

LITTLE SWAN  
无锡小天鹅股份有限公司  
WUXI LITTLE SWAN COMPANY LIMITED



# Annual Report 2009

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## **Important Notes**

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

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. issued an Auditors' Report 2009 with unqualified opinion for the Company.

Mr. Fang Hongbo, the Chairman of the Board, Mr. Chai Xinjian, General Manager, and Ms. Ma Junxia, Chief Financial Officer, hereby confirm that the Financial Report enclosed in this Annual Report 2009 is true and complete.

This report was prepared in both Chinese and English. Should there be any difference in interpretation between the two versions, the Chinese version shall prevail.

## Section I Company Profile

1. Legal Name of the Company:
- In Chinese: 无锡小天鹅股份有限公司
- In English: Wuxi Little Swan Company Limited
2. Legal Representative: Mr. Fang Hongbo
3. Secretary to the Board: Ms. Zhou Sixiu
- Contact address: No. 18, Changjiang Road S., National Hi-tech Industrial Development Zone, Wuxi
- Post Code: 214028
- Tel: 0510-81082320
- Fax: 0510-83720879
- E-mail: IR\_littleswan@littleswan.com.cn
- Securities Affairs Representative: Mr. Yao Yanfeng
- Contact address: No. 18, Changjiang Road S., National Hi-tech Industrial Development Zone, Wuxi
- Post Code: 214028
- Tel: 0510-81082280
- Fax: 0510-83720879
- E-mail: [yaoyf@littleswan.com.cn](mailto:yaoyf@littleswan.com.cn)
4. Registered Address: No.1, Hanjiang Road, National Hi-tech Development Zone, Wuxi
- Post Code: 214028
- Office Address: No. 18, Changjiang Road S., National Hi-tech Industrial Development Zone, Wuxi
- Post Code: 214028
- International Website of the Company <http://www.littleswan.com>
- E-mail of the Company IR\_littleswan@littleswan.com.cn
5. Newspaper Designated by the Company for Disclosing the Information Securities Times and Ta Kung Pao
- Internet Website designated by CSRC for Publishing the Annual Report <http://www.cninfo.com.cn>
- Place Where the Annual Report is Prepared and Placed: Securities Department of the Company
6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock:	Little Swan A, Little Swan B
Stock Code:	000418, 200418
7. Other Information:	
Initial Registration Date:	29 November 1993
Registration Date after Change:	23 December 2008
Registration place:	Industrial and Commercial Administration Bureau of Wuxi, Jiangsu
Registration Code of Enterprise Corporation's Business License:	320200000014723
Registration Code of Taxation (State Taxation Bureau):	320200704046760
Registration Code of Taxation (Local Taxation Bureau):	320200704046760
Name of Accounting Firm Engaged by the Company:	Jiangsu GongZheng TianYe Certified Public Accountants Co., Ltd.
Office Address of Accounting Firm Engaged by the Company:	No. 28, Liangxi Road, Wuxi

## Section II Summary of Accounting Highlights and Business Highlights

### I. Major accounting highlights as of year 2009

Major index	Amount (RMB Yuan)
Operating profit	199,823,819.57
Total profit	277,622,323.14
Net profit attributable to shareholders of listed company	222,184,555.03
Net profit attributable to shareholders of listed company after deducting extraordinary gains and losses	148,522,193.56
Investment income	-7,283,064.75
Non-operating income	110,412,874.45
Non-operating expense	32,614,370.88
Net cash flow arising from operation activities	139,034,407.23
Net increase on cash and cash equivalent	234,450,760.47

#### 1. Items of extraordinary gains and losses deducted and relevant amount:

Items	Amount (RMB Yuan)
Gains and losses on disposal of non-current assets	77,221,516.89
Government grant included into the current period gains and losses, excluding those closely related to the Company's normal operating and persistently enjoyed at fixed-amount or fixed-proportion according to the certain standard	5,365,188.08
Gains and losses on debt restructuring	1,278,877.34
Net other non-operation income/expense other than the above-mentioned items	-6,067,078.74
Other item that conform to the definition of extraordinary profit and loss	-3,529,364.47
Influence on enterprise income tax	-13,149,360.23
Influence on minority interests	-261,644.97
Gains and losses from change in fair value of tradable financial assets and tradable financial liabilities and investment income from disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets except for effective hedging business related to normal operation business of the Company	12,804,227.57
Total	73,662,361.47

#### 2. Items measured by adopting fair value

Unit: RMB Yuan

Items	Opening balance	Ending balance	Change at the current period
Financial assets available for sale	7,045,326.00	312,816.00	6,732,510

Total	7,045,326.00	312,816.00	6,732,510
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3. Difference in net profit as audited under PRC GAAP and IFRSs:

Unit: RMB Yuan

	Net profit attributable to shareholders of listed company		Owner's equity attributable to shareholders of listed company	
	2009	2008	31 Dec. 2009	31 Dec. 2008
As per IFRSs	222,184,555.03	40,038,312.01	1,854,911,284.10	1,606,316,559.12
As per PRC GAAP	222,184,555.03	40,038,312.01	1,854,911,284.10	1,606,316,559.12
Adjustment pursuant to IFRSs				
Total difference between PRC GAAP and IFRSs	0.00	0.00	0.00	0.00
Explanation on difference	None			

II. Major accounting data and financial indexes over the past three years as ended the reporting period:

1. Major accounting data

Unit: RMB Yuan

	2009	2008	Increase/decrease year-on-year (%)	2007
Operating income	4,375,244,455.67	4,292,987,464.91	1.92%	5,000,691,662.60
Total profit	277,622,323.14	39,615,160.40	600.80%	418,985,767.25
Net profit attributable to shareholders of listed company	222,184,555.03	40,038,312.01	454.93%	333,393,190.55
Net profit attributable to shareholders of listed company after deducting extraordinary gains and losses	148,522,193.56	87,227,062.55	70.27%	161,937,871.79
Net cash flow arising from operation activities	139,034,407.23	-134,763,325.16	203.21%	372,922,270.45
	31 December 2009	31 December 2008	Increase/decrease year-on-year (%)	31 December 2007
Total assets	3,878,629,773.92	3,339,288,243.96	16.15%	3,784,516,173.23
Owner's equity attributable to shareholders of listed company	1,854,911,284.10	1,606,316,559.12	15.48%	1,582,912,495.74
Share capital	547,655,760.00	547,655,760.00	0.00%	365,103,840.00



## 2. Major financial indexes

	2009	2008	Increase/decrease year-on-year (%)	2007
EPS-basic (RMB/share)	0.41	0.07	485.71	0.91
EPS-diluted (RMB/share)	0.41	0.07	485.71	0.91
Basic EPS after deducting extraordinary gains and losses (RMB/share)	0.27	0.16	68.75	0.44
Weighted average return on net assets (%)	12.94%	2.50%	10.44	23.50%
Weighted average return on net assets after deducting extraordinary gains and losses (%)	8.65%	5.44%	3.21	11.42%
Net cash flow per share arising from operation activities (RMB/share)	0.25	-0.25	200.00	1.02
	31 December 2009	31 December 2008	Increase/decrease year-on-year (%)	31 December 2007
Net assets per share attributable to shareholders of listed company (RMB/share)	3.39	2.93	15.70	4.34

3. In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9” issued by the CSRC, the Company’s profit are calculated as follows:

Profit as of the reporting period	2009		
	Return on net assets (%)	Earnings per share (RMB/share)	
	Weighted average	Basic	Diluted
Net profit attributable to the Company’s ordinary equity shareholders	12.94%	0.41	0.41
Net profit deducted extraordinary gain and loss attributable to the Company’s ordinary equity shareholders	8.65%	0.27	0.27

Change of shareholders' equity in the reporting period

Unit: RMB'0000 Yuan

Items	Share capital	Capital reserve	Surplus reserve	Retained profit	Foreign exchange difference	Total owners' equity attributable to parent company
Opening balance	54,765.58	48,046.47	15,332.14	42,670.44	-182.97	160,631.66
Increase for the current period		2,706.81	2,444.83	19,524.86	182.97	24,859.47
Decrease for the current period						
Ending balance	54,765.58	50,753.28	17,776.97	62,195.30	0	185,491.13

### Section III Change in Share Capital and Particulars about Shareholders

#### I. Change in shares

##### 1. Statement of change in shares

Unit:

##### Share

Items	Before the change		Increase/decrease for this time (+, -)					After the change	
	Number of shares	Proportion %	Issuance of new share	Bonus shares	Capitalization of public reserve	Other	Subtotal	Number of shares	Proportion %
I. Shares subject to trading moratorium	143,825,935	26.26				-135,336,415	-135,336,415	8,489,520	1.55
1. Shares held by the State		-							
2. Share held by state-owned corporation		-							
3. Shares held by domestic general corporation	143,825,935	26.26				-135,336,415	-135,336,415	8,489,520	1.55
II. Shares not subject to trading moratorium	403,829,825	73.74				135,336,415	135,336,415	539,166,240	98.45
1. Renminbi ordinary shares	212,793,953	38.86				135,336,415	135,336,415	348,130,368	63.57
2. Domestically listed foreign shares	191,035,872	34.88						191,035,872	34.88
III. Total shares	547,655,760	100						547,655,760	100

##### 2. Changes in shares subject to trading moratorium

Unit: Share

Number of shareholders	Shares subject to trading moratorium at the year-begin	Releasing from trading moratorium in 2008	Increase in this year	Shares subject to trading moratorium at the year-end	Reason	Date of releasing
GD Midea Holding Co., Ltd.	131,510,011	131,510,011	0			7 Sep. 2009
Wuxi Guolian Development (Group) Co., Ltd.	0	3,410,964	3,410,964			7 Sep. 2009
Jiangsu Little Swan Group Co., Ltd.	3,410,964	45,117	-3,365,847			7 Sep. 2009
Shenzhen ITC Tian An Co., Ltd.	307,440	274,052	-33,388			7 Sep. 2009
Second Affiliated Hospital of Nanjing University of Chinese Medicine (Jiangsu Second Provincial Traditional Chinese Medicine Hospital)	108,000	96,271	-11,729			7 Sep. 2009
Other domestic corporation	8,489,520		0	8,489,520		Note 1
Total	143,825,935	135,336,415	0	8,489,520		

Note 1: The Company accomplished the share merger reform on 4 Aug. 2006. There were 14 shareholders participated in the share merger reform among all non-circulating shareholders of the Company, and the rest 94 shareholders' considerations of the share merger reform were paid in advance by the former controlling shareholder, Jiangsu Little Swan (Group) Co., Ltd.. By the end of reporting period, there are still 29 non-circulating shareholders did not release from trading moratorium with total shares amounting to 8,489,520 shares.

