

Stock Code: 000521, 200521

Notice No.: 2020-058

Short Form of the Stock: CHML, Hongmeiling B

CHANGHONG MEILING CO., LTD.**Summary of Semi-Annual Report 2020****I. Important Notice**

(i) 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.

(ii) 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.

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

(iv) Modified audit opinions notes

☐ Applicable ☒ Not applicable

(v) 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.

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

☐ Applicable ☒ Not applicable

II. Company information**(i) Profile**

Short form for share	CHML, Hongmeiling B	Code for share	000521, 200521
Listing stock exchange	Shenzhen Stock Exchange		
Short form of the Stock before changed (if applicable)			
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	No. 2163, Lianhua Road, Economic and	

	Technology Development Zone, Hefei	Technology Development Zone, Hefei
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(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)	6,795,860,736.99	9,133,162,680.94	-25.59%
Net profit attributable to shareholders of the listed company (RMB)	-210,130,580.93	54,334,022.57	-486.74%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	-257,134,663.36	4,475,396.85	-5845.52%
Net cash flow arising from operating activities (RMB)	-388,104,958.41	373,484,000.19	-203.91%
Basic earnings per share (RMB/Share)	-0.2012	0.0520	-486.92%
Diluted earnings per share (RMB/Share)	-0.2012	0.0520	-486.92%
Weighted average ROE	-4.29%	1.08%	5.37 percentage points decrease
	End of current period	End of last year	Changes +/-
Total assets (RMB)	15,065,140,923.67	14,202,233,615.47	6.08%
Net assets attributable to shareholder of listed company (RMB)	4,741,397,306.92	5,004,947,673.36	-5.27%

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

In share

Total common shareholders in reporting period-end	61,594	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	23.79%	248,457,724	0	-	-
Hefei Industry Investment Holding (Group) Co., Ltd.	State-owned legal person	4.58%	47,823,401	0	-	-
CHANGHONG (HK) TRADING LIMITED	Foreign legal	2.59%	27,077,797	0	-	-

(note 1)	person					
CAO SHENGCHUN	Foreign natural person	1.41%	14,766,086	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	-	-
Ma Guobin	Domestic nature person	0.92%	9,633,427	0	-	-
Shanghai Fangda Investment Management Co., Ltd.	Domestic general legal person	0.85%	8,880,000	0	-	-
China Construction Bank - Huaxia China Securities Sichuan State-owned enterprise reform exchange traded index securities investment fund	Domestic non state-owned corporate	0.65%	6,781,800	0	-	-
Phillip Securities (Hong Kong) Co., Ltd.	Foreign legal person	0.60%	6,296,913	0	-	-
China Securities Finance Corporation Limited	Domestic general legal person	0.42%	4,362,500	0	-	-
Explanation on associated relationship among the aforesaid shareholders	Among the above shareholders, CHANGHONG (HK) TRADING LIMITED (hereinafter referred to as Hong Kong Changhong) is the wholly-owned subsidiary of Sichuan Changhong Electric Co., Ltd.; except the shares of the Company directly held by Hong Kong Changhong, 6,296,913 shares of B-stock are also held through Phillip Securities (Hong Kong) Co., Ltd., the foregoing shareholders constitute persons of uniform action. 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, Hong Kong Changhong and other top 7 shareholders; "Caitong Fund- Ningbo Bank-Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) " refers to the products of Caitong Fund Management Company subscribe for privately placement of 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)	As of 30 th June 2020, among the top 10 common shareholders, Ma Guobin holds 9,572,801 shares of the Company through customer credit trading secured account of Founder Securities Co., Ltd., and 60,626 shares hold through common securities account, thus 9,633,427 shares of the Company are held in total. The shareholder-Shanghai Fangda Investment Management Co., Ltd., customer credit transaction guaranteed securities account of Guoyuan Securities Co., Ltd holds 8,880,000 shares of the Company.					

(iv) Changes of controlling shareholder or actual controller**1. Changes of controlling shareholder in reporting period**

☐ Applicable ☒ Not applicable

No changes 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**

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

1. Introduction

Under the influence of the novel coronavirus epidemic, the home appliance industry faced unprecedented challenges in 2020. Although the domestic economic situation improved in the second quarter, the impact in the first quarter was indelible, the entire home appliance market remained pessimistic in the first half of the year. During the reporting period, the company took "one side and two points" as its guiding ideology, that is, using commercial inventory as the core to drive supply chain, manufacturing, logistics, etc., so as to improve overall efficiency; through competition against benchmarking, output online and offline competition strategies and product strategies that highly match the market. Facing the impact of the epidemic, the company's business units took the initiative and turned crises into opportunities, taking advantage of opportunities or policies to grab new orders, and ensured the safety of supply chain and the continuous improvement of capacity utilization. At the end of the second quarter, the market stopped slipping and net profit increased compared with the same period in 2019, and it has entered the normal track of production and operation.

In first half of 2020, the Company achieved operating income of 6.796 billion yuan, a decrease of 25.59% on

a year-on-year basis; net profit attributable to the parent company of -210.1306 million yuan, a decrease of 486.74% on a year-on-year basis. Including, operating income of 2.282 billion yuan achieved in Q1 of 2020, the net profit attributable to parent company amounted as -270.0081million yuan; the operating income for Q2 of 2020 amounted to 4.514 billion yuan, and net profit attributable to parent company was 59.875 million yuan.

