,506,316.92	14,943,832.84
Others [Note]	583,162,723.99	13,728,384.13	583,162,723.99
Total	598,106,556.83	41,234,701.05	598,106,556.83

[Note] Non-operating expenses - others, mainly included settlement funds for the Company's dehumidifier recall incident from the US market.

60. Income tax expenses

(1) Table of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax calculated according to the tax law and relevant regulations	5,715,582,577.24	5,252,202,658.97
Add: deferred income tax expenses (revenue presented using "-")	-1,190,118,952.51	-357,724,751.78
Total	4,525,463,624.73	4,894,477,907.19

(2) Adjustment process of accounting profits and income tax expenses

Item	Amount for the current period
Total profit of current year	29,352,707,228.70
Income tax expenses calculated by the statutory/applicable tax rate	4,402,906,084.31
Impact by different tax rates applicable to subsidiaries	192,486,988.85
Impact by non-deductible costs, expenses and losses	13,536,512.28
Impact by deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current year	20,181,286.38
Others	-103,647,247.09
Income tax expenses	4,525,463,624.73

61. Relevant information of cash flow statements

(1) Other cash received relating to operating activities

Item	Amount for the current period	Amount for the previous period
Government subsidies	1,301,652,938.19	726,492,184.73
Interest revenue	283,444,434.07	395,203,295.82
Net decrease in margin of bill pledge deposits		5,840,941,705.02

Margin, deposit and others	1,210,966,466.08	604,349,038.28
Subtotal	2,796,063,838.34	7,566,986,223.85

(2) Other cash paid relating to operating activities

Item	Amount for the current period	Amount for the previous period
Cash repayments for selling expenses	11,601,156,921.11	12,135,151,238.29
Cash repayments for overhead expenses and R&D expenses	1,621,907,242.09	1,751,411,196.88
Net increase in margin of bill pledge and guarantee	7,323,512,969.28	
Returned project funds advanced	193,648,219.08	745,496,451.32
Others	786,227,441.34	394,775,297.23
Subtotal	21,526,452,792.90	15,026,834,183.72

(3) Other cash received relating to investing activities

Item	Amount for the current period	Amount for the previous period
Receipts from forward foreign exchange settlement and sales		152,397,919.95
Fixed deposit interest revenue and others	4,878,025,331.18	2,500,000,185.53
Subtotal	4,878,025,331.18	2,652,398,105.48

(4) Other cash paid relating to investing activities

Item	Amount for the current period	Amount for the previous period
Net increase in time deposits and forward foreign exchange settlement and sale payments	7,029,966,816.61	11,449,720,529.14
Others	10,487,868.71	72,502.20
Subtotal	7,040,454,685.32	11,449,793,031.34

(5) Other cash received relating to financing activities

Item	Amount for the current period	Amount for the previous period
Net decrease in margin of loan pledge		5,110,000.00
Subtotal		5,110,000.00

(6) Other cash paid relating to financing activities

Item	Amount for the current period	Amount for the previous period
Equity consolidation consideration under common control		31,501,100.00
Others		3,661,549.65

Subtotal		35,162,649.65
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62. Supplementary information about cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities and other information

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profits	24,827,243,603.97	26,379,029,817.06
Add: Assets depreciation reserves	1,122,341,886.21	261,674,177.33
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	2,977,103,353.04	2,859,799,547.55
Amortization of intangible assets	215,796,437.95	249,550,269.72
Amortization of long-term deferred expenses	1,519,448.66	979,454.55
Losses from disposal of fixed assets, intangible assets and other long-term assets ("- " stands for gains)	-4,911,230.34	-636,629.29
Losses from retirement of fixed assets ("- " stands for gains)	14,205,159.72	23,701,564.64
Losses from changes in fair value ("- " stands for gains)	-228,264,067.88	-46,257,424.83
Financial expenses ("- " stands for income)	-4,096,866,714.43	-1,112,658,684.94
Investment losses ("- " stands for gains)	226,634,780.62	-106,768,935.01
Decrease in deferred income tax assets ("- " stands for increase)	-1,267,872,732.83	-472,601,783.52
Increase in deferred income tax liabilities ("- " stands for decrease)	77,753,780.32	115,790,793.93
Amortization of deferred income	-57,756,542.31	-41,447,880.48
Decrease in inventories ("- " stands for increase)	-4,049,893,387.15	-3,003,461,176.91
Decrease in operating receivables ("- " stands for increase)	-3,656,032,331.71	-10,631,225,706.46
Increase in operating payables ("- " stands for decrease)	19,142,521,381.95	6,728,841,135.00
Others [Note]	-7,349,808,732.20	5,736,483,004.64
Net cash flows from operating activities	27,893,714,093.59	26,940,791,542.98
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	26,372,571,821.49	28,772,120,824.34
Less: Beginning balance of cash	28,772,120,824.34	21,359,616,223.94
Add: Ending balance of cash equivalents		

Item	Amount for the current period	Amount for the previous period
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,399,549,002.85	7,412,504,600.40

[Note] "Others" includes the decreased amount RMB 31,341,719.47 of legal deposit reserved and the net increased amount RMB 7,381,150,451.67 of bill margin.

(2) Net cash paid for acquisition of subsidiaries in the current period

Item	Amount
Cash or cash equivalent paid in the current period for business combination that occurred in the current period	1,071,239,072.20
Including: Nanjing Walsin Nonferrous Metal Co., Ltd.	1,071,239,072.20
Less: Cash and cash equivalents held by the subsidiary on the date of purchase	297,055,290.72
Including: Nanjing Walsin Nonferrous Metal Co., Ltd.	297,055,290.72
Net cash paid for acquisition of subsidiaries	774,183,781.48

(3) Net cash amount received from the disposal of subsidiaries in the current period

None.

(4) Composition of cash and cash equivalents

Item	Balance at the end of the period	Beginning Balance
I. Cash	26,372,571,821.49	28,772,120,824.34
Including: Cash on hand	1,357,064.14	1,678,449.67
Bank deposit for payment at any time	7,877,998,010.69	7,623,570,836.65
Other monetary capital for payment at any time	379,859,995.42	647,967,329.10
Deposit in the central bank for payment	2,004,412.74	2,094,863.38
Deposits in other banks	18,111,352,338.50	20,496,809,345.54
II. Cash equivalents		
Including: Bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	26,372,571,821.49	28,772,120,824.34

(5) Adjustment of monetary capital and cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
Monetary capital	125,400,715,267.64	115,022,653,811.67
Less: Deposits with restricted use	13,329,429,050.16	6,005,776,370.05
Including: Legal deposit reserved	3,014,082,457.76	3,045,424,177.23

Bill, letter of credit and other deposits	10,315,346,592.40	2,960,352,192.82
Less: Fixed deposits and accrued interest not in the category of cash and cash equivalents	85,698,714,395.99	80,244,756,617.28
Add: Other cash equivalents		
Ending balance of cash and cash equivalents	26,372,571,821.49	28,772,120,824.34

(6) Bill payment

Bill payment items	Amount for the current period	Amount for the previous period
Bill endorsement and transfer for purchasing goods and accepting services	65,091,151,718.57	70,268,012,322.71
Bill endorsement and transfer for purchasing fixed assets and intangible assets	552,447,249.96	275,517,455.97
Total	65,643,598,968.53	70,543,529,778.68

63. Assets with restricted ownerships or use rights

Item	Book balance at the end of the period	Cause of restriction
Monetary capital	13,329,429,050.16	Legal deposit reserved and deposits
Receivables financing	8,874,415,345.76	Pledged
Other current assets	100,000,000.00	Pledged
Other equity instrument investments	3,316,957,037.50	Restricted shares
Intangible assets	153,191,226.30	Mortgage
Total	25,773,992,659.72	

64. Foreign currency item

(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			15,504,677,890.54
Wherein: USD	2,135,958,621.77	6.9762	14,900,874,537.19
BRL	327,695,761.22	1.7378	569,469,693.85
Euro	3,229,358.83	7.8155	25,239,053.94
HKD	7,173,781.03	0.8958	6,426,273.05
Dirham	1,400,134.00	1.8992	2,659,134.49
Others	Not applicable	Not applicable	9,198.02
Accounts receivable			2,955,957,531.32
Wherein: USD	342,476,502.89	6.9762	2,389,184,579.43

Item	Balance in foreign currency at the end of period	Exchange rate for conversion	Balance of RMB converted at the end of period
BRL	279,591,897.30	1.7378	485,874,799.13
Dirham	24,297,030.98	1.8992	46,144,921.24
Euro	2,281,852.05	7.8155	17,833,814.70
HKD	18,887,493.66	0.8958	16,919,416.82
Other receivables			4,439,271.41
Wherein: USD	588,488.95	6.9762	4,105,416.60
Others	Not applicable	Not applicable	333,854.81
Subtotal of monetary assets of foreign currency			18,465,074,693.27
Short-term borrowing			5,598,440,904.60
Wherein: USD	771,809,993.47	6.9762	5,384,300,876.44
HKD	239,048,926.28	0.8958	214,140,028.16
Accounts payable			156,605,674.81
Wherein: USD	11,695,957.91	6.9762	81,593,341.59
BRL	29,169,670.98	1.7378	50,691,054.23
JPY	242,602,066.19	0.0641	15,547,396.01
Euro	915,440.00	7.8155	7,154,621.32
HKD	1,807,615.16	0.8958	1,619,261.66
Other payables			234,781,379.26
Wherein: USD	32,501,504.44	6.9762	226,736,995.27
Euro	648,118.62	7.8155	5,065,371.07
HKD	2,588,683.81	0.8958	2,318,942.96
Others	Not applicable	Not applicable	660,069.96
Subtotal of monetary liabilities of foreign currency			5,989,827,958.67

(2) Description of overseas operating entities

None.

(VIII) Change in the consolidation scope**1. Business combination not involving enterprises under common control**

(1) Business combination involving enterprises not under common control in the current period

Name of acquired party	Time point of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Equity acquisition mode	Date of purchase	Revenue of the acquired party from the date of purchase to the end of the period	Net profit of the acquired party from the date of purchase to the end of the period
Nanjing Walsin Nonferrous Metal Co., Ltd.	31 May, 2019	1,417,551,321.45	94.30	Purchase by means of cash	31 May, 2019	10,411,966,740.54	46,316,187.50

[Note] The Company purchased 94.30% equity of Nanjing Walsin Nonferrous Metal Co., Ltd. (hereinafter referred to as "Nanjing Walsin") during the current period and obtained control on 31 May, 2019.