### 3. Issuance and listing of securities

#### 1) Securities issuance over the past three years

The Company did neither securities issuance nor listing over the past three years by the end of reporting period.

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

In the reporting period, the Company's total number of share and structure remained unchanged for no bonus shares or allotment of shares.

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

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

## II. About shareholders

1. As at 31 Dec. 2009, the Company has 32,102 shareholders in total, including 22,414 ones of A-share and 9,688 ones of B-share.

2. Particulars about shares held by the top ten shareholders and top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total number of shareholders		32,102 shareholders (22,414 ones of A-share and 9,688 ones of B-share)			
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion	Total number of shares held	Number of shares subject to trading moratorium held	Shares pledged or frozen
GD Midea Holding Co., Ltd.	Domestic corporation	24.01%	131510011	Naught	Naught
GAOLING FUND,L.P.	Foreign corporation	5.77%	31602180	Naught	Naught
TITONI INVESTMENTS DEVELOPMENT LTD.	Foreign corporation	5.63%	30851714	Naught	Naught
Finance Bureau of Wuxi	State-owned corporation	4.03%	22057657	Naught	Naught
Industrial and Commercial Bank of China- Penghua Goodquality Government Securities Investment Fund (LOF)	Domestic corporation	3.29%	18020712	Naught	Naught
GAOLING YALI	Foreign	2.03%	11092662	Naught	Naught

FUND,L.P.	corporation				
Agricultural Bank of China- Changsheng Tongde Theme Growth Stock Securities Investment Fund	Domestic corporation	1.76%	9614499	Naught	Naught
BOCI SECURITIES LIMITED	Foreign corporation	1.24%	6783142	Naught	Naught
China Construction Bank-Fortune SGAM Multi-strategic Growth Open-ended Securities Investment Fund	Domestic corporation	1.08%	5915114	Naught	Naught
VALUE PARTNERS CLASSIC FUND	Foreign corporation	1.06%	5801458	Naught	Naught
Particulars about shares held by the top ten shareholders holding shares not subject to moratorium					
Name of shareholders		Numbers of shares not subject to moratorium held		Type of shares	
GD Midea Holding Co., Ltd.		131510011		Renminbi ordinary shares (A shares)	
GAOLING FUND,L.P.		31602180		Domestically listed foreign shares (B shares)	
TITONI INVESTMENTS DEVELOPMENT LTD.		30851714		Domestically listed foreign shares (B shares)	
Finance Bureau of Wuxi		22057657		Renminbi ordinary shares (A shares)	
Industrial and Commercial Bank of China- Penghua Goodquality Government Securities Investment Fund (LOF)		18020712		Renminbi ordinary shares (A shares)	
GAOLING YALI FUND,L.P.		11092662		Domestically listed foreign shares (B shares)	
Agricultural Bank of China- Changsheng Tongde Theme Growth Stock Securities Investment Fund		9614499		Renminbi ordinary shares (A shares)	
BOCI SECURITIES LIMITED		6783142		Domestically listed foreign shares (B shares)	
China Construction Bank-Fortune SGAM Multi-strategic Growth Open-ended Securities Investment Fund		5915114		Renminbi ordinary shares (A shares)	
VALUE PARTNERS CLASSIC FUND		5801458		Domestically listed foreign shares (B shares)	
Explanation on associated relationship among the top ten shareholders or acting-in-concert		GD Midea Holding Co., Ltd. and TITONI INVESTMENTS DEVELOPMENT LTD. are persons acting in concert.			

### 3. Introduction to the controlling shareholder and actual controller

#### 1) About change in the controlling shareholder and the actual controller

During the reporting period, the Company's controlling shareholder and actual controller remained unchanged.

#### 2) Introduction to the controlling shareholder and actual controller

##### (1) About the controlling shareholder

Name: GD Midea Holding Co., Ltd.

Legal representative: Fang Hongbo

Registered capital: RMB 2,080,176,851

Business scope: production, manufacturing and sale of household appliances, electric motor, communication equipment and its components, as well as technical consulting service for the above-mentioned products, molds and equipment self-made, and hotels management, advertising agency; sale of hardware and electrical equipment, electronic product, metallic material, building material, chemical product (excluding hazardous chemical), mechanical equipment and general merchandise; export, production and processing of self-produced products of the Group and member enterprises and relevant technologies, as well as import of metallic material, PVC products, raw and auxiliary material for scientific research, machinery, apparatus & meter and components and relevant technologies, processing imported materials and processing with foreign materials, assembling, processing in accordance with samples (operating based on [99] Wai-Jing-Mao-Zheng-Shen-Han-Zi No. 528; the above-mentioned projects exclude ones by involving the operating permits).

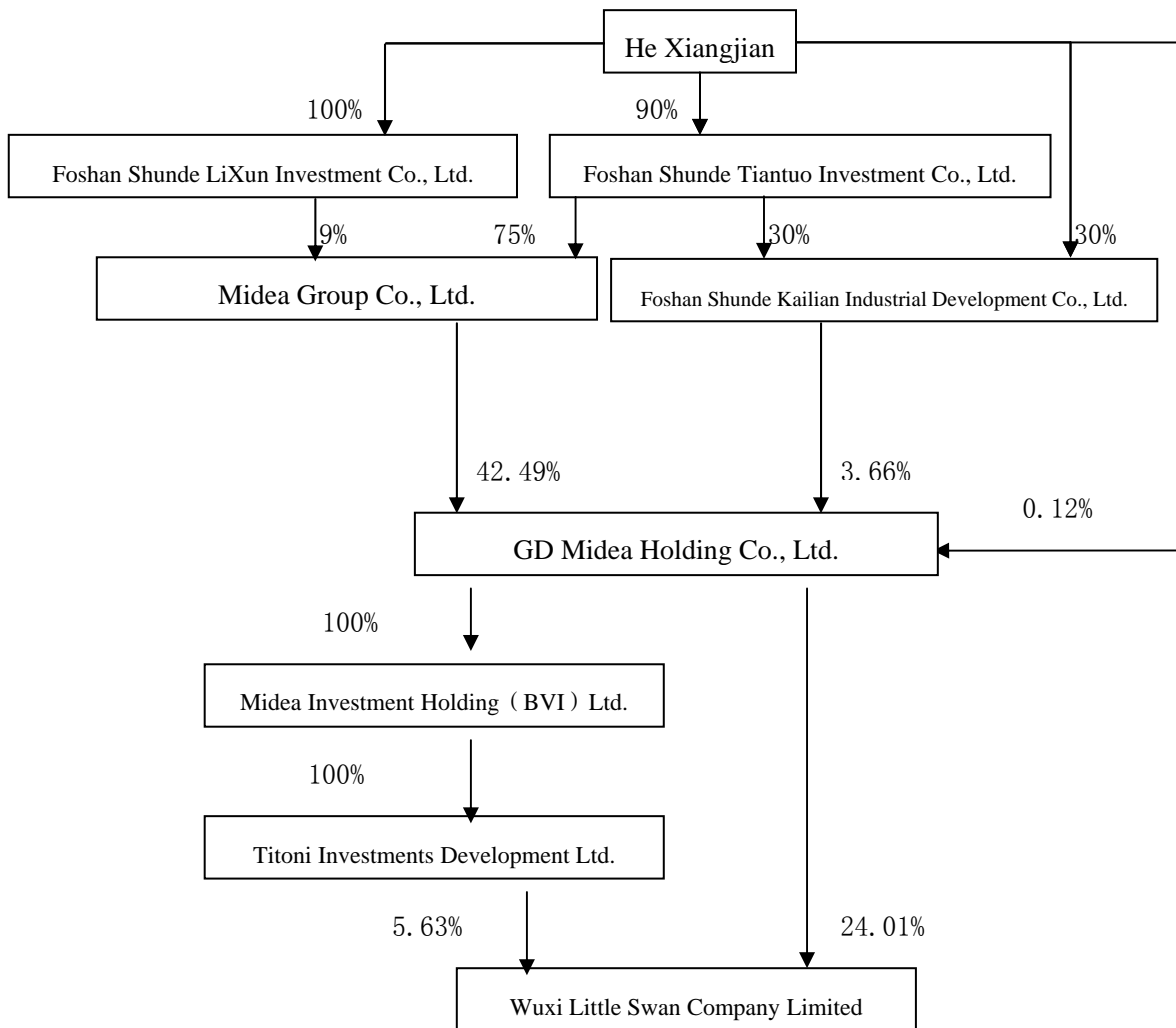
(2) About the actual controller

Name: He Xiangjian

Nationality: the People's Republic of China without obtaining residence right in other countries or regions

Mr. He always takes the post of the Chairman of the Board in Midea Group over the past five years.

