

Stock Code: 000521, 200521

Notice No.: 2018-049

Short Form of the Stock: Changhong Meiling, Hongmeiling B

CHANGHONG MEILING CO., LTD.

Summary of Semi-Annual Report 2018

I. Important Notice

(1) The summary of semi-annual report is excerpted from the full text of the semi-annual report. For the details, investors should carefully read the full text of the semi-annual report published on Juchao Information website (www.cninfo.com.cn) and Shenzhen Stock Exchange Website etc., appointed by CSRC.

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

(3) All the directors attended the board meeting on deliberating the Report on site and by communication.

(4) Modified audit opinions notes

Applicable Not applicable

(5) Profit distribution pre-plan or capitalizing of common reserves pre-plan deliberated by the Board in the semi-annual period

Applicable Not applicable

The Company has no plans of cash distribution, bonus shares and capitalizing of common reserves either.

(6) Profit distribution for preferred shares approved by the Board

Applicable Not applicable

II. Company information

(I) Profile

Short form for share	Changhong Meiling, Hongmeiling B	Code for share	000521, 200521
Listing stock exchange	Shenzhen Stock Exchange		
Short form of the Stock before changed (if applicable)	MEILINGDIANQI, WANMEILING-B		
Contact person and ways	Secretary of the Board	Representative of Securities affairs	
Name	Li Xia	Zhu Wenjie	
Office add.	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei	No. 2163, Lianhua Road, Economic and Technology Development Zone, Hefei	
Tel.	0551-62219021	0551-62219021	
E-mail	lixia@meiling.com	wenjie.zhu@meiling.com	

(II) Main financial data and financial index

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current period	Same period last year	Changes +/-
Operating income (RMB)	9,271,509,569.67	8,517,794,193.10	8.85%
Net profit attributable to shareholders of the listed company (RMB)	50,684,231.73	92,075,039.77	-44.95%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	-6,600,101.83	66,905,338.98	-109.86%
Net cash flow arising from operating activities (RMB)	160,489,361.06	484,230,697.91	-66.86%
Basic earnings per share (RMB/Share)	0.0485	0.0881	-44.95%
Diluted earnings per share (RMB/Share)	0.0485	0.0881	-44.95%
Weighted average ROE	1.00%	1.79%	0.79 percentage points down
	End of current period	End of last year	Changes +/-
Total assets (RMB)	17,485,565,133.30	15,961,511,966.81	9.55%
Net assets attributable to shareholder of listed company (RMB)	5,031,662,984.03	5,051,066,095.31	-0.38%

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

In share

Total common shareholders in reporting period-end	60,629	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top 10 shares holding						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
					State of share	Amount
Sichuan Changhong Electric Co., Ltd.	State-owned legal person	22.47%	234,705,968	69,877,638	--	--
Hefei Industry Investment Holding (Group) Co., Ltd.	State-owned legal person	4.58%	47,823,401	0	--	--
CHANGHONG (HK) TRADING LIMITED (note 1)	Foreign legal person	2.96%	30,895,442	0	--	--
Ping An Annuity Insurance Company of China, Ltd. – Ping An Pension Ruifu private placement No.1 Assets Management Products	Domestic non state-owned corporate	2.26%	23,613,595	0	--	--
CAO SHENGCHUN	Foreign natural person	1.32%	13,829,383	0	--	--
Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd.	Domestic non state-owned corporate	1.20%	12,522,361	0	--	--

Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	Domestic non state-owned corporate	1.03%	10,733,452	0	--	--
National Social Security Funds-504	Domestic non state-owned corporate	0.94%	9,838,998	0	--	--
Caitong Fund- CEB – Soochow Securities Co., Ltd.	Domestic non state-owned corporate	0.80%	8,370,031	0	--	--
Shenzhen Dewei Capital Investment Management Co., Ltd. – Dewei Capital Commodity No.1 Private Equity	Domestic non state-owned corporate	0.78%	8,167,695	0	--	--
Explanation on associated relationship among the aforesaid shareholders	Among the above shareholders, CHANGHONG (HK) TRADING LIMITED is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., CHANGHONG (HK) TRADING LIMITED. and other top 8 shareholders; Ping An Annuity Insurance Company of China, Ltd. – Ping An Pension Ruifu private placement No.1 Assets Management Products has subscribed the products managed by Ping An Annuity Insurance Company of China, Ltd. in the Company's non-public offering of shares in 2016; Ping An UOB-Ping An Bank-Guohai Securities Co., Ltd. have subscribed the products managed by Ping An Dahua Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016; Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) and Caitong Fund-CEB – Soochow Securities Co., Ltd. have subscribed the products managed by Caitong Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016; “National Social Security Funds-504” has subscribed the products managed by Harvest Fund Management Co., Ltd. in the Company's non-public offering of shares in 2016. The Company neither knows whether there is any association among other shareholders, nor knows whether other shareholders belong to the persons acting in concert that is stipulated in the “Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies”.					
Explanation on shareholders involving margin business (if applicable)	Not applicable					

Note 1: At end of the reporting period, the person acting in concert with controlling shareholder Sichuan Changhong-- CHANGHONG (HK) TRADING LIMITED, holds B-stock of the Company as 30,895,442 shares, among which, 3,817,645 shares are held through Philip Securities (H.K.) Co., Ltd.

(IV) Changes of controlling shareholder or actual controller

1. Changes of controlling shareholder in reporting period

Applicable Not applicable

No change of controlling shareholder in reporting period.

2. Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controller in reporting period.

(V) Total preferred shareholders and top 10 shares held by preferred shareholders

Applicable Not applicable

The Company has no preferred shareholders

(VI) Corporate bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due: No

III. Discussion and analysis of operation**(I) Operation status in the period****Investors are advice to read the full text of the report and be aware of the following risks:**

In the second half of 2018, faced with the more intense competition in home appliance market and other objective factors, the enterprise will have worse survival environment. In the future, the company will face risks such as weak macroeconomic growth, severe industry situation, intensifying competition, rising raw materials and transportation costs, tight domestic currency and credit environment, Sino-US trade war, exchange rate fluctuations, new business models and the impact of the Internet era.

Does the Company need to comply with disclosure requirements of the special industry: No**1. Introduction**

In the first half of 2018, the global economy encountered more and more risks and difficulties, the growth of major economies slowed down, the inflation rose, and the cycle of tightening monetary policy began. At the same time, trade protectionism was on the rise. Overall, the global economic situation in the first half of 2018 has weakened compared to 2017, and the external environmental disadvantages faced by China have increased. In this context, the domestic appliance industry is facing the impact of rising raw material costs, terminal market saturation, real estate regulation and other factors. In the new normal of home appliances, the competition in the home appliance industry becomes increasingly fierce, and innovation and breakthroughs become the key to be bigger and stronger.

In the first half of 2018, under the strategic guidance of “Meiling Dream” and “Double Three One Core”, the Company insisted on the operating principle of “product leading, marketing transformation, efficiency promotion and team activation”, We has achieved operating income of RMB 9.272 billion, an increase of 8.85% on a year-on-year basis; net profit attributable to the parent company of RMB 50.6842 million, a decrease of 44.95% on a year-on-year basis.

2. Main Business Analysis**(1) Overview**

In first half of 2018, refrigerator and freezer business achieved revenue of approximately RMB 3.684 billion, 0.75% decreased on a y-o-y basis; air-conditioning business achieved revenue of approximately RMB 4.378 billion, 14.29% up y-o-y; washing machine business achieve revenue around RMB 0.246 billion, with year-on-year growth of 8.19 %; other business of small home appliance and kitchen & toilet products have revenue approximately as RMB 0.449 billion with 23.61% up y-o-y. At the same time, revenue from exportation gains RMB 2.175 billion, a y-o-y growth of 2.59%.