1) Business combination cost and goodwill

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.
Combination cost:	
--Cash	1,071,239,072.20
--Other payables	346,312,249.25
Total combination cost	1,417,551,321.45
Less: Fair value share of the identifiable net assets acquired	1,143,436,281.34
Business reputation	274,115,040.11

2) Determination of fair value of combination cost

The Company acquired 94.30% equity of Nanjing Walsin in the current period, and the cost of business combination was RMB 1,417,551,321.45. The fair value of identifiable net assets of Nanjing Walsin as of 31 May, 2019 was RMB 1,143,436,281.34. The fair value of corresponding identifiable net assets were appraised by China Alliance Appraisal Co., Ltd. Which issued [China Alliance Appraisal Report (2019) No. 040863] Appraisal Report.

3) Reason for the formation of large-amount goodwill:

In order to deepen the development of the Company's enameled wire business in the electrical sector and reduce the impacts and constraints of upstream suppliers, Gree Electric Appliances needed to extend upstream of the industrial chain. Due to the long construction cycle of the project, in order to expand production capacity and occupy the market as soon as possible, the Company's office meeting decided to acquire Nanjing Walsin Nonferrous Metal Co., Ltd.;

The acquisition price was determined by referring to the price-to-book ratio of the target company's comparable listed company, comprehensively considering and fully evaluating the target company's asset status, profitability, brand influence, technology level, synergy effect and other factors;

Major reasons for increased value incurred from the appraisal:

A. Depreciation accruing life of some equipment assets was shorter than their economic life;

B. Value of land use rights and off-book identifiable assets such as customer relationships and trademark use rights in intangible assets increased due to the appraisal.

(2) Identifiable assets and liabilities of the acquired party on the date of purchase

Item	Nanjing Walsin Nonferrous Metal Co., Ltd.	
	Fair value on the date of purchase	Carrying amount on date of purchase
Assets:		
Monetary capital	313,841,040.72	313,841,040.72
Accounts receivable	306,347,724.29	306,347,724.29
Receivables financing	32,897,848.99	32,827,077.99
Prepaid accounts	3,774,390.86	3,774,390.86
Other receivables	250,561.22	250,561.22
Inventories	370,015,709.58	366,647,781.96
Other current assets	51,860,228.86	51,860,228.86
Fixed assets	148,157,020.23	38,678,328.99
Construction in Progress	8,162,465.21	9,544,356.01
Intangible assets	137,922,500.00	9,173,710.00
Deferred income tax assets	10,028,895.44	10,116,258.43
Other non-current assets	1,295,685.45	1,635,079.39
Subtotal of assets	1,384,554,070.85	1,144,696,538.72
Liabilities:		
Trading financial liabilities	16,785,750.00	16,785,750.00
Accounts payable	37,510,699.95	37,510,699.95
Advances from customers	8,143,309.65	8,143,309.65
Payroll payable	8,804,769.39	8,804,769.39
Taxes payable	3,546,574.30	3,546,574.30
Other payables	9,114,493.56	9,114,493.56
Other current liabilities	27,680,199.09	27,680,199.09
Deferred income tax liabilities	60,416,544.96	
Subtitle of liabilities	172,002,340.90	111,585,795.94
Net assets	1,212,551,729.95	1,033,110,742.78
Less: minority equity	69,115,448.61	58,887,312.34
Net assets obtained	1,143,436,281.34	974,223,430.44

[Note] Increased value incurred from the appraisal mainly included fixed assets (including houses and buildings, equipment), and intangible assets (including land use rights, trademark use rights, and customer relationships). The Company engaged an independent external appraiser to evaluate the fair value of Nanjing Walsin's identifiable assets and liabilities. The appraisal methods of main assets were listed as follows:

- 1) The appraisal method of houses and buildings is the replacement cost method, which takes the replacement cost minus the realizable discount as the appraised value and multiplies the appraised value by the renewal rate;
- 2) The appraisal method of equipment is mainly the replacement cost method, and the market method is used to appraise the equipment which of the transaction information can be obtained from the market;
- 3) The appraisal method of land use rights is the market comparison method and the benchmark low price coefficient correction method;
- 4) The appraisal method of other intangible assets such as trademark use rights and customer relations is the income method. During the appraisal, the future income of the appraised intangible assets within a reasonable income period will be discounted and accumulated at a reasonable discount rate, and the present value of income will be obtained.

2. Business combination involving enterprises under common control

None.

3. Counter purchase

None.

4. Disposal of subsidiaries

None.

5. Change in other consolidation scopes

(1) The main body of cancellation in the current period:

- 1) Anhui Gree Kinghome Electric Appliances Sales Co., Ltd., a subsidiary of the Company, was deregistered on 17 October, 2019, and was no longer included in the consolidation scope from the date of deregistration;
- 2) Zhuhai Meiling General Motors Co., Ltd., a subsidiary of the Company, was deregistered on 7 August, 2019, and was no longer included in the consolidation scope from the date of deregistration.

(2) The newly established new bodies in this period are as follows:

Name	Time of establishment	Net assets of the end of the period	Net profit from the combination date to the end of the period
Gree (Anji) Precision Mold Co., Ltd.	14 February, 2019	47,063,023.27	-236,976.73
Huzhou Landa Compressor Co., Ltd.	1 March, 2019	Not yet invested	

Name	Time of establishment	Net assets of the end of the period	Net profit from the combination date to the end of the period
Gree Material Supply (Wuhan) Co., Ltd.	20 March, 2019	12,716,347.67	-7,283,652.33
Gree Material Supply (Hefei) Co., Ltd.	20 March, 2019	24,858,404.13	4,858,404.13
Guangdong Guochuang Intelligent Technology Co., Ltd.	22 March, 2019	30,270,563.23	270,563.23
Gree (Luoyang) Washing Machine Co., Ltd.	25 March, 2019	47,278,161.95	-2,721,838.05
Gree Material Supply (Chongqing) Co., Ltd.	27 March, 2019	18,056,402.39	-1,943,597.61
Gree Material Supply (Zhengzhou) Co., Ltd.	29 March, 2019	19,777,618.60	-222,381.40
Gree Rongzhu Copper (Nanjing) Co., Ltd.	29 March, 2019	Not yet invested	
Zhuhai Gree Green Resources Recycling Co., Ltd	16 July, 2019	52,263,754.97	2,263,754.97
Luoyang Lianmei Real Estate Co., Ltd.	7 August, 2019	995,335,429.21	-4,664,570.79
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	20 August, 2019	29,874,379.59	-125,620.41
Zhuhai Hengqin Gree Huatai Energy Development Co., Ltd.	28 August, 2019	15,024,339.91	24,339.91
Handan Yingdong New Energy Technology Co., Ltd.	20 September, 2019	660.13	-1,339.87
Gree E-commerce Co., Ltd.	5 November, 2019	Not yet invested	
Gelan Environmental Protection Technology (Shaoguan) Co., Ltd.	5 December, 2019	Not yet invested	

(IX) Equity in other subjects**1. Equity in subsidiaries****(1) Composition of the enterprise group**