3. The property right and controlling relationship among the Company and its controlling shareholder and actual controller are as follows:



## Section IV Directors, Supervisors, Senior Management Staffs and Employees

### I. Directors, supervisors and senior management staffs

#### 1. Basic information

Name	Office title	Sex	Age	Start date	Ending date	Shares held at the year-begin	Shares held at the year-end	Reason for change	Amount of payment from the Company in the reporting period (RMB)	Whether drawing the payment from shareholders' entities or other related entities
Fang Hongbo	Chairman of the Board	Male	42	2009.09	2012.09	0	0	No		Yes
Chai Xinjian	Director , General Manager	Male	47	2009.09	2012.09	0	0	No	1,042,800	
Li Jianwei	Director	Male	42	2009.09	2012.09	0	0	No		Yes
Xiao Mingguang	Director	Male	40	2010.01	2012.09	0	0	No		Yes
Ma Junxia	Director, CFO	Female	41	2010.01	2012.09	0	0	No		Yes
Wu Ganping	Director	Male	35	2009.09	2012.09	0	0	No	20,000	
Zhao Shuming	Independent director	Male	56	2009.09	2012.09	0	0	No	80,000	
Ye Yongfu	Independent director	Male	61	2009.09	2012.09	0	0	No	80,000	
Yu Lihui	Independent director	Female	44	2009.09	2012.09	0	0	No	20,000	
Xiao Bing	Chairman of the Board of Supervisors	Male	39	2010.02	2012.09	0	0	No	340,000	No
Le Xiang'an	Supervisor	Male	48	2009.09	2012.09	0	0	No	254,000	No
Jiang Huafang	Supervisor	Male	34	2009.09	2012.09	0	0	No	234,600	
Xu Li	Deputy GM	Female	39	2009.09	2012.09	0	0	No	381,396	
Li Hong	Deputy GM	Male	47	2009.09	2012.09	0	0	No	458,250	
Yin Bitong	Deputy GM	Male	42	2009.09	2012.09	0	0	No	665,213	
Zhou Sixiu	Secretary to the Board	Female	37	2009.09	2012.09	0	0	No	223,736	

Note: Ms. Yu Lihui, the Independent Director, receives allowance in the Company from September to December 2009; both Mr. Xiao Mingguang, the Director of the Company, and Ms. Ma Junxiao, Director and CFO of the Company, took the posts of the Company in Jan. 2010, therefore, they two failed to receive remunerations from the Company in 2009.

2. The situation of the working experience of, office title held by and concurrent post held by the present director, supervisor and senior management staff:



1) Mr. Fang Hongbo, Chairman of the Board, master degree, an economic manager. He now serves in the Company as the Chairman of the Board, in GD Midea Holding Co., Ltd. as the Chairman of the Board and concurrently CEO. He ever took the posts of General Manager of Air-conditioner Division Marketing Company in China, as well as of Deputy General Manager and General Manager of Air-conditioner Division subordinate to GD Midea Holding Co., Ltd., of Vice President, Vice Chairman of the Board and President in GD Midea Holding Co., Ltd.

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

3) Mr. Li Jianwei, Director, master degree. He now occupies Director and concurrently Vice President in Midea Group Co., Ltd., Vice Chairman of the Board in GD Midea Holding Co., Ltd., Director in the Company. He ever took the post of secretary to the Board in GD Midea Holding Co., Ltd..

4) Mr. Xiao Mingguang, Director, EMBA. He serves in the Company as director of Operating and HR Department at present. He ever took the posts of director of Financial Management Department in Midea Refrigeration and House Electronic Group, of director of family-sized air conditioners supply chain management department, and of director of financial management department in Refrigeration Royalstar Joint-venture Company.

5) Ms. Ma Junxia, Director, bachelor degree, Master Candidate, Accountant. She now acts as CFO in the Company. She ever took the posts of department director of Financial Department in overseas Marketing Company of Midea Air Conditioners Division, of CFO of the Financial Department in Central Air Conditioners Division of Refrigeration and House Electronic Group

6) Mr. Wu Ganping, Director, bachelor degree, Accountant. Now he serves as Assistant General Manager in Guolian Financial Company Limited. He ever worked in Wuxi Guolian Development (Group) Co., Ltd., Wuxi Passenger Transport Co., Ltd. and Jiangsu Kuailu Motor Transport Co., Ltd., etc..

7) Mr. Zhao Shuming, Independent Director, doctor degree. He now serves as Dean of College of Commerce of Nanjing University, Independent Director in Jiangsu Soho International Group and in KHD Humboldt Wedag International Corp.. He ever took the post of Independent Director in Suning Appliance.

8) Mr. Ye Yongfu, Independent Director, master degree. He ever took the posts of Deputy Director of Wuxi Municipal Economic Commission, of Director and Secretary of Leading Party Group in Wuxi Municipal Economic and Trade Commission, and concurrently held Deputy Secretary-general of the Municipal Government, of Director of the Enterprise Management Center, as well as Deputy Leader of Wuxi Support Leading Group.

9) Ms. Yu Lihui, Independent Director, master degree. She acts as the associate professor in the School of Business of East China University of Science and Technology, Training Specialist of Ourui Management Consultant Co., Ltd. at present.

She has served as Training Specialist of AMA.

10) Mr. Xiao Bing, Chairman of the Supervisory Committee, master degree. He now acts as QA officer in the Company. He has served as department director of Electronic Control Department in Technology Center of the Company, Deputy General Manager and General Manager in Wuxi Little Swan Drive and Control Technology Development Co., Ltd..

11) Mr. Le Xiang'an, Supervisor, master degree, Accountant. He now acts as department director of Audit Department in Wuxi Little Swan Company Limited. He has served as financial manager of Midea Air-conditioner Division Marketing Company in China, sales financial manager of small household appliances division, Auditing Manager in Audit & Supervision Department of Midea Group, Manager, Deputy Director and Director in Audit & Supervision Department of Midea Refrigeration and House Electronic Group.

12) Mr. Jiang Huafang, Supervisor, bachelor degree. He serves as director of overseas supporter department in Wuxi Little Swan Company Limited at present. He ever took the posts of director of supply chain management department of the Company, of Regional Sales Manager of Midea Central Air Conditioner Marketing Company, of Deputy Purchasing Manager of Hefei Hualing Electric Appliances Co., Ltd., of Department Director and director of supply chain management department in Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..

13) Ms. Xu Li, Master Candidate, an engineer. Now she holds the post of Deputy General Manager of the Company. She ever took the posts of Section Chief of the Technics Department in Washing Machine Factory of Wuxi Little Swan Company Limited and of Director of the QA Department in Wuxi Little Swan Company Limited, and of Deputy General Manager of Little Swan General Appliance Co., Ltd..

14) Mr. Li Hong, doctor degree, EMBA, researcher-level Senior Engineer. Now he acts as Deputy General Manager of the Company. He ever took the posts of assistant professor of Nanjing University of Science and Technology, of Assistant to factory manager and factory manager in washing machine factory under Wuxi Little Swan Company Limited, of Representative of quality manager, of Director of technology center of the Company, and of Assistant General Manager in Wuxi Little Swan Company Limited.

15) Mr. Yin Bitong, master degree. He acts as General Manager of the Company's Marketing Company in Chian. He has served as Assistant General Manager, Marketing Director and Director of large region market in South China in Midea Air-conditioner Marketing Company in China, Marketing General Manager in China in Midea (Guangzhou) Hualing Air Conditioner Equipment Co., Ltd..

16) Ms. Zhou Sixiu, bachelor degree, accountant. Now, she holds a post of Secretary of the Board in the Company. She has served as Securities Affair Representative, Deputy Director of Securities Investment Department, and Deputy Director of GM Office, etc. in Wuxi Qingfeng Stock Co., Ltd.

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

1) Changes in directors:

On 26 Jun. 2009, due to job change, Mr. Wang Jianguo resigned from director of the Company and other positions acted in the Board of Directors.

On 22 Jul. 2009, the Company held the 1<sup>st</sup> Provisional Shareholders' General Meeting 2009 to examine and approve the proposal on Additionally Electing Directors of the Company, namely, Mr. Zhang Zhaofeng was elected as director of the 5<sup>th</sup> Board of Directors.

On 16 Sep. 2009, the Company held the 2<sup>nd</sup> Provisional Shareholders' General Meeting 2009 to examined and approve the proposal on Election at Expiration of the BOD's office terms, namely, Mr. Fang Hongbo, Mr. Li Jianwei, Mr. Chai Xinjian, Mr. Zhang Zhaofeng, Mr. Liang Bingcong, Mr. Wu Ganping, Mr. Zhao Shuming, Mr. Ye Yongfu and Ms. Yu Lihui were elected as directors of the 6<sup>th</sup> Board of Directors.

On 16 Dec. 2009, due to job change, Mr. Liang Bingcong and Mr. Zhang Zhaofeng resigned from director of the Company and other positions acted in the Board of Directors.

On 12 Jan. 2010, the Company held the 1<sup>st</sup> Provisional Shareholders' General Meeting 2010 to examine and approve the proposal on Additionally Electing Directors of the Company, namely, Mr. Xiao Mingguang and Ms. Ma Junxia were elected as director of the 6<sup>th</sup> Board of Directors.

## 2) Changes in supervisors:

On 26 Jun. 2009, due to job change, Mr. Li Jiankang and Mr. Li Jianzhong (staff representative supervisor) resigned from supervisor of the Company respectively and other positions acted in the Supervisory Committee.

On 29 Jun. 2009, through examination and approval, the Joint Conference of the 4<sup>th</sup> Group Leader of the 5<sup>th</sup> Staff Representative Assembly and Principal of Special Group agreed unanimously to elect Mr. Li Kai as staff representative supervisor of the 5<sup>th</sup> Supervisory Committee.

On 22 Jul. 2009, the Company held the 1<sup>st</sup> Provisional Shareholders' General Meeting 2009 to examine and approve the proposal on Additionally Electing Supervisor of the Company, namely, Mr. Le Xiang'an was elected as supervisor of the 5<sup>th</sup> Supervisory Committee.

On 16 Sep. 2009, the Company held the 2<sup>nd</sup> Provisional Shareholders' General Meeting 2009 to examined and approve the proposal on Election at Expiration of office terms of the Supervisory Committee, namely, Mr. Le Xiang'an and Mr. Jiang Huafang were elected as supervisors of the 6<sup>th</sup> Supervisory Committee.

On 5 Feb. 2010, due to job change, Mr. Li Kai resigned from supervisor of the Company and other positions acted in the Supervisory Committee.