(2) Progress of the Company's development strategy and business plan during the reporting period

During the reporting period, in accordance with the development strategy and operating principles of 2018, the Company has deployed the annual business plan, arranged the production and management, and carried out the following activities:

Product leading:

In the first half of 2018, the company completed the listing of a variety of “M fresh Life” refrigerator (freezer) products which further promoted the upgrades of the company’s refrigerator (freezer) products, made good market performance, and achieved high recognition from consumers. At the same time, the sales volume of the company’s CHiQ refrigerator increased by 21.0% on a year-on-year basis, and the sales volume of CHiQ air-conditioner increased by 27.3% on a year-on-year basis, and the market influence of intelligent high-end products was promoted significantly. In addition, the company improved the quality of high-end products through the establishment of high-end product quality refinement standards and evaluation indicators, and achieved an overall upgrade of products through the continuous propulsion of “five -ization and two easy” project and the “quality, taste and brand” promotion project.

Marketing transformation:

Domestic marketing: Further consolidated and promoted the market position of the company’s products through the e-commerce transformation, value transformation, channel transformation, and organizational transformation of traditional business.

From the offline market sales, CMM’s data showed that the retail sales of refrigerator industry declined by 1% on a year-on-year basis, but the retail sales of the company’s refrigerator rose by 4.09% on a year-on-year basis; the retail sales of freezer industry rose by 4.04% on a year-on-year basis, and the retail sales of the company’s freezer rose by 16.5% on a year-on-year basis; the retail sales of air-conditioner industry rose by 6.76% on a year-on-year basis, and the retail sales of the company’s air conditioner rose by 4.04% on a year-on-year basis; the retail sales of washing machine industry declined by 0.89% on a year-on-year basis, but the retail sales of the company’s washing machine rose by 1.98% on a year-on-year basis.

From the online sales, the online sales of the company’s refrigerators and air conditioner further expanded the results. According to AVC’s data, the retail sales of refrigerator industry rose by 49.24% on a year-on-year basis, and the retail sales of the company’s refrigerator rose by 33.32% on a year-on-year basis; the retail sales of freezer industry rose by 52.49% on a year-on-year basis, and the retail sales of the company’s freezer rose by 26.15% on a year-on-year basis; the retail sales of air-conditioner industry rose by 49.41% on a year-on-year basis, and the retail sales of the company’s air conditioner rose by 31.70% on a year-on-year basis.

Overseas marketing: Through the transformation from pursuing scale to pursuing both scale and profit, the transformation from traditional business model to emerging business model, and the transformation from order driving to market driving, the product structure has been gradually improved, and the proportion of overseas air-cooled refrigerators has exceeded 15%, the proportion of medium and high-end air-conditioning products is also increasing, and the profitability of export products is improving significantly.

Efficiency promotion:

The company's comprehensive competitiveness in terms of the market unit price, quality improvement and efficiency improvement has been promoted by taking benchmarking management activities as the starting point, and the manufacturing efficiency has been improved by promoting the "less people project". In terms of cost reduction, significant achievements have been made through design cost reduction, process cost reduction, and procurement cost reduction. In the first half of the year, the company also carried out the special investigation and management activities to manage the "leakage and venting", and improved the efficiency through management improvement and project improvement, and improved the organizational efficiency by promoting the construction of "responsibility" system.

Team activation

Inspire the business teams' vitality through the innovative incentive mechanism design (medium and long-term incentive plan, annual performance share plan, and performance culture); continue to publicize, train, propagate and guide the corporate culture, precipitate the corporate culture, and promote the organizational atmosphere.

(II) Matters relevant to financial report

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

Applicable Not applicable

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

2. Particulars about retroactive restatement on major correction for accounting errors in reporting period

Applicable Not applicable

No particulars about retroactive restatement on major correction for accounting errors in reporting period.

3. Particulars about the change of consolidation range compared with the financial report of last year

Applicable Not applicable

The Company's consolidated financial statement included 47 subsidiaries including Sichuan Changhong Air Conditioner Co., Ltd, Zhongshan Changhong Home Appliances Company Limited and Zhongke Meiling Cryogenic Technology Co., Ltd, etc. As compared to previous year, subsidiary Zhongshan Hongyou Appliances Co., Ltd. was excluded due to liquidation.

Found more in "VII Change of Consolidate Statement" and VIII Equity in other main body carried in Section X

Financial Report of the Semi-Annual Report 2018, released on 15 August 2018.

Changhong Meiling Co., Ltd.

Chairman: Li Wei

15 August 2018