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
1	Gree (Chongqing) Electric Appliances Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	97.00		97.00	Establishment
2	Gree (Hefei) Electric Appliances Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
3	Gree (Brazil) Electric Appliances Co., Ltd.	Manaus, Brazil	Manaus, Brazil	Commercial manufacture	100.00		100.00	Establishment
4	Gree (Zhengzhou) Electric Appliances Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
5	Gree (Wuhan) Electric Appliances Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
6	Gree (Wuhu) Electric Appliances Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
7	Gree (Shijiazhuang) Electric Appliances Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Business combination not involving enterprises under common control
8	Gree (Hangzhou) Electric Appliances Co., Ltd.	Hangzhou City	Hangzhou City	Commercial manufacture	100.00		100.00	Establishment
9	Gree (Luoyang) Electric Appliances Co., Ltd.	Luoyang	Luoyang	Commercial manufacture	100.00		100.00	Establishment
10	Gree (Nanjing) Electric Appliances Co., Ltd.	Nanjing	Nanjing	Commercial manufacture	100.00		100.00	Establishment
11	Gree (Chengdu) Electric Appliances Co., Ltd.	Chengdu	Chengdu	Commercial	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
				manufacture				
12	Changsha Gree HVAC Equipment Co., Ltd.	Changsha City	Changsha City	Commercial manufacture	100.00		100.00	Establishment
13	Gree (Chengdu) HVAC Equipment Co., Ltd.	Chengdu	Chengdu	Commercial manufacture	100.00		100.00	Establishment
14	Zhuhai Gree Group Finance Company Limited [Note 1]	Zhuhai City	Zhuhai City	Finance	88.31	0.94	89.25	Business combination involving enterprises under common control
15	Zhuhai Hengqin GREE business factoring Co., Ltd.	Zhuhai City	Zhuhai City	Finance	100.00		100.00	Establishment
16	Zhuhai Landa Compressor Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
17	Hefei Landa Compressor Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
18	Zhengzhou Landa Compressor Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
19	Chongqing Landa Compressor Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	100.00		100.00	Establishment
20	Wuhan Landa Compressor Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
21	Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	70.00		70.00	Business combination involving enterprises under common control
22	Zhuhai Meiling General Motors Co., Ltd. [Note 2]	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
23	Zhuhai Landa Material Supply Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
24	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination not involving enterprises under common control
25	Hefei Kaibang Motor Manufacture Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
26	Chongqing Kaibang Motor Manufacture Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	100.00		100.00	Establishment
27	Henan Kaibang Motor Manufacture Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
28	Zhuhai Gree Electrical Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
29	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
30	Gree (Meishan) Electrician Co., Ltd.	Meishan City	Meishan City	Commercial manufacture	100.00		100.00	Establishment
31	Gree (Nanjing) Electrician Co., Ltd.	Nanjing	Nanjing	Commercial manufacture	100.00		100.00	Establishment
32	GREE (Zhongshan) Home Appliances Co., Ltd.	Zhongshan City	Zhongshan City	Commercial manufacture	100.00		100.00	Establishment
33	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
34	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Zhuhai City	Zhuhai City	Technical research and development	100.00		100.00	Establishment
35	Zhengzhou Gree Green Resources Recycling Co., Ltd	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
36	Hunan Green Resources Recycling Co., Ltd	Ningxiang County	Ningxiang County	Commercial manufacture	100.00		100.00	Establishment
37	Wuhu Green Resources Recycling Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
38	Shijiazhuang Green Resources Recycling Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
39	Tianjin Green Resources Recycling Co., Ltd.	Tianjin City	Tianjin City	Commercial manufacture	100.00		100.00	Establishment
40	Zhuhai Gree Daikin Precision Mold Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
41	Zhuhai Gree Dakin Device Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
42	Zhuhai Ligao Precision Manufacturing Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
43	Zhuhai Gree TOSOT Life Electric Appliances Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
44	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Suqian City	Suqian City	Commercial manufacture	100.00		100.00	Establishment
45	Zhuhai HVAC Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
46	Gree (Wuhan) HVAC Equipment Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
47	Zhuhai IVP Information Technology Co., Ltd.	Zhuhai City	Zhuhai City	IT	100.00		100.00	Establishment
48	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
49	Gree (Nanjing) Xinyuan Electronics Co., Ltd.	Nanjing	Nanjing	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
50	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
51	Shanghai GREE Air Conditioners Sales Co., Ltd. [Note 3]	Shanghai City	Shanghai City	Sales	90.00	9.70	99.70	Establishment
52	Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Sao Paulo, Brazil	Sao Paulo, Brazil	Sales	100.00		100.00	Establishment
53	Gree (USA) Sales Co., Ltd.	California, USA	California, USA	Sales	100.00		100.00	Establishment
54	Zhuhai GREE Intelligent Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
55	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
56	GREE (Wuhan) Intelligent Equipment Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
57	Gree (Luoyang) Robot Co., Ltd.	Luoyang	Luoyang	Technical research and development	100.00		100.00	Establishment
58	Zhuhai Gree Robot Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
59	Wuhu Precision Manufacturing Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
60	Gree (Wuhan) Precision Mold Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
61	Zhuhai Gree Precision Mold Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
62	Gree (Wu'an) Precision Equipment Manufacturing Co., Ltd.	Wu'an County	Wu'an County	Commercial manufacture	70.00		70.00	Establishment
63	Zhuhai Gree New Material Co., Ltd.	Zhuhai City	Zhuhai City	Commercial	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
				manufacture				
64	Zhuhai Gree Energy Environment Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
65	Zhuhai Gree Info Technology Co., Ltd.	Zhuhai City	Zhuhai City	IT	51.00		51.00	Establishment
66	Zhuhai Gree CNC Machine Tool Research Institute Co., Ltd.	Zhuhai City	Zhuhai City	Technical research and development	100.00		100.00	Establishment
67	Zhuhai Gree Transportation Co., Ltd.	Zhuhai City	Zhuhai City	Transportation industry	100.00		100.00	Establishment
68	Zhuhai Lianyun Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
69	Zhuhai Zero Boundary Integrated Circuit Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
70	Zhuhai Gree Material Supply Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
71	Zhuhai Gree Lvkong Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
72	Hefei Kinghome Electrical Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Business combination not involving enterprises under common control
73	Anhui Gree Kinghome Electric Appliances Sales Co., Ltd.[Note 4]	Anhui	Anhui	Sales	100.00		100.00	Business combination not involving enterprises under common control
74	Gree (Chengdu) Precision Mold Co., Ltd.	Chengdu	Chengdu	Commercial manufacture	100.00		100.00	Establishment
75	Zhuhai Gree Electrical and Mechanical Engineering Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
76	Gree (Luoyang) Washing Machine Co., Ltd.	Luoyang	Luoyang	Commercial manufacture	100.00		100.00	Establishment
77	Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.	Zhuhai City	Zhuhai City	IT	75.00		75.00	Establishment
78	Gree (Anji) Precision Mold Co., Ltd.	Anji County	Anji County	Commercial manufacture	100.00		100.00	Establishment
79	Zhuhai Gree Green Resources Recycling Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
80	Nanjing Walsin Nonferrous Metal Co., Ltd.	Nanjing	Nanjing	Commercial manufacture	94.30		94.30	Business combination not involving enterprises under common control
81	Guangdong Guochuang Intelligent Technology Co., Ltd.	Lianjiang City	Lianjiang City	Commercial manufacture	60.00		60.00	Establishment
82	Luoyang Lianmei Real Estate Co., Ltd.	Luoyang	Luoyang	Real estate	51.00		51.00	Establishment
83	Zhuhai Hengqin Gree Huatai Energy Development Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
84	Handan Yingdong New Energy Technology Co., Ltd.	Wu'an City	Wu'an City	Commercial manufacture	100.00		100.00	Establishment
85	Gree Material Supply (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
86	Gree Material Supply (Hefei) Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
87	Gree Material Supply (Zhengzhou) Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
88	Gree Material Supply (Chongqing) Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	100.00		100.00	Establishment
89	Huzhou Landa Compressor Co., Ltd.	Anji County	Anji County	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
90	Gree E-commerce Co., Ltd.	Zhuhai City	Zhuhai City	Wholesale and retail trade	100.00		100.00	Establishment
91	Gree Rongzhu Copper (Nanjing) Co., Ltd.	Nanjing	Nanjing	Commercial manufacture	100.00		100.00	Establishment
92	Gelan Environmental Protection Technology (Shaoguan) Co., Ltd.	Shaoguan City	Shaoguan City	Sales	100.00		100.00	Establishment

[Note 1] 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.

[Note 2] Zhuhai Meiling General Motors Co., Ltd., a subsidiary of the Company, was deregistered on 7 August, 2019;

[Note 3]: The Company directly holds 90.00% of total stocks of Shanghai Gree Air Conditioners Sales Co., Ltd., and Gree (Chongqing) Electric Appliances Co., Ltd. as the subsidiary of the Company holds its remaining 9.70% stocks, so the Company holds its 99.70% stocks in the direct and indirect ways.

[Note 4] Anhui Gree Kinghome Electric Appliances Sales Co., Ltd., a subsidiary of the Company, was deregistered on 17 October, 2019.

(2) Important non-wholly owned subsidiaries

Information of rights and interests held by minority shareholders of important non-wholly owned subsidiaries and profits and losses:

Name	Shareholding ratio 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 (Chongqing) Electric Appliances Co., Ltd.	3.00	23,528,160.11	19,705,686.34	71,628,712.21
Zhuhai Gree Group Finance Company Limited	10.75	85,497,764.38		693,351,864.57

(3) Main financial information of important non-wholly owned subsidiaries

1) Amount at the end of the period/Amount of the current period

Item	Gree (Chongqing) Electric Appliances Co., Ltd.	Zhuhai Gree Group Finance Company Limited
Current assets	3,898,672,996.86	52,065,731,802.44
Non-current assets	1,045,004,552.90	18,385,117,667.65
Total assets	4,943,677,549.76	70,450,849,470.09
Current liabilities	2,542,579,996.06	63,819,886,177.95
Non-current liabilities	13,473,813.34	181,178,505.54
Total liabilities	2,556,053,809.40	64,001,064,683.49
Operating incomes	10,703,012,677.06	2,399,580,625.93
Net profits	784,272,003.69	795,328,040.73
Total comprehensive income	784,272,003.69	792,299,281.53
Cash flows from operating activities	1,209,651,124.46	3,359,858,744.18

2) Amount at the beginning of the period/of the previous period

Item	Gree (Chongqing) Electric Appliances Co., Ltd.	Zhuhai Gree Group Finance Company Limited
Current assets	4,023,171,282.05	46,110,618,353.77
Non-current assets	1,156,117,813.37	13,239,672,856.61
Total assets	5,179,289,095.42	59,350,291,210.38
Current liabilities	2,910,105,213.05	53,565,185,491.74
Non-current liabilities	8,975,934.60	127,620,213.57
Total liabilities	2,919,081,147.65	53,692,805,705.31
Operating incomes	12,186,621,897.68	2,175,875,798.99

Net profits	1,051,779,596.69	1,040,346,636.08
Total comprehensive income	1,051,779,596.69	1,057,380,005.59
Cash flows from operating activities	1,224,130,752.80	9,709,298,229.36

(4) Financial support or other support provided to structured entities included in the scope of consolidated financial statements

None.

2. Transactions which result in a change in the share of owners' equity in the subsidiary but the Company still controls the subsidiary

None.

3. Equities in associated enterprises or contractual enterprises

(1) Basic information of important cooperative enterprises and associated enterprises

Name of invested entity	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment
				Direct	Indirect	
Songyuan Food Group Co., Ltd.	Songyuan City	Songyuan City	Food manufacture	50.00		Equity method
Zhuhai Ronglin Equity Investment Partnership (Limited Partnership)	Zhuhai City	Zhuhai City	Lease and business services	91.27		Equity method

(2) Main financial information of important cooperative enterprises

Item	Songyuan Food Group Co., Ltd.	
	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	382,476,305.91	444,584,169.27
Including: cash and cash equivalents	66,904,078.58	33,685,539.79
Non-current assets	113,422,747.61	108,911,970.58
Total assets	495,899,053.52	553,496,139.85
Current liabilities	296,940,055.48	380,277,548.33
Non-current liabilities	17,499,435.82	15,200,107.32
Total liabilities	314,439,491.30	395,477,655.65
Minority equity	25,594,815.38	11,629,575.78
Owners' equity attributable to parent company	155,864,746.84	146,388,908.42
Share of net assets calculated by the shareholding ratio	77,932,373.42	73,194,454.21
Operating incomes	725,838,705.34	591,397,421.11

Item	Songyuan Food Group Co., Ltd.	
	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
Financial expense	11,721,953.89	9,154,340.75
Income tax expenses	1,417,596.12	2,053,722.15
Net profits	11,790,466.98	4,854,788.01
Net profit attributable to the parent company	10,617,217.15	4,260,998.39
Total comprehensive income attributable to the parent company	10,617,217.15	4,260,998.39

(3) Major financial information of important associates

Item	Zhuhai Ronglin Equity Investment Partnership (Limited Partnership)	
	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	1,689,835.43	34,642,843.34
Including: cash and cash equivalents	1,689,835.43	3,190,763.74
Non-current assets	7,522,991,256.00	2,280,926,600.00
Total assets	7,524,681,091.43	2,315,569,443.34
Current liabilities	66,000.00	89,619.85
Total liabilities	66,000.00	89,619.85
Total net assets to be distributed to investors	7,524,615,091.43	2,315,479,823.49
Share of net assets calculated by the shareholding ratio	6,867,716,193.95	2,113,338,434.90
Overhead Expense	31,784,084.28	1,851,439.25
Financial expense	-4,253.22	-30,262.74
Net profits attributable to investors	-32,929,388.06	-1,821,176.51
Other comprehensive income	5,242,064,656.00	
Total comprehensive income attributable to investors	5,209,135,267.94	-1,821,176.51

(4) Other information on associated enterprises of the Company

For details, see Note (VII) 14 "Long-term equity investment".

(X) Risks associated with financial instruments

Main financial instruments of the Company include monetary capital, trading financial assets, derivative financial assets, receivables financing, accounts receivable, loans and receivables, buying back the sale of financial assets, debt investments, other debt investments, other equity investments, other financial liabilities (e.g., payables) arising from operation, etc. These financial instruments aimed 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.