On 5 Feb. 2010, through examination and approval, the Joint Conference of the 5<sup>th</sup> Group Leader of the 5<sup>th</sup> Staff Representative Assembly and Principal of Special

Group agreed unanimously to elect Mr. Xiao Bing as staff representative supervisor of the 6<sup>th</sup> Supervisory Committee.

### 3) Changes in senior management staffs

On 15 Sep.2009, the Company examined and approved the proposal on Engaging Deputy General Manager of the Company at the 1<sup>st</sup> meeting of the 6<sup>th</sup> Board of Directors, which agreed to appointed Mr. Yin Bitong as Deputy General Manager of the Company.

On 22 Dec. 2009, Mr. Zhang Zhaofeng resigned from the post of CFO of the Company due to job change.

On 23 Dec. 2009, the Company examined and approved the proposal on Engaging CFO of the Company at the 4<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors, which agreed to appointed Ms. Ma Junxia as CFO of the Company.

## II. About employees

Type	Total number	Proportion (%)
Administrative personnel	32	3.30%
Financial personnel	52	5.36%
Sales personnel	105	10.83%
Technician	137	14.12%
Production personnel	644	66.39%
Total	970	100%

Among them: 20 persons hold master degree or over; 365 persons hold bachelor degree; 202 persons hold junior college degree; 141 persons graduate from technical secondary school; 243 persons graduated from school below.

## **Section V Corporate Governance**

### **I. Corporate governance of the Company**

#### **1. Corporate governance status**

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

In the reporting period, the Company, in accordance with the requirements of the Announcement on Organizing a Campaign to Deepen Rectification and Reform Works to Promote the Corporate Governance of Listed Company in 2009 issued by Jiangsu Securities Regulatory Bureau of the CSRC with SZJGSZ [2009] No. 318, further enhanced a sense to standardize the operation of listed companies, perfected its internal management systems, so as to roundly find problems existed in corporate governance .

The comprehensive control project group of the Company reviewed relevant regulations and problems in special campaign of corporate governance, especially paid close attention to the problems the Company inspected and complemented rectification in prior period to prevent a recurrence of relevant problems. In 2009, the Company, in accordance with the requirements of deepening rectification of Corporate Governance, and combining the Company's actual status, had perfected the internal control system, examination and approval of related transaction and information disclosure system, internal audit system, and implemented on relevant departments, so as to further standardize the Company's operation level.

#### **2. About regulations of Accountability System for Major Error in Information Disclosure of Annual Report**

In the light of the requirements of the Announcement on Properly Handling the 2009 Annual Report of Listed Companies and the Related Work (the CSRC [2009] No. 34), the Company amended the Management System on Information Disclosure of the Company, in which added the regulations of accountability system for major error in information disclosure of annual report. Such regulations has been examined and approved at the 5<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors.

### **II. Performance of the Independent Directors**

The Company perfected the independent director system in accordance with the requirements of Guideline Opinion on Establishing Independent Director System in Listed Companies promulgated by the CSRC. In the reporting period, there is one independent director ended his office term, therefore, the Company elected a new independent director instead of former independent director through approval of the 2<sup>nd</sup> Provisional Shareholders' General Meeting 2009. The Company has 3 independent directors at present, taking up one third of all directors of the Board of the Company. The said three independent directors fulfilled their duties diligently and seriously, attended the Board meetings and the shareholders general meetings held in the reporting period on time and expressed their independent opinion on such significant events such as related transactions according to the regulations. They also proposed

some reasonable opinions and suggestions for the Company's development, which play a positive effect for scientific and objective decision made by the Board, maintained the whole interests of the Company and legal rights of all shareholders.

1. Particulars about the independent directors attending the Board meetings:

Name of Independent	Due presence (times)	Presence in person (times)	Entrusted presence (times)	Absence (times)
Zhang Aimin	6	6	0	0
Zhao Shuming	10	8	2	0
Ye Yongfu	10	9	1	0
Yu Lihui	4	4	0	0

2. In the reporting period, the Company's independent directors did not propose the objection on all proposals made by the Board and other significant events of the Company.

III. Particulars about the Company's "five-separation" from the controlling shareholder in respect of personnel, assets, financing, organization and business

1. In respect of personnel, in terms of labor, personnel and salary management, the Company and the controlling shareholder were independent each other, there existed no mixed operation and management between the Company and the controlling shareholder. Such senior management staff as General Manager, Deputy General Managers, CFO and Secretary of the Board did not take any post other than Director in Shareholding Companies respectively.

2. In respect of assets, the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder.

3. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.

4. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

5. In respect of business, the Company owned independent and integrated business system and operation capability; was completely separated from the controlling shareholder in business.

IV. Establishing and perfecting internal control of the Company

1. Internal Control Self-assessment Report

For details of the Internal Control Self-assessment Report for 2009, please refer to information disclosure website <http://www.cninfo.com.cn> designated by Shenzhen Stock Exchange on 4 Mar. 2010.

2. Assessment opinion

(1) The Supervisory Committee believed that the Internal Control Self-assessment Report for 2009 is objective and true; the actual situation of the internal control was

in compliance with the regulations and requirements of regulatory documents such as the Guidelines for Internal Control of Listed Companies.

(2) Independent directors believed that the Internal Control Self-assessment Report for 2009 is objective and true; the actual situation of the internal control was in compliance with the regulations and requirements of regulatory documents such as the Guidelines for Internal Control of Listed Companies.

#### V. Performance appraisal and incentive system for senior management staffs

The selection, appraisal and incentive system of the senior management staff of the Company were implemented according to relevant regulations of the Company Law and the Articles of Association of the Company.

The Company established comprehensive management system based on KPI, continued to implement the annual compensation system closely linked with the Company's operating achievements, which was decided by the Board of Directors, and it has effectively strengthened the sense of responsibility and improved work enthusiasm of the whole senior management staffs.

## **Section VI Brief Introduction to the Shareholders' General Meeting**

During the reporting period, the Company held three shareholders' general meetings in total. The details are as below:

I. The Annual Shareholders' General Meeting 2008 was held. The resolutions of such meeting were published on Securities Times and Ta Kung Pao on 30 Mar. 2009.

II. The 1<sup>st</sup> Provisional Shareholders' General Meeting 2009 was held. The resolutions of such meeting were published on Securities Times and Ta Kung Pao on 22 Jul. 2009.

III. The 2<sup>nd</sup> Provisional Shareholders' General Meeting 2009 was held. The resolutions of such meeting were published on Securities Times and Ta Kung Pao on 16 Sep. 2009.



## Section VII Report of the Board of Directors

### I. Review of the operation of the Company in the report period

#### 1. Particulars about the general operation in the report period

Along with the recovery of China's economy in the year 2009, the market of household appliances resumed growth. And the domestic demand for washing machines was boosted to some degree by the government policies such as the policy "to promote the consumption of household appliances in the rural area" and the policy "to replace old household appliances with new ones". But the export of washing machines was influenced by a slower recovery of the overseas market and the continuous technological barriers. The year 2009 saw a domestic total production of 49.36 million units of washing machines with a year-on-year increase of 13%, of which 13.708 million units of washing machines were exported, down by 6.6% over last year. (The data mentioned above were from the China Household Electrical Appliances Association.)

#### 2. Main particulars about the operation in the report period

In the year 2009, according to the development strategy of "focusing on the main business of washing machines, expanding and strengthening the core business", the Company continued its focus on the development of the washing machine business. In the year, the Company finished the relocation "from the urban area to the industrial park". In the face of the financial crisis, the Company enhanced confidence and continuously carried forward the investment and construction of the new industrial park. Consequently, the industrial park was successfully completed and put into production, which provided a firm guarantee of production capacity for the significantly growing market demand in the peak season of washing machines and also laid a solid foundation for the further development of the Company.

The Company activated the significant asset reorganization in the year 2009. The Company intended to, by means of share issuance, acquire 69.47% equities of Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. held by the controlling shareholder—GD Midea Holding Co., Ltd.. The implementation of such a plan would help the Company improve the product competitiveness, expand the business scale, increase the profitability, and at the same time further narrow the gap between the Company and the benchmark enterprises.

After a series of integration and adjustment in 2009, the washer business of the Company achieved a phenomenal growth. In the report period, the Company achieved a sales income of RMB 3.831 billion from its main business of washers, up by 32% over last year. Meanwhile, upon the completion of the "relocation from urban areas to

the industrial park”, the Company received a one-off income of RMB 65 million from the compensation for relocation. Due to the aforesaid reasons, the overall business performance of the Company was greatly improved in the year 2009. In the report period, the Company achieved a sales income of RMB 4.375 billion and a net profit attributable to shareholders of the parent company reaching RMB 221,693,400.

Main work in the report period was as follows:

( I ) Establishing internal product enterprises and decentralizing the operation focus

In 2009, the Company took a bold move to integrate function departments such as the R&D Department, the Financial Department and the Supply Department and establish a rotary washing machine enterprise and a fully-automatic washing machine enterprise as internal product enterprises. The product enterprises adopted independent accounting and independently bore operation responsibilities. And the operation power of the Company was decentralized to the product enterprises. The function departments of the Company gradually became departments with service, support and monitoring functions. And the product enterprises were changed from the cost centers to the profit centers. The operation of the product enterprises greatly improved their ability to face risks in the market, which fully activated the vitality and potential of the operation units.

( II ) Adjusting the product mix and improve the profitability

In 2009, the Company further adjusted the product mix and greatly enlarged the market share of high-tech and high-added-value products. Rotary washing machines were expected to be the main growth point and the competition focus in the washing machine market in the few years to come. In the year 2009, the Company transferred the production of twin-tub washing machines to the areas with lower costs. The proportion of the twin-tub washer sales in the total washer sales dropped from 41.85% in 2008 to 27.90% in 2009; the proportion of the fully-automatic washer sales in the total washer sales increased from 46.05% in 2008 to 54.01% in 2009; and the proportion of the rotary washer sales in the total washer sales also increased from 18.58% in 2008 to 23.42% in 2009.