2. Main Business Analysis

(1) Introduction

From January to June of 2020, refrigerator and freezer business achieved revenue of 2.921 billion yuan, with 23.53% down y-o-y; air-conditioning business achieved revenue of approximately 2.596 billion yuan, with 34.95% down y-o-y.; washing machine business achieve revenue of approximately 180 million yuan, with 12.34% down y-o-y.; other business of small home appliance and kitchen & toilet products and cooling parts have revenue approximately as 572 million yuan with 8.18% up y-o-y.

(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 for first half of 2020, the Company has deployed the annual business plan, arranged the production and management, and carried out the following activities:

Product leading

In June 2020, the company and JD.com jointly released the world's first very clean refrigerator 365WPUCA. The original MNC+ long-lasting odor purification and sterilization technology is overcoming the disadvantages of traditional refrigerators such as slow odor purification, poor effect, and short life. After owning "Meiling Fresh" and "Meiling Thin", the third "Meiling Clean" business card pushes the brand image of Meiling refrigerators to a higher level, showing Meiling's new blueprint for future refrigerators for consumers and the industry.

In April 2020, "Panda Lazy" new product of Changhong Air-conditioner was released online. The smart cleaning function of this product can deep clean the evaporator, ensure the output air is clean and hygienic, and solved the pain points that consumers can only simply clean the air conditioner filter. At the same time, the product has precise temperature control and small temperature fluctuations. The precise temperature control of 0.1 °C creates a comfortable and constant temperature environment, which further meets the pain points of users.

In July 2020, Meiling's self-produced "very thin" front-loading washing machine made its debut, and is committed to solving the consumption pain points that the front-loading washing machine is difficult to embed.

Marketing transformation

In the domestic market, the company implemented the "one side, two points" strategy, carried out cycle inspections based on "rationalized commercial inventory", strengthened weekly iterations, improved the accuracy of sales forecasts, and improved the overall efficiency of the industry chain. At the same time, it aimed at benchmarking and carried out efficiency improvement and cost reduction work. Domestic air conditioners were greatly affected by the epidemic, and the company's air conditioner product sales fell on a year-on-year basis. In the overseas market, the company "expanded incremental markets externally and grasped operating efficiency internally" in the first half of the year, overcame the impact of the epidemic and achieved an increase in the order volume of refrigerators and air conditioners. The operating quality continued to improve, the product structure continued to improve, and the proportion of mid-to-high-end products continued to increase. At the same time, it

actively expanded overseas private brand sales.

Efficiency promotion

Implement "one side and two points", fully benchmark against each other, and improve efficiency. During the reporting period, the company continued to promote the special work of capital pressure control, and the capital operation efficiency was greatly improved on a year-on-year basis through pressure control of inventory, receivables, and prepayments. On the development side, achieved a nearly 10% increase in R&D efficiency through the front-end input checks, modular design, and intelligent R&D platform applications. At the production and manufacturing side, through the coordination of sales, production, and research, focused on promoting key projects such as "five-izations and three easy", "fewer staff", and achieved a 10% increase in manufacturing efficiency in the first half of the year.

Team activation

In terms of talent development, through the establishment of a normalized internal talent flow mechanism, the internal talent had a benign flow, and improved the talent-post matching degree. At the same time, the competition for cadres and posts continued to be promoted to provide channels for employee promotion. In terms of personnel structure, improved the talent structure, and activated the team atmosphere. In terms of staff ability improvement, built online platforms for professional learning through Meiling College, such as Quality College, Technical College, Manufacturing College, and Management College, so as to internalize outstanding employees' job experience and enrich their learning content. In terms of incentive mechanism, through the full coverage of incentive programs, continued to implement value creation rewards for all employees, encourage employees to innovate and create independently, and achieve employee self-driven.

At the same time, after the outbreak of the new coronavirus pneumonia, in order to ensure the company's smooth resumption of work and production, the company urgently deployed, formulated emergency response plans for prevention and control, stocked epidemic prevention materials, made various preparatory measures before resumption of work, and fully resumed work and production.

(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

More details can be seen in the "35. Changes in Important accounting policies and accounting estimates" of "IV. Important accounting policies and accounting estimates" carry in "Section XI Financial Report" in the Semi-Annual Report 2020

(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

In the reporting period, the consolidated financial statements of the Company cover 35 subsidiaries, including Sichuan Changhong Air-conditioner Co., Ltd, Zhongshan Changhong Electric Co., Ltd. and Zhongke Meiling Cryogenic Technology Co., Ltd. etc. Compared with the previous year, during the reporting period subsidiary-Guangxi Huidian Household Electrical Appliances Co., Ltd was out of the consolidate scope due to liquidation cancellation.

Found more in “VII Change of Consolidate Statement” and VIII Equity in other main body carried in Section XI Financial Report of the Semi-Annual Report 2020, released on 15 August 2020.

Changhong Meiling Co., Ltd.

Chairman: Wu Dinggang

15 August 2020