1. Classification information of financial instruments

The book values of various financial instruments on the balance sheet date:

(1) Balance at the end of the period

Item	Classification of financial assets			
	Financial assets measured at amortization costs	Financial assets which are measured at their fair values and of which the changes are included into other comprehensive income	Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	Total
1. Measured by cost or amortized cost				
Monetary capital	125,400,715,267.64			125,400,715,267.64
Accounts receivable	8,513,334,545.08			8,513,334,545.08
Other receivables	159,134,399.10			159,134,399.10
Non-current assets due within one year (debt investment)	18,608,350.13			18,608,350.13
Other current assets [note]	19,346,895,253.23			19,346,895,253.23
Disbursement of loans and advances	14,423,786,409.22			14,423,786,409.22
Subtotal	167,862,474,224.40			167,862,474,224.40
2. Measured at fair values				
Trading financial assets			955,208,583.58	955,208,583.58
Derivative financial assets			92,392,625.69	92,392,625.69
Receivables financing		28,226,248,997.12		28,226,248,997.12
Non-current assets due within one year (other debt investments)		426,789,360.26		426,789,360.26
Other debt investments		296,836,282.20		296,836,282.20
Other equity instrument investments		4,644,601,697.51		4,644,601,697.51
Other non-current financial assets			2,003,483,333.33	2,003,483,333.33
Subtotal		33,594,476,337.09	3,051,084,542.60	36,645,560,879.69
Total	167,862,474,224.40	33,594,476,337.09	3,051,084,542.60	204,508,035,104.09

(Continued)

Item	Classification of financial liabilities		
	Derivative financial liabilities	Other financial liabilities	Total
1. Measured by cost or amortized cost			
Short-term borrowing		15,944,176,463.01	15,944,176,463.01
Deposits from customers and interbank		352,512,311.72	352,512,311.72
Loans from other banks		1,000,446,666.67	1,000,446,666.67
Bills payable		25,285,207,843.86	25,285,207,843.86
Accounts payable		41,656,815,752.46	41,656,815,752.46
Financial assets sold for repurchase		2,074,500,000.00	2,074,500,000.00
Other payables		2,712,692,973.66	2,712,692,973.66
Other current liabilities		65,181,491,855.14	65,181,491,855.14
Long-term borrowing		46,885,882.86	46,885,882.86
Subtotal		154,254,729,749.38	154,254,729,749.38
Total		154,254,729,749.38	154,254,729,749.38

(2) Beginning Balance

Item	Classification of financial assets			Total
	Financial assets measured at amortization costs	Financial assets which are measured at their fair values and of which the changes are included into other comprehensive income	Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	
1. Measured by cost or amortized cost				
Monetary capital	115,022,653,811.67			115,022,653,811.67
Accounts receivable	7,642,434,078.24			7,642,434,078.24
Other receivables	290,346,336.38			290,346,336.38
Other current assets [note]	16,800,521,210.56			16,800,521,210.56
Disbursement of loans and advances	9,081,714,083.52			9,081,714,083.52
Debt investment	37,216,700.19			37,216,700.19
Subtotal	148,874,886,220.56			148,874,886,220.56
2. Measured at fair values				
Trading financial assets			1,012,470,387.43	1,012,470,387.43
Derivative financial assets			170,216,138.92	170,216,138.92

Receivables financing		34,300,472,580.13		34,300,472,580.13
Other debt investments		1,064,120,569.43		1,064,120,569.43
Other equity instrument investments		1,144,907,946.33		1,144,907,946.33
Subtotal		36,509,501,095.89	1,182,686,526.35	37,692,187,622.24
Total	148,874,886,220.56	36,509,501,095.89	1,182,686,526.35	186,567,073,842.80

(Continued)

Item	Classification of financial liabilities		
	Derivative financial liabilities	Other financial liabilities	Total
1. Measured by cost or amortized cost			
Short-term borrowing		22,197,899,406.88	22,197,899,406.88
Deposits from customers and interbank		319,477,242.91	319,477,242.91
Bills payable		10,835,428,282.29	10,835,428,282.29
Accounts payable		38,987,371,471.02	38,987,371,471.02
Other payables		3,084,011,741.38	3,084,011,741.38
Other current liabilities		64,890,979,418.62	64,890,979,418.62
Subtotal		140,315,167,563.10	140,315,167,563.10
2. Measured at fair values			
Derivative financial liabilities	257,364,882.07		257,364,882.07
Subtotal	257,364,882.07		257,364,882.07
Total	257,364,882.07	140,315,167,563.10	140,572,532,445.17

[Note] The above other current assets did not include prepaid taxes and other items.

2. 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, receivables financing, 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; the receivables financing is mainly banker's acceptance bills, and the risk exposure is rather small. The carrying amount of receivables financing, 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 receivables financing, accounts receivable and other receivables accounted for 13.04% (which was 16.82% at the beginning of the period) 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 receivables financing, accounts receivable and other receivables, refer to the disclosed information in Note (VII) 4 "Receivables", Note (VII) 5 "Receivables financing" and (VII) 7 "Other receivables".

3. 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.

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 was 1.33 (which was 1.33 at the beginning of the period). which shows that the Company has adequate liquidity and the risk in shortage of liquidity is low.

4. 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

Exchange rate risk refers to the fluctuation risk of the fair value or future cash flow of financial instruments due to changes in the foreign exchange rate.

For presented amounts in RMB converted from foreign currency financial assets and foreign currency financial liabilities held by the Company as of 31 December, 2019, see Note (VII) 64 (1) "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 31 December, 2019:

Report item	Amount	Interest rate range	Remarks
Short-term borrowing	15,944,176,463.01	1.09%-3.18%	Floating interest rate

Deposits from customers and interbank	352,512,311.72	0.35%-4.13%	Floating interest rate
Loans from other banks	1,000,446,666.67	2.680%	
Long-term borrowing	46,885,882.86	6.125%	
Total	17,344,021,324.26		

(XI) Fair value disclosure**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
I. Continuous fair value measurement				
(I) Trading financial assets				
1. Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses				
Including: Derivative financial assets		92,392,625.69		92,392,625.69
Debt instrument investment	955,208,583.58			955,208,583.58
(II) Other debt investments				
Including: Other debt investments due within one year	426,789,360.26			426,789,360.26
Other debt investments	296,836,282.20			296,836,282.20
(III) Other equity instrument investments				
Including: Other equity instrument investments designated as measured at their fair values and of which the changes are recorded into the current profits and losses	4,644,601,697.51			4,644,601,697.51
(IV) Receivables financing				
Including: Notes receivable designated as measured at their fair values and of which the changes are recorded into the current profits and losses		28,226,248,997.12		28,226,248,997.12
(V) Other non-current financial assets				
Including: Debt instrument investments designated as measured at their fair values and of which the changes are recorded into the current profits and losses		2,003,483,333.33		2,003,483,333.33
Total of assets measured by fair value continuously	6,323,435,923.55	30,322,124,956.14	0	36,645,560,879.69

2. Basis for determining market prices of items continuously and not continuously measured at the first-level fair value

Market prices of trading financial assets - debt instruments, other debt investment, and other equity instrument investments held by the Company are determined based on the quotation of corresponding products and investment projects on the open market.

3. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the second-level fair value

Receivables financing held by the Company is the bank acceptance bills and commercial acceptance bills held by the Company, and their corresponding transfer and discounted amounts are used as the basis for determining their market prices;

Derivative financial assets and other non-current financial assets held by the Company are mainly forward hedging instruments and trust products with a recovery period of more than one year, and the recoverable amount of the corresponding financial assets is used as the basis for determining the market price.

4. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the third-level fair value

None.

5. Information on adjustment between the beginning carrying value and the closing carrying value of items continuously measured at the third-level fair value and sensitivity analysis on unobservable parameters

None.

6. For items continuously measured at fair value, in case of any conversion between various levels during the period, reasons for the conversion and policies to determine the conversion time should be provided

None.

7. Changes in valuation techniques and reasons for changes occurred during the report period

None.

8. Particulars on fair value of financial assets and liabilities which are not measured at fair value

None.

(XII) Related party relationships and their transactions

1. Parent company of the Company

Name	Place of registration	Nature of business	Registered capital (ten thousand Yuan)	Shareholding ratio of parent company to the Company (%)	Percentage of voting rights of parent company to the Company (%)
Zhuhai Gree Group Co., Ltd.	Zhuhai	Investment and asset management	80,000.00	18.22	18.22

[Note] On 2 December, 2019, Zhuhai Gree Group Co., Ltd. (hereinafter referred to as "Gree Group"), the original major shareholder of the Company, signed the Share Transfer Agreement with Zhuhai Mingjun Investment Partnership (Limited Partnership) (hereinafter referred to as "Zhuhai Mingjun"), pursuant to which Gree Group transferred its 902,359,632 non-restricted circulating shares held in the Company (accounting for 15.00% of the Company's total equity) to Zhuhai Mingjun. The above equity change was approved by Zhuhai Municipal People's Government and the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government on 13 December, 2019.

On 3 February, 2020, the Transfer Registration Confirmation issued by China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch showed that the share transfer registration procedures were completed, the transfer date was 23 January, 2020, and the Company had neither a controlling shareholder nor an actual controller.

2. Subsidiaries of the Company

For details, see Note (IX) 1 "Company's equities in subsidiaries".

3. Cooperative enterprises and associated enterprises of the Company

For important joint ventures and associates of the Company, see the Note (IX) 3.