( III ) Enriching products and increasing product competitiveness

In the year 2009, the Company completed the product ranges for domestic sale and export according to different market orientations, and developed specialized products for the government’s move to “promote the consumption of household appliances in rural areas”. The Company continued to expand the fully-automatic washing machine, and improved the product range. And the Company began to extend the product line to both high and low ends of rotary washers. The 10kg Beverly high-end rotary washers have entered the domestic market and received a favorable response from the market.

( IV ) Increasing the investment and completing the construction of the industrial park, as well as the relocation

In the report period, the construction of the new industrial park started in 2008 was

completed, as well as the relocation. A total of RMB 600 million was invested into the project of the industrial park, which took up a floor area of 356 *mu* and a total construction area of 240,000 square meters. The intended production capacity amounted to 8 million sets, and the production capacity of 4.5 million sets had been realized in the first stage. On 20 Jul. 2009, the fully-automatic washer factory was successfully relocated and put into production; On 26 Sept. 2009, the entire Company was relocated to the new industrial park; On 29 Oct. 2009, the Company held a ceremony for the completion of the industrial park. The successful completion and production of the industrial park provided a guarantee of resources for the rapid growth of the Company's washer business.

(V) Carrying out rational planning on the layout and expanding the overseas market  
According to its development objectives, the Company intended to expand the washer manufacturing bases in Hefei and Jingzhou besides the headquarter in Wuxi, so as to create the location advantage. Upon the completion of the said project, an industrial layout with three major washer manufacturing bases in Wuxi, Hefei and Jingzhou would be formed.

In the year 2009, with the help of the global cooperation platform of Midea, the Company was able to enhance its cooperation with customers from the high-end markets in the American and European countries and obtain a breakthrough in terms of the overseas business. Meanwhile, the Company would further expand the overseas washer markets such as the Southeast Asia, West Africa and Latin America markets, and advance towards the EU market protected by lots of trade barriers.

(VI) Carrying forward the equity integration and making clear the position of the washer business as the main business

In 2009, the Company finished the equity transfers of Ningbo Xinle Household Appliances Co., Ltd., Ningbo Little Swan Household Appliance Co., Ltd., Wuxi Little Swan Precision Casting Co., Ltd., Wuxi Little Swan Ceramic Co., Ltd. and Little Swan (Jingzhou) Electric Appliance Co., Ltd.; finished the close-down and liquidation of Toshiba Washing Machine (Wuxi) Co., Ltd. and Little Swan Palaima Industry Co., Ltd.; finished the increase of equity-holding in Little Swan (Jingzhou) Sanjin Electric Appliances Co., Ltd. from 57.48% to 100%. In Oct. 2009, the Company activated the significant asset reorganization project to acquire 69.47% equities of Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.. The disposal and integration mentioned above would help further consolidate the central position of the washer business, which would lay a solid foundation for the Company to achieve its strategic objectives.

### 3. Main problems to be solved

1. Currently, the Company needs to solve the following main problems: 1. The input of human, financial and material resources is not quick and strong enough to completely satisfy the growing market demand in time; 2. The multi-brand operation

and the multi-variety product line needs to be improved and balanced constantly.

#### 4. Main business scope and the operation status

The Company is mainly engaged in the production, sale and technological service of household appliances and their fittings. In the report period, the Company achieved an operating income of RMB 4,375,244,550 with an operating profit of RMB 199,823,800.

##### (1) Main businesses classified according to industries

Unit:

RMB 0'000

Main businesses classified according to industries						
Industries or products	Operating income	Operating cost	Gross profit rate (%)	Increase/decrease of operating income over last year (%)	Increase/decrease of operating cost over last year (%)	Increase/decrease of gross profit rate over last year (%)
Household appliances	410,052.00	310,190.00	24.35%	3.56%	-2.84%	4.98%
Others	27,472.00	24,865.00	9.49%	-17.61%	-17.93%	0.35%
Main businesses classified according to products						
Washing machines	383,060.00	286,495.00	25.21%	32.16%	24.58%	4.55%
Refrigerators	17,951.00	19,667.00	-9.56%	-71.07%	-62.37%	-25.35%
Other products	9,041.00	4,028.00	55.45%	-79.47%	-89.12%	39.47%

##### (2) Main businesses classified according to regions

Unit: RMB 0'000

Region	Operating income	Increase/decrease over last year (%)
Domestic	304,749.55	19.53%
Overseas	105,302.43	-25.32%

##### (3) Main suppliers and customers

Unit: RMB 0'000

Total purchase from the top five suppliers	50,768.98	Proportion in the total purchase	18.86%
Total sales to the top five customers	148,059.79	Proportion in the total sales	33.84%

#### 5. Changes in the asset composition of the Company in the report period

Asset composition	Proportion in the total assets as at the end of 2009 (%)	Proportion in the total assets as at the end of 2008 (%)	Year-on-year increase/decrease (%)
Accounts receivable	22.55	12.65	9.89
Inventory	11.35	20.81	-9.46
Long-term equity investment	3.71	6.55	-2.84
Fixed assets	15.26	15.04	0.22
Construction in progress	0.60	0.43	0.17
Short-term borrowings	0.03	2.24	-2.21

The accounts receivable registered a year-on-year increase of RMB 451,966,000, mainly because the washer sales was on the rise, which brought an increase of the operating accounts receivable.

The inventory dropped by RMB 254,557,500 over last year mainly because: 1. The book value of inventory decreased by RMB 108,935,700 due to the sale and close-down of subsidiaries in the report period. 2. Considering the macro economic environment and the industrial situation, the Company accelerated the inventory turnover and strictly controlled the inventory scale in the report period.

#### 6. Changes in the expense composition of the Company in the report period

Expense composition	Proportion in the total assets as at the end of 2009 (%)	Proportion in the total assets as at the end of 2008 (%)	Year-on-year increase/decrease (%)
Operating expense	13.01	15.35	-2.34
Administrative expense	4.84	6.98	-2.14
Financial expense	0.04	0.51	-0.47
Income tax	1.44	0.44	1

#### 7. Changes in the cash flow composition of the Company in the report period

Unit: RMB 0'000

Index	Y2009	Y2008	Amount of year-on-year increase/decrease	Ratio of year-on-year increase/decrease (%)

Net cash flows arising from operating activities	13,903.44	-13,471.57	27,375.01	203.21
Net cash flows arising from investing activities	13,391.01	-7,548.30	20,939.31	277.40
Net cash flows arising from financing activities	-3,849.37	-7,941.62	4,092.24	51.53
Net increase of cash and cash equivalents	23,445.08	-28,961.49	52,406.56	180.95

In terms of the net cash flows arising from operating activities: Considering the macro environment and the industrial situation, the Company accelerated the inventory turnover and strictly controlled the inventory scale in the report period. Meanwhile, the cash paid for purchasing products and receiving labor service registered a year-on-year decrease.

In terms of the net cash flows arising from investing activities: (1) The compensation for relocation was received. (2) Capital was received from transferring subsidiaries and disposing the investment company. (3) Capital was received from selling financial assets available for sale.

In terms of the net cash flows arising from financing activities: The Company continued to reduce external borrowings in the report period so as to ease the burden of financial expenses.

The net increase of cash and cash equivalents was mainly due to the net cash inflows generated from operating and investing activities.

#### 8. Analysis on the operation and performance of the main controlling subsidiaries

##### (1) Operation of the main wholly-funded affiliated enterprises and controlling subsidiaries

Wuxi FILIN Electronics Co., Ltd: A company of limited liability and the Company's controlling subsidiary; the registered capital totaling USD 3,624,564; main businesses being the development of software products as well as the development and manufacture of new electronic components, etc; it achieved in 2009 an operating income of RMB 235,085,704.04, a net profit of RMB 5,900,551.78, and the total assets of RMB 158,338,168.31.

Wuxi Little Swan Huayin Electrical Appliance Co., Ltd: A company of limited liability and the Company's controlling subsidiary; the registered capital totaling RMB 49,673,400; its main businesses being manufacturing and sales of electric machinery; it achieved in 2009 an operating income of RMB 125,066,956.59, a net profit of RMB 480,525.42, and the total assets of RMB 100,538,054.37.

Wuxi Little Swan General Electrical Appliances Co., Ltd: A company of limited liability and the Company's controlling subsidiary; the registered capital totaling RMB 28,000,000; its main business being research & development, manufacture and sales of manufacture and sales of washing machines and dry-cleaning machines, dishwasher, etc; it achieved in 2009 an operating income of RMB 738,152,962.34, a net profit of RMB 35,685,731.35, and the total assets of RMB 264,012,096.05.

(2) The net profit of the following shareholding companies had an influence over 10 percent on the Company's net profit in the report period:

BSW Household Appliances Co., Ltd., a company of limited liability with the Company holding 40% of its equities. The registered capital of BSW stood at USD 29,275,000 and its main business scope covered the production and sales of washing machines, washer-driers, dish washers, as well as the electric kitchenware and their components and parts, mainly modular kitchen utensils, modular kitchen range, disinfection cabinet, and extractors. It achieved in 2009 an operating income of RMB 703,932,000, a main business profit of RMB 132,276,300, a net profit of RMB 51,758,300, and the total assets of RMB 507,660,900.

## II. Outlook of the future development of the Company

In the year 2010, along with the recovery of the domestic market, the washer industry is expected to maintain a stable growth. But the Company will still face a lot of great challenges due to the uncertainties in the international market, the fiercer competition in the domestic market and the price fluctuation of raw materials.

In 2010, the Company will stick to the principle of expanding the scale, maintaining the profit and adjusting the structure. In the coming year, the Company will take the initiative to reform, encourage bold innovations, simplify the administrative process and decentralize the power, balance the structure, follow the need of the market, simplify the production process and operation, so as to achieve the objectives of "standardizing the management, integrating the production and sale, improving the manufacturing and standardizing the system".

The Company will focus on the following tasks:

1. To improve the enterprise operation and strengthen the synergy of the value chain To fully decentralize the power and boost the operation vitality and potential of product enterprises; to strengthen the responsibility awareness, the market awareness and the service awareness of the main operation bodies of the product enterprises; to further strengthen the position of all function departments to "provide service, support and monitor" and ensure the rational resource allocation, and standardized and consistent management in the product enterprises; to improve the assessment mode of the value chain integration, refine and simplify the link-up process between the

marketing system and the product enterprises, and increase the communication efficiency; to decentralize the responsibilities of the Company and product enterprises to every employee, as well as the operation pressure, and strengthen the monitoring.

2. To increase the technological input and improve the competitiveness of products

To complete the overseas product range as soon as possible and enrich the domestic high-end product series; to give more resources to support the innovation and development of strategic products so as to make breakthroughs in the core technologies such as the drive and control technology and the balance system while strengthening the basic R&D projects on energy-saving, environment protecting and low-carbon products; to accelerate the improvement of the lab capability and make sure that the Company will pass the VDE and UL verifications; and to strengthen the international cooperation on the industrial design so as to thoroughly increase the competitiveness of products.

3. To rationally plan the industrial layout in order for the long-term development of the Company

According to its overall strategic planning, the Company will, in the year 2010, invest RMB 240 million to implement the project to expand the production capacity of rotary washers and fully-automatic washers, as well as the production capacity expansion project for twin-tub washers of Little Swan (Jingzhou) Sanjin Electric Appliances Co., Ltd.. Through the said moves of production capacity expansion, the Company will try to ease the intense imbalance between the demand and supply and take up markets in the eastern and middle regions of China on a rational base.

4. To enhance the operation management and thoroughly improve the management capability

To improve the management functions of product enterprises in terms of internal operation, human resources and financial activities, further standardize the operation authorization system and make clear the main bodies of responsibilities; to actively make use of IT tools to improve the existing operation efficiency and standardization; to introduce more high-end talents and set up a high-efficient mechanism of talent supply chain; to clarify and optimize the talent screening standards and appraisal procedures, conduct the ladder training planning for important professionals and talent reserve, and establish a system for the ability development of employees; and to promote career development and other relevant work while making sure a better salary and welfare system for employees.

#### IV. Investments of the Company

1. Use of raised proceeds

The raised proceeds of the Company have been used up. In the report period, the Company did not raise proceeds. And no use of the proceeds raised in the previous periods was carried down to the report period.

2. Use of non-raised proceeds



(1) In the report period, about RMB 198.94 million was invested into the new industrial park project. The estimated total investment in the said project stood at RMB 609.47 million, with the actual total investment standing at RMB 543.69 million. Up until the end of the report period, the accumulative payment totaled RMB 412.74 million.

(2) The Company purchased, at the price of RMB 26,334,200, equipments and relevant assets for manufacturing rotary washers owned by Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..

#### V. Auditing opinion of the CPAs firm

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. engaged by the Company issued a standard non-qualified auditor's report for the 2009 Annual Report of the Company.

#### VI. Routine work of the Board of Directors

##### 1. Meetings of the Board of Directors and the resolutions made in the report period

In the report period, the Board of Directors of the Company convened a total of 10 meetings from the 27<sup>th</sup> Meeting of the 5<sup>th</sup> Board to the 4<sup>th</sup> Meeting of the 6<sup>th</sup> Board, which were detailed as follows:

(1) The 27<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened as a on-site meeting, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 6 Mar. 2009.

(2) The 28<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened as a on-site meeting and at the same time by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 30 Mar. 2009.

(3) The 29<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 27 Apr. 2009.

(4) The 30<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 27 May 2009.

(5) The 31<sup>st</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 30 Jun. 2009.

(6) The 32<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened as a on-site meeting, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 20 Aug. 2009.

(7) The 1<sup>st</sup> Meeting of the 6<sup>th</sup> Board of Directors was convened as a on-site meeting, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 16 Sept. 2009.

(8) The 2<sup>nd</sup> Meeting of the 6<sup>th</sup> Board of Directors was convened by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 18 Oct. 2009.

(9) The 3<sup>rd</sup> Meeting of the 6<sup>th</sup> Board of Directors was convened by means of communication, and the relevant Summary of the Third Quarterly Report 2009 of the Company was disclosed on Securities Times and Ta Kung Pao (HK) on 23 Oct. 2009.

(10) The 4<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors was convened by means of communication, and the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao (HK) on 24 Dec. 2009.

## 2. Execution of the Board of Directors on the resolutions made at the Shareholders' General Meeting

In the report period, based on the authorization of the Shareholders' General Meeting, the Board of Directors actively carried forward the significant asset reorganization matter concerning issuing shares and acquiring assets: Resolutions were made at the 1<sup>st</sup> Provisional Shareholders' General Meeting in 2010 to agree with the proposals such as the proposal on share issuance and asset acquisition. The Company intended to, at the issue price of RMB 8.63 per share, to conduct a private offering of 8,482,004 shares to GD Midea Holding Co., Ltd., so that the Company could receive the equities of USD 94,145,000 of Hefei Royalstar Washing Equipment Manufacturing Co., Ltd. directly held by GD Midea Holding Co., Ltd., i.e. 69.47% equities of Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.. On 8 Feb. 2010, the Company received the Notice of CSRC on Accepting Application for Administrative Permission (No.100076). According to the Notice, CSRC examined the Company's application materials for administrative permission to issue shares and acquire assets, and believed that the application materials were complete and legal, and thus decided to accept the application of the Company for administrative permission.

## 3. Duty performance of the Audit Committee under the Board of Directors

The Audit Committee under the Board of Directors consisted of three independent directors, with a professional accountant taking the position of Chairman.

According to the relevant regulations of CSRC and the Shenzhen Stock Exchange, as well as the Company's Specific Implementation Rules for Audit Committee of Board of Directors, Working Rules for Independent Directors on Annual Reports, Working Procedure for Audit Committee of Board of Directors on Annual Reports, the Committee performed the following duties based on the diligent and responsible principle:

( I ) The Committee conscientiously reviewed the work plan for the 2009 annual audit and relevant materials, and arranged the schedule for the audit of the 2009 Annual Financial Report together with the CPAs from Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. who were in charge of this annual audit:

The Committee reviewed the Work Plan for 2009 Annual Audit submitted by the Financial Department of the Company on 4 Jan. 2010, and then conducted a full

communication with the project manager from Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.. Both parties reached a consensus to make sure that the 2009 annual audit would go smoothly.

(II) The Committee conscientiously reviewed the financial statements drafted by the Company before the entry of the CPAs for the annual audit and issued a written review opinion as follows:

The Audit Committee of the Company reviewed the financial statements submitted by the Financial Department of the Company on 6 Jan. 2010, which included the balance sheet as at 31 Dec. 2009, the income statement, the statement of changes in owners' equity and the cash flow statement as of the year 2009, as well as some notes to the financial statements.

Through inquiring the relevant financial and management personnel of the Company, examining the relevant account books and documents, and conducting the analysis procedure on the material financial data, the Audit Committee was of the opinion that:

(1) The financial statements prepared by the Company factually presented the position of assets and liabilities of the Company as at 31 Dec. 2009 and the operating results of the Company as of the year 2009.

(2) It was universally agreed to conduct the 2009 annual audit based on the said financial statements. And the Financial Department of the Company was urged to prepare relevant statements in strict accordance with the New Accounting Standards for Enterprises, so as to ensure the factuality, completeness and fairness of the financial statements.

(III) After the entry of the CPAs for the annual audit, the Committee communicated with the CPAs on the issues arising in the audit process and the date for the submission of the Auditor's Report.

(IV) After the CPAs for the annual audit issued the preliminary auditing opinion, the Committee reviewed the financial statements of the year 2009 again and formed a written review opinion as follows:

The Audit Committee of the Company reviewed the financial statements submitted by the Financial Department of the Company on 10 Feb. 2010, on which the CPAs for the annual audit had issued the preliminary auditing opinion, including the balance sheet as at 31 Dec. 2009, the income statement, the statement of changes in owners' equity and the cash flow statement as of the year 2009, as well as some notes to the financial statements. And the Committee was of the opinion that:

(1) The 2009 financial statements prepared by the Company factually presented the

position of assets and liabilities of the Company as at 31 Dec. 2009 and the operating results of the Company as of the year 2009.

(2) It was universally agreed to prepare the 2009 Annual Report and its Summary based on the said financial statements. And the 2009 Annual Report and its Summary must be submitted to the Meeting of the Board of Directors for approval and review after the review of the Committee, so as to ensure that the Company was able to disclose the 2009 Annual Report as scheduled.

(V) After Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd issued audit report 2009, the Audit Committee of the Board of Directors held a meeting, and summarized the annual audit of Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd:

(1) Summary report on audit work 2009 by the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors checked and approved Audit Plan of 2009, which was submitted by Finance Department of the Company on 4 Jan. 2010, fully communicated with person in charge of Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd and reached agreement on the aforesaid audit plan on 4 Jan. 2010, which considered that the plan was made carefully and born responsibility personally, and effectively guarantee the successful finish of the audit of 2009.

There are 17 persons (including person in charge of the project) of Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd engaged in audit on 6 Jan. 2010. Of which the 10 auditors completed field audit of companies which were in range of the consolidated statement on 8 Feb. 2010. Person in charge of the project communicated with members of the Audit Committee and the Company on consolidation of statement, adjustment items on accounting, application of accounting policy and accounting work to be perfected, which made the committer knew further about the operating situation and application of New Accounting Standard of Business Enterprise and offer mature estimation on for fair audit conclusion issued by certified public accountants. During the period of audit on-site, the Audit Committee focused on problems in procedure of audit, and discussed the following points by the way of telephone and meet: a. whether all the transaction was recorded or not, whether transaction items were true, and whether the information was completed; b. whether the statement made in accordance with New Accounting Standard for Enterprise and requirements of securities regulatory department and regulations in financial system of the Company; c. whether the check of the Company be actualized successfully, whether the check conclusion fully reflected quality of assets; d. particulars about laws and regulations, other exterior requirements, management policy and indications and other inner requirements; e. whether system of the inner accounting control was perfect or not; f. whether the departments of the Company cooperated to get full and suitable evidence for certified public accountants. The annual certified public accountants actively affirmed the above problems and issued unqualified standard opinion on audit report on 4 Mar. 2010.