4. Other related parties

Name of other related parties	Relationships of other related parties with the Company
Subsidiaries and holding companies of Zhuhai Gree Group Co., Ltd.	Subsidiaries and holding subsidiaries of the Company's parent company
Shandong Jierui Logistics Co., Ltd.	Companies where supervisors of the Company act as executive directors and general managers
Shandong Zhirun Electric Appliances Co., Ltd.	Companies where supervisors of the Company act as executive directors
Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Companies where supervisors of the Company act as managers
Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	Companies and their subsidiaries and holding subsidiaries where the chairman of the Company serves as a director
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Companies where directors of the Company act as executive directors and general managers
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. and its holding companies	Companies where the Company's director holds equity and serves as the board chairman

Name of other related parties	Relationships of other related parties with the Company
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Companies where directors of the Company act as executive directors
Shanghai Highly (Group) Co., Ltd. And its subsidiaries and holding subsidiaries	The company in which the Company holds more than 5.00% of its shares
Shandong Red April Brand Management Co., Ltd.	Companies where supervisors of the Company act as executive directors and general managers
Zhuhai Xima Pearl New Media Co., Ltd.	Companies where board chairman of the Company act as director
Wuhu Green Renewable Resources Recycling Co., Ltd.	A company upon which the Company has great influence
Hunan Green Renewable Resources Recycling Co., Ltd.	A company upon which the Company has great influence
Zhengzhou Gerun Waste Materials Recycling Co., Ltd.	A company upon which the Company has great influence
Hebei Jinghai Guaranteed Investment Co., Ltd.	Companies holding more than 5.00% of the Company's shares
Wingtech Technology Co., Ltd. and its holding company	Companies and their holding companies where the Company holds more than 5.00% shares
Hefei Zhongwen Jintai Semiconductor Investment Co., Ltd. and its holding company	Companies and their holding companies where the Company holds more than 5.00% shares
Nexperia Holding B.V. and its holding company	Companies and their holding companies where the Company holds more than 5.00% shares
Songyuan Grain Group Co., Ltd. and its subsidiaries	The Company's joint ventures and their subsidiaries

5. Transaction of related party

(1) Related-party transactions for the purchase and sales of goods and the rendering and receipt of services

1) Purchase of commodities/receiving of services

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Zhuhai Gree Group Co., Ltd. and its holding companies	Deposit-taking	Interest expense	32,813.02	74,512.17
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	26,350.32	17,895.57
Shandong Jierui Logistics Co., Ltd.	Deposit-taking	Interest expense	1,624.60	
Songyuan Grain Group Co., Ltd. and its subsidiaries	Deposit-taking	Interest expense	1,484.15	2,642.70
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	1,290.45	23.04
Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	185.25	
Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. and its holding companies	Deposit-taking	Interest expense	102.16	
Shandong Zhirun Electric Appliances Co., Ltd.	Deposit-taking	Interest expense	89.21	
Shanghai Highly (Group) Co., Ltd. and its holding subsidiaries	Materials procurement	Raw material	2,169,555,677.45	2,993,992,800.28
Beijing Gree Technology Co., Ltd.	Materials procurement	Fittings	164,958,551.96	207,842,266.39
Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding companies [Note]	Purchase of fixed assets and materials	New energy vehicles and energy storage equipment	72,389,092.82	272,497,276.03

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Chongqing Pargo Mechanical Equipment Co., Ltd.	Materials procurement	Fittings	18,138,184.74	20,205,725.08
Songyuan Grain Group Co., Ltd. and its subsidiaries	Materials procurement	Foodstuff	8,097,519.11	14,702,362.59
Liaowang All Media Communication Co., Ltd.	Service sourcing	Publicity and advertising fee	4,758,867.94	2,740,000.00
Zhuhai Gree Group Co., Ltd. and its holding companies	Materials procurement	Accessories and infrastructure projects	503,256.74	4,759,707.05
Wuhu Green Renewable Resources Recycling Co., Ltd.	Materials procurement	Raw material	10,788,213.00	48,731,243.30
Gree Volinco (Hong Kong) Ltd.	Materials procurement	Fittings		7,474,336.68
Hunan Green Renewable Resources Recycling Co., Ltd.	Materials procurement	Raw material	846,184.00	4,239,061.82
Zhengzhou Gerun Waste Materials Recycling Co., Ltd.	Materials procurement	Raw material		60,307.28
Total			2,450,099,486.92	3,577,340,159.98

[Note] The related transactions and current amounts between the Company and Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries are detailed in Note (XII) 8.

2) Sales of commodities/rendering of services

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Interest revenue	54,947,437.57	
Shandong Jierui Logistics Co., Ltd.	Loan	Interest revenue	24,460,821.26	
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Interest revenue	9,588,766.71	14,044,778.08
Songyuan Grain Group Co., Ltd. and its subsidiaries	Loan	Interest revenue	7,658,695.92	6,449,630.77
Shandong Zhirun Electric Appliances Co., Ltd.	Loan	Interest revenue	3,679,077.57	
Zhuhai Gree Group Co., Ltd. and its holding companies	Loan	Handling charge income	801,650.95	
Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Handling charge income	339,622.64	
Shandong Jierui Logistics Co., Ltd.	Loan	Handling charge income	378.30	
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Handling charge income	189.15	
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Handling charge income	189.15	
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	8,719,678,107.95	10,496,359,735.24
Shandong Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	4,935,412,388.65	
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	5,202,670,390.20	6,698,292,374.49
Shanghai Highly (Group) Co., Ltd. and its subsidiaries	Sales of commodities	Sales revenue	1,487,554,791.81	1,722,755,847.66
Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries [Note]	Sales of commodities	Sales revenue	321,087,832.12	2,654,821,257.97
Beijing Gree Technology Co., Ltd.	Sales of commodities	Sales revenue	79,181,522.51	97,653,467.06

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Zhuhai Gree Group Co., Ltd. and its holding companies	Sales of commodities	Sales revenue	102,866.04	151,708.62
Shandong Red April Brand Management Co., Ltd.	Sales of commodities	Sales revenue	102,226.24	
Zhuhai Xima Pearl New Media Co., Ltd.	Sales of commodities	Sales revenue	75,195.22	169,483.08
Gree Volinco (Hong Kong) Ltd.	Sales of commodities	Sales revenue		3,637,231,905.31
Wuhu Green Renewable Resources Recycling Co., Ltd.	Sales of commodities	Sales revenue	3,620,606.44	7,509,231.01
Total			20,850,962,756.40	25,335,439,419.29

[Note] The related transactions and current amounts between the Company and Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries are detailed in Note (XII) 8.

(2) Associated trusteeship management/contracting or entrusted management/contracting-out

None.

(3) Associated lease

1) The Company as the lessor:

Name of the lessee	Type of leased assets	Confirmed income earned on leases	
		Amount for the current period	Amount for the previous period
Beijing Gree Technology Co., Ltd.	House rental		6,113.20
Wuhu Green Renewable Resources Recycling Co., Ltd.	House rental	621,678.57	1,492,028.57
Songyuan Grain Group Co., Ltd. and its subsidiaries	House rental	98,297.13	98,297.13
Chongqing Pargo Mechanical Equipment Co., Ltd.	House rental	4,402.87	
Total		724,378.57	1,596,438.90

2) The Company as the lessee:

Name of the lessor	Type of leased assets	Confirmed rental expenditure	
		Amount for the current period	Amount for the previous period
Zhuhai Gree Group Co., Ltd. and its subsidiaries	Lease of fixed assets	1,561,299.20	1,480,384.20
Total		1,561,299.20	1,480,384.20

(4) Associated guarantee

None.

(5) Fund borrowing of related party

Related party	Amount of borrowing in	Balance of	Start date	Date due	Description
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	the current period	borrowing at the end of the period			
Songyuan Grain Group Co., Ltd. and its subsidiaries	1,100,000,000.00	1,100,000,000.00	16 - 30 December, 2019	16 - 30 December, 2020	
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	890,000,000.00	890,000,000.00	31 October, 2019	31 October, 2022	Buyer's credit
Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,400,000,000.00	1,400,000,000.00	22 February, 2019	22 February, 2021	Buyer's credit
Shandong Jierui Logistics Co., Ltd.	217,400,000.00	517,400,000.00	29 September, 2017 to 26 December, 2019	29 September, 2020 to 14 January, 2021	Buyer's credit
Shandong Zhirun Electric Appliances Co., Ltd.		80,000,000.00	9 - 11 February, 2018	9 - 11 February, 2020	Buyer's credit
Total	3,607,400,000.00	3,987,400,000.00			

(6) Asset transfer and debt restructuring of the related party

None.

(7) Remunerations for key management

Item	Amount for the current period	Amount for the previous period
Remunerations for key management	23,636,286.12	30,237,000.00

6. Balance of accounts receivable and payable by related parties

(1) Receivable items

Item	Related party	Balance at the end of the period		Beginning Balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Shanghai Highly (Group) Co., Ltd. and its holding subsidiaries	342,684,906.60	17,134,245.33	421,763,035.60	21,088,151.79
Accounts receivable	Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	287,055,620.42	16,308,943.33	634,540,607.16	31,720,763.35
Accounts receivable	Zhuhai Xima Pearl New Media Co., Ltd.	61,437.00	3,071.85		
Accounts receivable	Zhuhai Gree Group Co., Ltd. and its subsidiaries	522,694.59	26,134.73		
Accounts receivable	Gree Volinco (Hong Kong) Ltd.			112,395,330.32	5,619,766.52
Accounts receivable	Wuhu Green Renewable Resources Recycling Co., Ltd.	6,629,024.73	331,451.24	48,383,305.89	2,419,165.29
Other receivables	Wuhu Green Renewable Resources Recycling Co., Ltd.			1,696,192.13	405,141.73
Other receivables	Zhuhai Gree Group Co., Ltd. and its holding companies			44,880.00	2,244.00

Item	Related party	Balance at the end of the period		Beginning Balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Hunan Green Renewable Resources Recycling Co., Ltd.			6,445.00	6,445.00
Receivables financing	Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	866,644,774.28		858,789,559.36	
Receivables financing	Shandong Shengshi Xinxing Gree Trading Co., Ltd.	1,445,558,820.62			
Receivables financing	Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,378,451,569.12		1,745,561,383.18	
Receivables financing	Shandong Jierui Logistics Co., Ltd.	958,492,633.76			
Receivables financing	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	962,599,288.80		829,454,801.96	
Receivables financing	Shanghai Highly (Group) Co., Ltd. and its subsidiaries	209,149,853.41		401,435,410.08	
Receivables financing	Shandong Red April Brand Management Co., Ltd.	29,922,971.83			
Prepayment	Hunan Green Renewable Resources Recycling Co., Ltd.			5,353,115.18	
Prepayment	Beijing Gree Technology Co., Ltd.			2,921,904.70	
Prepayment	Songyuan Food Group Co., Ltd.			729,649.40	
Prepayment	Chongqing Pargo Mechanical Equipment Co., Ltd.	982,237.44		535,370.77	
Prepayment	Henan Shengshi Xinxing Gree Trading Co., Ltd.			253,888.42	
Prepayment	Shanghai Highly (Group) Co., Ltd. and its subsidiaries	2,038,333.25		31,743.96	
Disbursement of loans and advances	Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,400,000,000.00	35,000,000.00		
Disbursement of loans and advances	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	890,000,000.00	22,250,000.00	668,100,000.00	16,702,500.00
Disbursement of loans and advances	Shandong Jierui Logistics Co., Ltd.	517,400,000.00	12,935,000.00		
Disbursement of loans and advances	Songyuan Food Group Co., Ltd.	1,100,000,000.00	27,500,000.00	290,000,000.00	7,250,000.00
Disbursement of loans and advances	Shandong Zhirun Electric Appliances Co., Ltd.	80,000,000.00	2,000,000.00		
Loans and advances - accrued interest	Henan Shengshi Xinxing Gree Trading Co., Ltd.	2,046,916.67			
Loans and advances - accrued interest	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	1,376,038.89		747,132.22	
Loans and advances - accrued interest	Shandong Jierui Logistics Co., Ltd.	725,263.89			
Loans and advances - accrued interest	Shandong Zhirun Electric Appliances Co., Ltd.	117,528.89			
Loans and advances - accrued interest	Songyuan Food Group Co., Ltd.	81,079.17		424,004.16	
Other current assets	Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	802,418,995.36		1,529,380,653.66	
Other non-current assets	Chongqing Pargo Mechanical Equipment Co., Ltd.	281,863.41		7,483,832.15	
Other non-current assets	Zhuhai Gree Group Co., Ltd. and its holding companies			150,355.40	
Total		11,285,241,852.13	133,488,846.48	7,560,182,600.70	85,214,177.68

[Note] The related transactions and current amounts between the Company and Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries are detailed in Note (XII) 8.