The Audit Committee considered that the Certified Public Accountants conducted their audit in accordance with the China's Independent Auditing Standard with enough time, reasonable arrangement of auditing personnel and professional ability, also the issued financial statement adequately reflected the financial position of the Company as at 31 December 2009, and the results of operations and the cash flows of the Company for the year then ended, which the audit conclusion comply with the actual situation of the Company.

(2) Particular about meetings held by the Audit Committee of the Board of Director of Wuxi Little Swan Co., Ltd.

The meeting of Audit Committee of the Board of Directors was held by way of communications on 3 Mar. 2010. Three commissioners should attend this meeting and all of them presented at the meeting. All members of the Audit Committee unanimously agreed on the following resolutions by means of voting ways of signature.

Proposal I. Reviewed and approved Financial Settlement Report 2009;

Proposal II. Reviewed and approved Annual Report 2009 and Summary;

Proposal III. Reviewed and approved Summary Report for Auditing Working 2009 of the Audit Committee of the Board of Directors

Proposal IV. Reviewed and approved Resolution on Engagement of Certified Public Accountants.

#### 4. Performance of Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the 6<sup>th</sup> Board of Directors consists of three directors, of which the Chairman is an independent director. During the report period, the Remuneration and Appraisal Committee of the Board of Directors strictly appraised directors, supervisors and senior management in accordance with standard and procedures for performance appraisal. Remuneration of senior management of the Company will pay once confirmed by Remuneration and Appraisal Committee by In the report period, remuneration and Appraisal Committee convened the meeting and sincerely heard Report on Remuneration for Senior Management of the Company 2009.

#### VII. Draft proposal for profit distribution and transfer capital to stocks of 2009

According to Audit Report issued by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, the Company (parent company) realized net profit RMB 269,359,299.37 in 2009, adding retained profit at the beginning of the year amounting to RMB 914,988,698.82, the profit available for distribution was RMB 1,184,347,998.79, after withdrawal of RMB 26,935,930.00 as statutory surplus reserve, profit available for distribution to shareholders was RMB 1,157,412,068.79.

In order to meet market demand with speedy increase, the Company schemed to invest more RMB 240 million for capacity expansion and improvement of rotary washer and automatic washer, which was approved by the 4<sup>th</sup> Meeting of the 6<sup>th</sup>

Board of Directors. To assure successful process of the above investment project and in view of capital demand for Jingzhou base, neither the Company planned to distribute profit, nor capitalized public reserves.

Cash dividend of the Company over the last three years

Unit: RMB Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to shareholders of listed companies under the consolidated statement in the year	Ratio in net profit attributable to shareholders of listed companies under the consolidated statement in the year	Retained profit in the year
2008	0.00	40,038,312.01	0.00%	914,988,698.82
2007	0.00	333,393,190.55	0.00%	886,538,768.34
2006	5,476,557.60	34,430,654.95	15.91%	560,938,606.58
Proportion of accumulative cash dividends in the last three years in average net profit of the three years				4.03%

VIII. During the report period, the newspapers for information disclosure of the Company were Securities Times and Hong Kong Ta Kung Pao, while the internet website for information disclosure was <http://www.cninfo.com.cn>

IX. Opinion of the independent directors on the external guarantee of the Company

In accordance with the requirements of ZJF (2003) No. 56 document and China ZJF (2005) No.120, as independent director of the Company, we conducted carefully review on the external guarantee in line with practical and realistic manner. Now we express the following opinion:

1. As of 31 Dec. 2009, balance of the external guarantees of the Company totaled RMB 5,920,000, taking up 0.32% of net assets.
2. As of 31 Dec. 2009, the Company had not provided any guarantees for the controlling shareholder or its related parties.
3. As of 31 Dec. 2009, the Company had provided debt guarantees totaling RMB 62,830,000, for the guaranteed parties that had an asset liability ratio over 70% directly or indirectly. All the aforesaid guarantees were for subsidiaries of the Company.
4. As to the external guarantees, the Company had signed counter-guarantee agreements with the guaranteed parties according to requirements
5. The Company had fulfilled its responsibility of information disclosure concerning the external guarantees according to the relevant stipulations in the Listing Rules and the Articles of Association, and had disclosed all external guarantees of the Company faithfully.

X. establishment and perfect of administrative system on information user out of the Company

In order to strength administration on report & submit and use of inner information during period of preparation, review, examination and disclosure of periodic report and significant events, and in accordance with Company Law, Securities Law, Articles of Association and requirements of Public Notice on Doing Well in Annual Report 2009 and Related Work of Listed Companies (Announcement No. [2009] 34)

from CSRC and Notice on Doing Well in Annual Report 2009 of Listed Companies (No. SZS [2009] 201) from Shenzhen Stock Exchange, the Company revised Administrative System on Information Disclosure, increased administration system on insider, which was reviewed and approved by the 5<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors.

## **Section VIII Report of the Board of Supervisors**

### **I. Meetings held by the Board of Supervisors during the reporting period**

During the reporting period, the Board of Supervisors convened six meetings.

1. The 10<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors of the Company was held on 4 Mar. 2009. Following proposals were examined and approved unanimously at the meeting:

- (I) Reviewed and approved the Work Report 2008 of the Board of Supervisors;
- (II) Reviewed and approved the Annual Report 2008 and its Summary;
- (III) Reviewed and approved Self-appraisal Report on Internal Control of the Company for 2008.

2. The 11<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors of the Company was held on 29 Jun. 2009. Following proposals were reviewed and approved unanimously at the meeting:

Reviewed and approved Proposal on Additionally Electing Supervisor of the Company.

3. The 12<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors of the Company was held on 18 Aug. 2009. Following proposals were reviewed and approved unanimously at the meeting:

- (I) Reviewed and approved Semi-Annual Report 2009 and its Summary;
- (II) Reviewed and approved Proposal on Election of New Term of the Board of Supervisors.

4. The 1<sup>st</sup> Meeting of the 6<sup>th</sup> Board of Supervisors of the Company was held on 15 Sep. 2009. Following proposals were reviewed and approved unanimously at the meeting:  
Reviewed and approved Proposal on Electing the Chairman of the Board of Supervisors.

5. The 2<sup>nd</sup> Meeting of the 6<sup>th</sup> Board of Supervisors of the Company was held on 15 Sep. 2009. Following proposals were reviewed and approved unanimously at the meeting:

Reviewed and approved the 3<sup>rd</sup> Quarterly Report 2009 and its Summary.

6. The 3<sup>rd</sup> Meeting of the 6<sup>th</sup> Board of Supervisors of the Company was held on 23 Dec. 2009. Following proposals were reviewed and approved unanimously at the meeting:

Reviewed and approved Proposal on Issuance of Shares to Purchase Assets and Related Transaction.

### **II. Opinion of the Board of Supervisors**

During the reporting period, all members of the Board of Supervisors of the Company, according to Company Law of PRC and the Articles of Association of the Company, carefully and faithfully performed their supervision functions in the operation



activities of the Company, and the following opinions were formed based upon a series of supervision and review:

1. During the reporting period, the various decision-making procedures of the Company were legal and standard, and a relatively perfect internal control system had been established. The directors and senior management staffs of the Company had fulfilled their responsibilities during the course of performing his duties. Moreover, none of the directors or senior management staffs violated of the laws, regulations or Articles of Association, nor did anyone of them do anything harmful to the interests of the Company.
2. The Board of Supervisors had seriously checked and reviewed the Auditors' Report 2008 of the Company issued by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.. The Board of Supervisors believed that the unqualified Auditors' Reports issued by the Certified Public Accountants is true, and had truly and fairly reflected the financial status and operating results of the Company for the year 2008.
3. During the reporting period, the transaction prices of assets purchase or sales were reasonable. Inside dealings had not been detected, nor any cases that had done harm to the interests of the shareholders or had led to the loss of the Company's assets.
4. There were related transactions between the Company and related parties in the reporting period. The transactions were fair and reasonable, and the prices were fair. No related transaction harmful to the rights, interests of the nonrelated parties or to the interests of listed company had been found.

## Section IX Significant Events

I. There was no significant lawsuit or arbitration during the reporting period.  
II. Important purchases, sales of assets, or mergers of the Company in the reporting period

### 1. Purchase of assets

(I) During the report period, the Company purchased the manufacturing equipments of rotary washing machines and relevant assets from Hefei Rongshida Washing Equipment Manufacturing Co., Ltd. at a price of RMB 26,334,200. Pricing of the related transaction was in accordance with estimated value of target assets. The transaction was in line with strategic policy, and actively effected on enlargement of high end products, promotion of core competition, adjustment of products structure and gross profit ration of products and so on.

(II) During the report period, the 2<sup>nd</sup> meeting and the 4<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors and the 1<sup>st</sup> Provisional Shareholders' General Meeting reviewed and approved proposals on issuance of shares to purchase assets and related transaction and so on. The Company planned to issue 84,82,004 non-public shares to GD Midea Holding Co., Ltd at price of RMB 8.63 per share to purchase shareholding totaling USD 94,145,000 of Hefei Rongshida Washing Equipment Manufacturing Co., Ltd, which was 69.47% shares of Hefei Rongshida Washing Equipment Manufacturing Co., Ltd held by GD Midea Holding Co., Ltd. On 8 Feb. 2010, the Company received Acceptance Notice on Application of Administrative License (No. 100076), CSRC heard and checked up administrative license application materials on issuance of shares to purchase assets, considered that application material were ready and in line with statutory form and decided to accept it. At present, the significant events had not completed yet, and will be implemented after approval from CSRC.

### 2. Sales of asset

(I) During the report period, the Company transferred 51% shares of Little Swan (Jingzhou) Electric Appliance Co., Ltd held to GD Midea Holding Co., Ltd at consideration of RMB 39,760,000, which was priced according to audited net assets value. The transaction was in accordance with strategy of focusing on washing machines as main business, and was good for elimination of horizontal competition in refrigerator with controlling shareholder and normalization of operation and durative development of the Company.