(2) Due to related parties

Item	Related party	Balance at the end of the period	Beginning Balance
Advances from customers	Shandong Shengshi Xinxing Gree Trading Co., Ltd.	1,195,005,559.21	
Advances from customers	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	403,079,407.15	106,201,641.67
Advances from customers	Henan Shengshi Xinxing Gree Trading Co., Ltd.	129,447,292.74	2,311,588,189.76
Advances from customers	Shandong Red April Brand Management Co., Ltd.	985,644.12	
Advances from customers	Shanghai Highly (Group) Co., Ltd. and its holding subsidiaries	142,950.74	
Advances from customers	Zhuhai Gree Group Co., Ltd. and its subsidiaries		1,114,913.66
Deposit-taking	Songyuan Food Group Co., Ltd.	50,021,372.44	21,054.93
Deposit-taking	Zhuhai Gree Group Co., Ltd. and its subsidiaries	9,208,139.00	18,141,031.67
Deposit-taking	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	50,347.95	4,179,456.47
Deposit-taking	Shandong Shengshi Xinxing Gree Trading Co., Ltd.	49,087.42	
Deposit-taking	Shandong Jierui Logistics Co., Ltd.	13,324.91	
Deposit-taking	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. and its holding companies	29,714.68	
Deposit-taking	Henan Shengshi Xinxing Gree Trading Co., Ltd.	7,691.24	6,601.40
Deposit-taking	Shandong Zhirun Electric Appliances Co., Ltd.	196.01	
Deposits from customers - Accrued interest	Zhuhai Gree Group Co., Ltd. and its holding companies	1,522.01	16,763.75
Deposits from customers - Accrued interest	Songyuan Grain Group Co., Ltd. and its subsidiaries	1,168.95	2.25
Deposits from customers - Accrued interest	Shandong Jierui Logistics Co., Ltd.	914.35	
Deposits from customers - Accrued interest	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	5.38	899.90
Deposits from customers - Accrued interest	Shandong Shengshi Xinxing Gree Trading Co., Ltd.	5.25	
Deposits from customers - Accrued interest	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. and its holding companies	3.18	
Deposits from customers - Accrued interest	Henan Shengshi Xinxing Gree Trading Co., Ltd.	0.82	0.71
Deposits from customers - Accrued interest	Shandong Zhirun Electric Appliances Co., Ltd.	0.02	
Accounts payable	Shanghai Highly (Group) Co., Ltd. and its subsidiaries	445,278,880.37	351,971,296.27
Accounts payable	Zhuhai Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries	59,560,969.05	51,162,882.95
Accounts payable	Beijing Gree Technology Co., Ltd.	20,290,119.30	26,985,029.06
Accounts payable	Hunan Green Renewable Resources Recycling Co., Ltd.	4,111,822.34	
Accounts payable	Wuhu Green Renewable Resources Recycling Co., Ltd.	4,011,812.79	40,520,264.86
Accounts payable	Chongqing Pargo Mechanical Equipment Co., Ltd.	3,885,008.94	962,213.46

Item	Related party	Balance at the end of the period	Beginning Balance
Accounts payable	Zhuhai Gree Group Co., Ltd. and its subsidiaries	769,880.13	476,161.05
Accounts payable	Songyuan Grain Group Co., Ltd. and its subsidiaries	722,696.60	518,030.00
Accounts payable	Henan Shengshi Xinxing Gree Trading Co., Ltd.	249,988.68	
Other payables	Shanghai Highly (Group) Co., Ltd. and its subsidiaries	30,293.52	14,443.52
Other payables	Beijing Gree Technology Co., Ltd.	5,402.42	5,402.42
Other payables	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. and its holding companies	204.24	
Other payables	Zhuhai Gree Group Co., Ltd. and its subsidiaries	5,411.63	35,411.63
Other payables	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.		300,000.00
Other payables	Henan Shengshi Xinxing Gree Trading Co., Ltd.		100,000.00
Total		2,326,966,837.58	2,914,321,691.39

[Note] The related transactions and current amounts between the Company and Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries are detailed in Note (XII) 8.

7. Related party's commitment

None.

8. Related transactions and current amounts between the Company and Yinlong New Energy Co., Ltd. and its subsidiaries and holding subsidiaries

(1) Purchase of commodities/receiving of services and payables and prepayments

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period	Balance at the end of the period	Beginning Balance
					Other non-current assets (+)/accounts payable (-)	Other non-current assets (+)/accounts payable (-)
Zhuhai Guangtong Automobile Co., Ltd.	Purchase of fixed assets and materials	New energy vehicles and energy storage equipment	54,076,060.52	271,844,689.83	-55,832,870.55	-51,506,908.59
Zhuhai Yinlong Electric Appliance Co., Ltd.	Materials procurement	New energy vehicles and energy storage equipment	1,931,623.93	44,827.58	-218,273.50	-763,974.36
Zhuhai Yinlong New Energy Co., Ltd.	Purchase of fixed assets and materials	New energy vehicles and energy storage equipment	4,677,568.56	607,758.62	-2,946,841.40	1,108,000.00
Shijiazhuang Zhongbo Automobile Co., Ltd.	Purchase of fixed assets and materials	New energy vehicles and energy storage equipment	7,434,867.09			
Tianjin Guangtong Automobile Co., Ltd.	Materials procurement	New energy vehicles and energy storage equipment	2,175,159.89		-25,677.08	
Tianjin Yinlong New Energy Co., Ltd.	Materials procurement	New energy vehicles and energy storage equipment	622,066.91		-288.00	
Chengdu Yinlong New Energy Co., Ltd.	Materials procurement	New energy vehicles and energy storage equipment	253,529.85		-286,488.73	
Hebei Yinlong New Energy Co., Ltd.	Fixed assets purchase	New energy vehicles and energy storage equipment			300,000.00	
Chengdu Guangtong Automobile Co., Ltd.	Materials procurement	New energy vehicles and energy storage equipment	1,218,216.07		-550,529.79	
	Total		72,389,092.82	272,497,276.03	-59,560,969.05	-51,162,882.95

(2) Sales of commodities/rendering of services and receivables and advances from customers

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period	Balance at the end of the period		Beginning Balance	
					Accounts receivable (+)/advances from customers (-)	Receivables financing / other current assets	Accounts receivable (+)/advances from customers (-)	Receivables financing / other current assets
Hebei Yinlong New Energy Co., Ltd.	Sales of commodities	Intelligent equipment	12,771,027.31	148,377,977.28	-8,363,164.52	648,985,142.03	11,514,400.00	
Altairnano Inc.	Sales of commodities	Intelligent equipment			100,000.00	0	100,000.00	
Chengdu Guangtong Automobile Co., Ltd.	Sales of commodities	Intelligent equipment	5,399,830.77	112,147,926.28	-779,170.51	0		
Tianjin Guangtong Automobile Co., Ltd.	Sales of commodities	Intelligent equipment	54,796,039.36	102,925,737.93	-728,658.77	0		
Chengdu Yinlong New Energy Co., Ltd.	Sales of commodities	Intelligent equipment	23,795,711.05	1,149,343,163.12		0		
Zhuhai Yinlong New Energy Co., Ltd.	Sales of commodities	Intelligent equipment	6,541,792.14	10,708,858.59	135,400,789.99	802,418,995.36	6,236,300.00	2,367,244,012.90
Handan Branch of Zhuhai Guangtong Automobile Co., Ltd.	Sales of commodities	Intelligent equipment		9,188,838.46		0	100,000.00	
Tianjin Yinlong New Energy Co., Ltd.	Sales of commodities	Intelligent equipment	126,713,067.31	1,068,362,238.89		0	616,596,420.49	
Zhuhai Guangtong Automobile Co., Ltd.	Sales of commodities	Intelligent equipment	36,972.48	723,853.08		67,893,830.24	-6,513.33	2,313,736.00
Zhuhai Yinlong Electric Appliance Co., Ltd.	Sales of commodities	Intelligent equipment		6,932,279.71	-6,924,346.16	0		14,393,228.32
Shijiazhuang Zhongbo Automobile Co., Ltd.	Sales of commodities	Intelligent equipment	85,627,235.11	3,376.07		149,765,802.01		29,919.00
Zhuhai Yinlong New Energy Co., Ltd.	Sales of commodities	Bus air conditioners	5,406,156.59		168,300,170.39			

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period	Balance at the end of the period		Beginning Balance	
					Accounts receivable (+)/advances from customers (-)	Receivables financing / other current assets	Accounts receivable (+)/advances from customers (-)	Receivables financing / other current assets
Zhuhai Guangtong Automobile Co., Ltd.	Sales of commodities	Bus air conditioners		10,258,290.60				4,189,316.80
Tianjin Guangtong Automobile Co., Ltd.	Sales of commodities	Bus air conditioners		12,335,897.44		0		
Chengdu Guangtong Automobile Co., Ltd.	Sales of commodities	Bus air conditioners		6,167,521.37		0		
Handan Branch of Zhuhai Guangtong Automobile Co., Ltd.	Sales of commodities	Bus air conditioners		17,345,299.15	50,000.00	0		
	Total		321,087,832.12	2,654,821,257.97	287,055,620.42	1,669,063,769.64	634,540,607.16	2,388,170,213.02

(XIII) Share-based payments

None.

(XIV) Commitments and contingencies**1. Important commitments**

None.

2. Contingencies

There were no important contingent issues that need to be disclosed as at 31 December, 2019

3. Others

None.

(XV) Events after the balance sheet date**1. Important non-adjustment matters**

After the balance sheet date, the Company's actual controller has undergone a major change. For details, see (XII) 1.

2. Profit distribution

According to the resolution of the eleventh meeting of the eleventh session of board of directors, the Company's profit distribution preplan of 2019: Calculated by the total stock capital of the Company equivalent to 6,015,730,878 shares, all shareholders will be distributed a cash of RMB 12 (tax included) per 10 shares, with the total amount of cashes to be distributed in such a way up to RMB 7,218,877,053.60 and the balance to be carried forward to the future year. This distribution preplan still needs to be approved by the general meeting of shareholders.

3. Sales return

No important sales return occurred after the balance sheet date.

4. Other events after the balance sheet date**(1) The impact of COVID-19 on the Company**

The Company's main operations are mainly research and development, production and sales of household air conditioners and HVAC equipment. In the first quarter of 2020, the Company's revenue and profit decreased significantly over the same period of last year, mainly because the terminal market sales and installation activities of the air-conditioning industry could hardly be carried out and the Company and upstream and downstream enterprises could not resume work and production in time due to COVID-19; In the first quarter, due to the

shrinking terminal consumer demand of the air-conditioning industry and the expected impact of the implementation of new energy efficiency standards, the industry competition was further intensified, and the Company continued to implement active promotional policies.

(2) Repayment after the disbursement of loans and advances

As described in Note (VII) 11 Disbursement of loans and advances, in order to promote the win-win development of the industrial chain and strengthens financial credit support for member units and upstream and downstream enterprises, the Company fully exerted its own funds and improved its capital income. In the current period, the Company increased foreign loans and advances. The balance of loans and advances - loans at the end of the period was RMB 14,723,530,000.00. As of the disclosure date of this report, the corresponding loan repayments were normal, and the cumulative repayment amount was RMB 4,622,620,000.00.

(XVI) Other important events

1. Correction of early errors in accounting

The Company had no important correction of early errors in accounting in the current period.

2. Debt restructuring

The Company had no debt restructuring in the current period.

3. Asset replacement

The Company had no asset replacement in the current period.

4. Pension plan

The Company had no pension plan in the current period.

5. Discontinued operation

Item	Revenue	Expense	Total profit	Income tax expenses	Net profits	Profit from discontinued operation attributable to owners of parent company
Gree (USA) Sales Co., Ltd.		282,858.16	-282,858.16	235,155.34	-518,013.50	-518,013.50

(Continued)

Item	Net cash flows from operating activities	Net cash flows from investment activities	Net cash flows from financing activities
Gree (USA) Sales Co., Ltd.	-120,896,763.07		

6. Other important events affecting investor decisions

The Company's first extraordinary general meeting of shareholders in 2020 considered and approved the

"Proposal on Debt Financing Instruments to be Registered and Issued", and agreed that the Company registers debt financing instruments with a total amount not exceeding RMB 18 billion (inclusive), of which the ultra-short-term financing bonds to be registered do not exceed RMB 10 billion (inclusive), the short-term financing bonds to be registered do not exceed RMB 3 billion (inclusive), and the medium-term notes to be registered do not exceed RMB 5 billion (inclusive).

The China Interbank Market Dealers Association held the 37th registration meeting in 2020 on 7 April, 2020, agreed to accept the registration of the Company's ultra-short-term financing bonds, short-term financing bonds and medium-term bills, and issued the Registration Acceptance Notice for them respectively

According to the Company's capital plan arrangement and the inter-bank market situation, during 15-16 April, 2020, the Company issued the first phase of ultra-short-term financing bonds for 2020, and the total actual issuance amount was RMB 3 billion.

(XVII) Notes to main items of financial statements of the parent company

1. Accounts receivable

(1) Disclosure by account age

Aging	Balance at the end of the period
Within 1 year	3,779,915,115.11
1 to 2 years	311,703,479.94
2 to 3 years	3,451,107.21
Over 3 years	15,325,449.45
Subtotal	4,110,395,151.71
Less: Bad debt provisions	237,124,630.38
Total	3,873,270,521.33

(2) Presentation by accruing method for bad debt provisions

Category	Balance at the end of the period				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Accruing percentage (%)	
Accounts receivable with bad debt provisions accrued separately	4,715,115.32	0.11	4,715,115.32	100.00	
Accounts receivable with bad debt provisions accrued according to the combination	4,105,680,036.39	99.89	232,409,515.06	5.66	3,873,270,521.33
Including: Combination 1: Account age combination	3,480,423,548.05	84.68	232,409,515.06	6.68	3,248,014,032.99

Combination 2: None risk combination	625,256,488.34	15.21			625,256,488.34
Total	4,110,395,151.71	100.00	237,124,630.38	5.77	3,873,270,521.33

(Continued)

Category	Beginning Balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Accruing percentage (%)	
Accounts receivable with bad debt provisions accrued separately	4,715,115.32	0.18	4,715,115.32	100.00	
Accounts receivable with bad debt provisions accrued according to the combination	2,645,849,978.73	99.82	114,678,116.93	4.33	2,531,171,861.80
Including: Combination 1: Account age combination	2,120,670,464.91	80.01	114,678,116.93	5.41	2,005,992,347.98
Combination 2: None risk combination	525,179,513.82	19.81			525,179,513.82
Total	2,650,565,094.05	100.00	119,393,232.25	4.50	2,531,171,861.80

3) Accounts receivable with bad debt provisions accrued separately at the end of the period

Accounts receivable	Balance at the end of the period			
	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Entity 1	4,715,115.32	4,715,115.32	100.00	Expected to be difficult to recover
Total	4,715,115.32	4,715,115.32	100.00	

4) In the combination, the accounts receivable of which bad debt provisions are appropriated according to the account age combination

Item	Balance at the end of the period		
	Book balance	Bad debt provision	Percentage of appropriation (%)
Within 1 year	3,154,658,626.77	157,732,931.33	5.00
1 to 2 years	311,703,479.94	62,340,695.99	20.00
2 to 3 years	3,451,107.21	1,725,553.61	50.00
Over 3 years	10,610,334.13	10,610,334.13	100.00
Total	3,480,423,548.05	232,409,515.06	6.68

[Note] Please refer to Note (V) 10 for the basis for determining the combination.

(3) Particulars on bad debt provisions

Category	Beginning Balance	Change of the current period				Balance at the end of the period
		Appropriation	Recovered or reversed	Resold or wrote-off	Other changes	
Aging combination	114,678,116.93	117,731,822.52		424.39		232,409,515.06
Accrued separately	4,715,115.32					4,715,115.32
Total	119,393,232.25	117,731,822.52		424.39		237,124,630.38

(4) Particulars on accounts receivable actually wrote-off in the current period

Item	Wrote-off amount
Accounts receivable actually wrote-off	424.39

(5) Accounts receivable of top 5 debtors in the balance at the end of the period collected by the debtor

Name of entity	Balance at the end of the period of accounts receivable	Percentage (%) in the total balance at the end of the period of accounts receivable	Balance of provision for bad debts at the end of the period
First	1,188,138,220.65	28.91	59,406,911.03
Second	657,104,394.32	15.99	
Third	236,979,286.32	5.77	11,848,964.32
Fourth	168,300,170.39	4.09	8,415,008.52
Fifth	159,713,662.98	3.89	7,985,683.15
Total	2,410,235,734.66	58.65	87,656,567.02

(6) Accounts receivable derecognized due to the transfer of financial assets

None.

(7) Assets and liabilities formed due to the transfer and continuous involvement of accounts receivable

None.

2. Other receivables

Item	Balance at the end of the period	Beginning Balance
Other receivables	2,757,398,837.97	2,176,997,136.30
Total	2,757,398,837.97	2,176,997,136.30

(1) Other receivables disclosed by account age

Aging	Balance at the end of the period
Within 1 year	2,760,720,897.41
1 to 2 years	1,674,356.45

2 to 3 years	439,895.78
Over 3 years	1,343,631.22
Subtotal	2,764,178,780.86
Less: Bad debt provisions	6,779,942.89
Total	2,757,398,837.97

(2) Other receivables disclosed by amount nature

Nature of money	Book balance at the end of the period	Book balance at the beginning of the period
Intercourse funds and risk-free money	2,764,178,780.86	2,185,094,406.40
Less: Bad debt provisions	6,779,942.89	8,097,270.10
Total	2,757,398,837.97	2,176,997,136.30

(3) Particulars on accruing of other receivables

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January, 2019	6,744,256.13		1,353,013.97	8,097,270.10
Balance as at 1 January, 2019 in the current period				
Appropriation for the current period			545,436.43	545,436.43
Reserved in the current period	1,862,763.64			1,862,763.64
Balance as at 31 December, 2019	4,881,492.49		1,898,450.40	6,779,942.89

(4) Particulars on accruing of other receivables in the current period

Category	Beginning Balance	Change of the current period				Balance at the end of the period
		Appropriation	Recovered or reversed	Resold or wrote-off	Other changes	
Aging combination	8,097,270.10	545,436.43	1,862,763.64			6,779,942.89
Total	8,097,270.10	545,436.43	1,862,763.64			6,779,942.89

(5) Particulars on other receivables actually wrote-off in the current period

None.

(6) Other receivables of top 5 debtors in the balance at the end of the period collected by the debtor

Name of entity	Nature of money	Balance at the end of the period	Aging	Proportion to the total balance of other receivables at the end of the	Balance of provision for bad debts at the end of the
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				period (%)	period
First	Risk-free money	1,285,473,348.47	Within 1 year	46.50	
Second	Risk-free money	1,089,817,314.64	Within 1 year	39.43	
Third	Risk-free money	196,497,262.94	Within 1 year	7.11	
Fourth	Risk-free money	45,000,000.00	Within 1 year	1.63	
Fifth	Risk-free money	14,176,715.32	Within 1 year	0.51	
Total		2,630,964,641.37		95.18	

(7) Receivables involving government subsidies

None.

(8) Other receivables derecognized due to the transfer of financial assets

None.

3. Long-term equity investment

Item	Balance at the end of the period			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	13,160,012,796.05		13,160,012,796.05	10,288,212,796.05		10,288,212,796.05
Investment in associated and contractual enterprises	7,066,126,170.64	1,940,009.35	7,064,186,161.29	2,252,672,471.06	1,940,009.35	2,250,732,461.71
Total	20,226,138,966.69	1,940,009.35	20,224,198,957.34	12,540,885,267.11	1,940,009.35	12,538,945,257.76

(1) Investment in subsidiaries

Name of invested entities	Opening balance (book value)	Increase/Decrease in the current period				Closing balance (book value)	Balance of provision for impairment at the end of the period
		Additional investment	Disinvestment	Appropriated provision for impairment	Others		
Gree (Brazil) Electric Appliances Co., Ltd.	659,342,914.36					659,342,914.36	
Gree (Chongqing) Electric Appliances Co., Ltd.	223,100,000.00					223,100,000.00	
Shanghai GREE Air Conditioners Sales Co., Ltd	1,800,000.00					1,800,000.00	
Zhuhai Gree Group Finance Company Limited	1,400,371,239.99					1,400,371,239.99	
Zhuhai Gree Electrical Co., Ltd.	184,680,359.95	1,500,000,000.00				1,684,680,359.95	
Zhuhai Landa Compressor Co., Ltd.	968,225,519.93					968,225,519.93	
Zhuhai Gree Xinyuan Electronics Co., Ltd.	154,290,096.61					154,290,096.61	
Zhuhai Gree TOSOT Life Electric Appliances Co., Ltd.	30,000,000.00					30,000,000.00	

Name of invested entities	Opening balance (book value)	Increase/Decrease in the current period				Closing balance (book value)	Balance of provision for impairment at the end of the period
		Additional investment	Disinvestment	Appropriated provision for impairment	Others		
Zhuhai Kaibang Motor Manufacture Co., Ltd.	83,860,929.67					83,860,929.67	
Gree Electric Appliances (Hefei) Co., Ltd.	505,370,626.10					505,370,626.10	
Hong Kong Gree Electric Appliances Sales Co., Ltd.	472,879.08					472,879.08	
Zhuhai Gree Dakin Device Co., Ltd.	283,117,574.47					283,117,574.47	
Zhuhai Gree Daikin Precision Mold Co., Ltd.	201,911,186.86					201,911,186.86	
GREE (Zhongshan) Home Appliances Co., Ltd.	30,000,000.00					30,000,000.00	
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	676,040,000.00					676,040,000.00	
Zhuhai HVAC Equipment Co., Ltd.	100,000,000.00					100,000,000.00	
Gree (Wuhan) Electric Appliances Co., Ltd.	600,000,000.00					600,000,000.00	
Gree (Zhengzhou) Electric Appliances Co., Ltd.	720,000,000.00					720,000,000.00	
Zhengzhou Gree Green Resources Recycling Co., Ltd	5,000,000.00					5,000,000.00	
Hunan Green Resources Recycling Co., Ltd	5,000,000.00					5,000,000.00	
Wuhu Green Resources Recycling Co., Ltd.	2,000,000.00					2,000,000.00	
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	10,000,000.00					10,000,000.00	
Gree (Wuhu) Electric Appliances Co., Ltd.	20,000,000.00					20,000,000.00	

Name of invested entities	Opening balance (book value)	Increase/Decrease in the current period				Closing balance (book value)	Balance of provision for impairment at the end of the period
		Additional investment	Disinvestment	Appropriated provision for impairment	Others		
Shijiazhuang Green Resources Recycling Co., Ltd.	5,000,000.00					5,000,000.00	
Gree (Shijiazhuang) Electric Appliances Co., Ltd.	98,940,059.97					98,940,059.97	
Tianjin Green Resources Recycling Co., Ltd.	5,000,000.00					5,000,000.00	
Zhuhai Ligao Precision Manufacturing Co., Ltd.	30,000,000.00					30,000,000.00	
Changsha Gree HVAC Equipment Co., Ltd.	50,000,000.00					50,000,000.00	
Zhuhai IVP Information Technology Co., Ltd.	100,000,000.00					100,000,000.00	
Gree TOSOT (Suqian) Home Appliances Co., Ltd.	140,000,000.00					140,000,000.00	
Wuhu Precision Manufacturing Co., Ltd.	30,000,000.00					30,000,000.00	
Zhuhai Gree New Material Co., Ltd.	30,000,000.00					30,000,000.00	
Zhuhai GREE Intelligent Equipment Co., Ltd.	100,000,000.00					100,000,000.00	
Zhuhai Hengqin GREE business factoring Co., Ltd.	100,000,000.00					100,000,000.00	
Zhuhai Gree Precision Mold Co., Ltd.	100,000,000.00					100,000,000.00	
Gree (Wuhan) Precision Mold Co., Ltd.	80,000,000.00					80,000,000.00	
Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	50,000,000.00					50,000,000.00	
Zhuhai Gree Energy Environment Technology Co., Ltd.	200,000,000.00					200,000,000.00	

Name of invested entities	Opening balance (book value)	Increase/Decrease in the current period				Closing balance (book value)	Balance of provision for impairment at the end of the period
		Additional investment	Disinvestment	Appropriated provision for impairment	Others		
Gree (Wuhan) HVAC Equipment Co., Ltd.	40,000,000.00					40,000,000.00	
Gree (Hangzhou) Electric Appliances Co., Ltd.	300,000,000.00	250,000,000.00				550,000,000.00	
Zhuhai Gree Info Technology Co., Ltd.	510,000.00					510,000.00	
Gree (Wu'an) Precision Equipment Manufacturing Co., Ltd.	210,000,000.00					210,000,000.00	
Zhuhai Gree Transportation Co., Ltd.	50,000,000.00					50,000,000.00	
Gree Electric Appliances (Luoyang) Co., Ltd.	50,000,000.00					50,000,000.00	
Gree Electric Appliances (Nanjing) Co., Ltd.	200,000,000.00	100,000,000.00				300,000,000.00	
Zhuhai Gree Material Supply Co., Ltd.	30,000,000.00	120,000,000.00				150,000,000.00	
Gree Electric Appliances (Chengdu) Co., Ltd.	100,000,000.00	300,000,000.00				400,000,000.00	
Hefei Kinghome Electrical Co., Ltd.	1,247,087,108.76					1,247,087,108.76	
Zhuhai Zero Boundary Integrated Circuit Co., Ltd.	50,000,000.00					50,000,000.00	
Zhuhai Lianyun Technology Co., Ltd.	7,000,000.00	33,000,000.00				40,000,000.00	
Zhuhai Gree Electrical and Mechanical Engineering Co., Ltd.	20,092,300.30	129,000,000.00				149,092,300.30	
Zhuhai Gree Green Resources Recycling Co., Ltd.		50,000,000.00				50,000,000.00	
Zhuhai Gree Lvkong Technology Co., Ltd.		270,000,000.00				270,000,000.00	

Name of invested entities	Opening balance (book value)	Increase/Decrease in the current period				Closing balance (book value)	Balance of provision for impairment at the end of the period
		Additional investment	Disinvestment	Appropriated provision for impairment	Others		
Gree (Luoyang) Washing Machine Co., Ltd.		50,000,000.00				50,000,000.00	
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.		22,500,000.00				22,500,000.00	
Gree (Anji) Precision Mold Co., Ltd.		47,300,000.00				47,300,000.00	
Total	10,288,212,796.05	2,871,800,000.00				13,160,012,796.05	

(2) Investment in associated and contractual enterprises

Name of invested entities	Beginning Balance		Increase/Decrease in the current period						Balance at the end of the period	
	Original value	Provision for impairment	Additional investment/withdraw investment	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	Original value	Provision for impairment
1. Partnership										
Songyuan Food Group Co., Ltd.	70,904,579.15			3,767,568.71					74,672,147.86	
Subtotal	70,904,579.15			3,767,568.71					74,672,147.86	
2. Joint venture										
Gree (Vietnam) Electric Appliances, Inc.	1,940,009.35	1,940,009.35							1,940,009.35	1,940,009.35
Liaowang All Media Communication Co., Ltd.	28,057,883.29			3,453,907.07					31,511,790.36	
Beijing Gree Technology Co., Ltd.	2,309,507.13			392,326.58					2,701,833.71	
Chongqing Pargo Mechanical Equipment Co., Ltd.	10,715,459.43			850,045.78					11,565,505.21	
Gree Volinco (Hong Kong) Ltd.	972,937.26			-53,146.98	4,536.91				924,327.19	
Wuhan Digital Design and Manufacturing Innovation Center Co., Ltd.	14,483,961.08			90,880.77					14,574,841.85	
Hunan Guoxin Semiconductor Technology Co., Ltd.	9,950,321.68			59,848.82					10,010,170.50	
Zhuhai Ronglin Equity Investment Partnership (Limited Partnership)	2,113,337,812.69			-30,054,643.59	4,784,432,411.50				6,867,715,580.60	

Name of invested entities	Beginning Balance		Increase/Decrease in the current period						Balance at the end of the period	
	Original value	Provision for impairment	Additional investment/withdraw investment	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	Original value	Provision for impairment
Henan Yuze Finance Leasing Co., Ltd.			50,000,000.00	509,964.01					50,509,964.01	
Subtotal	2,181,767,891.91	1,940,009.35	50,000,000.00	-24,750,817.54	4,784,436,948.41				6,991,454,022.78	1,940,009.35
Total	2,252,672,471.06	1,940,009.35	50,000,000.00	-20,983,248.83	4,784,436,948.41				7,066,126,170.64	1,940,009.35

4. Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main business	130,710,855,078.36	93,652,520,856.50	147,450,211,574.91	105,446,247,170.79
Other businesses	5,508,511,105.25	5,056,537,993.65	14,303,554,532.18	13,692,644,187.99
Total	136,219,366,183.61	98,709,058,850.15	161,753,766,107.09	119,138,891,358.78

5. Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	-20,983,248.83	129,541.96
Investment income from disposal of long-term equity investment		974,832.42
Investment income from derivative financial instruments	-77,928,757.80	-6,768,139.22
Investment income related to financial assets available for sale	—	24,305,463.38
Investment income related to financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	—	12,480,038.67
Dividend share confirmed for long-term equity investment income measured by cost method	4,658,202,677.12	3,815,836,662.42
Investment income related to trading financial assets	48,942,780.74	—
Investment income related to other equity instrument investments	13,533,474.60	—
Total	4,621,766,925.83	3,846,958,399.63

(XVIII) Supplementary information

1. Non-recurring profit and loss

The Company's non-recurring profit and loss incurred in the Report Period (profit presented with a positive number and loss presented with a negative number):

Item	Amount for the current period	Description
Profit and loss from disposal of non-current assets	-9,293,929.38	For details, see Note (VII) 57, Note (VII) 58 and Note (VII) 59
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)	1,215,852,371.66	For details, see Note (VII) 52 and Note (VII) 58
Capital occupation fee collected from the non-financial institution and recorded into the current gains and losses	359,713.10	
Gains and losses caused by fair value changes from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income obtained from the disposal of trading financial	1,449,722.86	

Item	Amount for the current period	Description
assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except for the effective hedging business related to the Company's normal business operations		
Non-operating incomes and expenditures other than the above items	-530,486,147.03	For details, see Note (VII) 58 and Note (VII) 59
Other profit and loss items that conform to the definition of non-recurring profit and loss	997,770.17	
Subtotal	678,879,501.38	
Less: Influence amount of income tax	147,189,032.83	
Impact of minority shareholders' equity	6,561,011.03	
Total	525,129,457.52	

2. Rate of return on net assets and earnings per share

Rate of return on net assets and earnings per share of the Company in the Report Period:

Item	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	25.72	4.11	4.11
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	25.17	4.02	4.02

Section XIII References

- (I) 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.
- (II) The original audit report sealed by China Audit Union Power Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants Gong Jingwei and Wu Zihao.
- (III) Originals and original drafts of all the Company's documents and announcements published on the newspapers designated by CSRC and on www.cninfo.com.cn within the Report Period.

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

30 April, 2020