(II) During the report period, The Company transferred 32% shares of Ningbo Xinle Household Appliances Co., Ltd held to its shareholder Ningbo Fubang Holding Group Co., Ltd and 21 natural persons named Che Weiguang and so on at a price of RMB 31,360,000. This transaction was in line with strategic orientation of medium and high-end washing machines, and made active effect on clearing investment relationship, improving business structure and increasing cash flow.

## III. Significant related transactions:

### 1. Related transaction concerning routine operation

Unit: RMB'0000 Yuan

Related Parties	Selling products and providing labor service to related parties		Purchasing products and accepting labor service from related parties	
	Amount	Proportion in the amount of the same transaction (%)	Amount	Proportion in the amount of the same transaction (%)
Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.	11,509.94	2.81	34,743.07	9.72
Foshan Midea Material Supply Co., Ltd.			2, 149. 84	0.6
Foshan Weiling Washer Motor Manufacturing Co., Ltd.			8,654.33	2.42
Hefei Hualing Co., Ltd			0.58	0.00
GD Midea Holding Co., Ltd			235.87	0.07
Wuhu Annto Logistics Company Limited			2,568.05	0.72
Midea Microwave and Electrical Appliances Manufacturing Co., Ltd			926.70	0.26
Hefei Royalstar Refrigerator Co., Ltd			2,069.94	0.58
Hefei Bainian Mould & Plastics Technology Co., Ltd	582.19	0.14	543.42	0.15
Wuxi Indesit Home Appliances Co., Ltd	68.32	0.02		
Hefei Midea Royalstar Electrical Appliances Marketing Co., Ltd	108.77	0.03		
Hefei Royalstar Refrigerator Co., Ltd	16,203.27	3.95		
<b>Total</b>	<b>28,472.49</b>		<b>54, 014. 63</b>	

## 2 Related transaction concerning purchase and sale of assets

(I) The Company held the 29<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors on 24 Apr. 2009, at which Proposal on Purchase of Assets and Related Transaction was reviewed and approved. The Company purchased the manufacturing equipments of rotary washing machines and relevant assets from Hefei Rongshida Washing Equipment Manufacturing Co., Ltd. at a price of RMB 26,334,200. Pricing of the related transaction was in accordance with estimated value of target assets. Transfer procedures had been finished during the report period.

(II) During the report period, the 2<sup>nd</sup> meeting and the 4<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors and the 1<sup>st</sup> Provisional Shareholders' General Meeting reviewed and approved proposals on issuance of shares to purchase assets and related transaction and so on. The Company planned to issue 8,482,004 non-public shares to GD Midea Holding Co., Ltd at price of RMB 8.63 per share to purchase shareholding totaling USD 94,145,000 of Hefei Rongshida Washing Equipment Manufacturing Co., Ltd, which was 69.47% shares of Hefei Rongshida Washing Equipment Manufacturing Co., Ltd held by GD Midea Holding Co., Ltd. On 8 Feb. 2010, the Company received Acceptance Notice on Application of Administrative License (No. 100076), CSRC heard and checked up administrative license application materials on issuance of shares to purchase assets, considered that application material were ready and in line

with statutory form and decided to accept it. At present, the significant events had not completed yet, and will be implemented after approval from CSRC.

(III) The 28<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was held on 27 Mar. 2009, at which Proposal on Transfer Shares of Little Swan (Jingzhou) Electric Appliance Co., Ltd. The Company transferred 51% shareholding of Little Swan (Jingzhou) Electric Appliance Co., Ltd held to GD Midea Holding Co., Ltd at consideration of RMB 39,760,000. Property right transfer procedures had been finished during the report period.

### 3. Other related transaction

The Company held the 28<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors on 27 Mar. 2009, and reviewed and approved Proposal on Related Transaction on Trademark Licensing, which permitted Royalstar Refrigerator Co., Ltd to use trademark of “小天鹅 LITTELE SWAN and picture” in refrigerators and ice chest, and charged 0.3% of sales revenue of products with the authorized trademark as trademark license fees.

### IV. Credits, debts between the Company and related parties, as well as influence and solutions:

1. As at 31 Dec. 2009, there was no any non-operational capital occupied by the principal shareholder and related parties of the Company.
2. There was no any current credit, debt and guarantee between the Company and related parties.

### V. Significant contract in the reporting period that need to be disclosed

1. During the reporting period, there were no events such as significant entrustment, contracting, or leasing.

#### 2. Significant guarantees:

As at 31 Dec. 2009, the accumulated amount of guarantee provided by the Company for its shareholding subsidiary companies was RMB 5,920,000, taking up 0.32% of net assets of the Company.

Unit: RMB'0000 Yuan

External guarantee of the Company (excluding the guarantee for the shareholding subsidiaries)	
Total amount of guarantee occurred in the reporting period	0
Total balance of guarantee at the end of the reporting period (A)	0
Guarantee provided by the Company for the shareholding subsidiaries	
Total amount of guarantee occurred for shareholding subsidiaries in the reporting period	592
Total balance of guarantee occurred for shareholding subsidiaries at the end of the reporting period (B)	592
Total guarantee amount of the Company (including the guarantee for the shareholding subsidiaries)	
Total amount of guarantee (A+B)	592
The proportion of the total amount of guarantee in the net assets of the Company	

The amount of guarantee provided for shareholders, actual controller and other related parties (C)	0
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70 percent, directly or indirectly (D)	0
The amount by which the total guarantee amount exceeded 50 percent of the net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

3. There was no entrusting the others to manage the cash assets in the reporting period.

#### 4. Other significant contracts

Please refer to “III. 3. Other related transaction” under “IX. Significant Events”.

### VI. The commitment of the Company or shareholders holding more than 5% of shares and the performance thereof

1. Commitments concerning share trading moratorium: If the controlling shareholder and actual controller made the plan to sell the Company’s circulation shares released from trading restrictions in the future through the tendering system, furthermore, the number of share reduction reached to 5% and over during six months from the first reduction, so then, the controlling shareholder and actual controller shall publish outward suggestive announcement through the listed company within two trading days before the first reduction, the relevant disclosure matters shall be made in accordance with preceding clause.

2. Commitments made in the purchase report or the report on equity changes: GD Midea Holding Co., Ltd. and actual controller will not use the control power to Wuxi Little Swan Co., Ltd. to carry out operating activities with harm to rights and interests of the Company and its other shareholders, and adopt appropriate ways to settle such problem as horizontal competition among GD Midea, the actual controller and the Company within three years after finishing the said transaction.

### VII. Accounting firms appointed and dismissed

At the Annual Shareholders’ General Meeting 2008 held on 27 Mar. 2009, the proposal on engaging auditor for the financial report 2009 was passed. The Company continued to engage Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.) as Auditor of the Company. Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. provided auditing service for two years in succession for the Company, including the auditors’ report 2009. During the report period, the Company paid auditing expense of RMB 1,900,000 to Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.

### VIII. Securities invested by the Company during the reporting period

1. Shares of other listed companies held by the Company

Unit: RMB Yuan

Stock code	Short form of Stock	Initial investment amount	Proportion to this company	Closing book value	Gains and losses for the reporting period	Change in owner's equity in the reporting period
601328	Bank of Communications	1,500,000.00	0.01%	0	12,661,418.34	4,378,089.90
600682	Nanjing Xinbai	104,300.00	0.02%	0	423,951.77	114,835.00
400038	Huaxin Hi-Tech	100,300.00	0.01%	312,816.00	0	133,946.40
Total		1,704,600.00	-	312,816.00	13,085,370.11	4,626,871.30

## 2. Shares of non-listed financial institutions held by the Company

Unit: RMB Yuan

Name of non-listed financial institutions	Initial investment	Number of stock held by the Company	Ratio to equity of invested company	Book value at the year-end	Profit and loss in the reporting period	Change of owners' equity	Accounting title	Source of stock
JSBK	1,100,000.00	2,092,564	0.00%	1,100,000.00	246,810.24	246,810.24	Long-term equity investment	Non-public offering
Jingzhou City Commercial Bank Co., Ltd	5,000,000.00	5,000,000	0.00%	0.00	0.00	0.00	Long-term equity investment	Non-public offering
Total	6,100,000.00	7,092,564	-	1,100,000.00	246,810.24	246,810.24		

## IX. Management on investor relations

Reception date	Reception place	Reception way	Name of investor	Main discussion and materials provided by the Company
10 Feb. 2009	Company conference room	Field investigations	Orient Securities Co., Ltd.	Overall operation of the Company
10 Feb. 2009	Company conference room	Field investigations	China Galaxy Securities Co., Ltd.	Overall operation of the Company
10 Feb. 2009	Company conference room	Field investigations	Guoxin Securities Co., Ltd.	Overall operation of the Company
9 Mar. 2009	By telephone	By telephone	CITIC Securities Co., Ltd.	Overall operation of the Company in 2008
3 Apr. 2009	Company conference room	Field investigations	Changsheng Fund Management Co., Ltd.	Production and operation of the Company
3 Apr. 2009	Company conference room	Field investigations	MillenniumGlobal Investments	Production and operation of the Company
10 Apr. 2009	By telephone	By telephone	Shanghai Shenyin Wanguo Securities Research Institute	Annual area sales of the Company
12 May 2009	Company conference room	Field investigations	GF Securities Co., Ltd.	Operation system channel

12 May 2009	Company conference room	Field investigations	Guolian Securities Co., Ltd.	Operation system channel
9 Jul. 2009	Company conference room	Field investigations	Greatwall Securities Co., Ltd.	Production and operation of the Company
9 Jul. 2009	Company conference room	Field investigations	Harvest Fund Management Co., Ltd.	Production and operation of the Company
9 Jul. 2009	Company conference room	Field investigations	Yinhua Fund Management Co. Ltd.	Production and operation of the Company
9 Jul. 2009	Company conference room	Field investigations	Changsheng Fund Management Co., Ltd.	Production and operation of the Company
17 Sep. 2009	Company conference room	Field investigations	Penghua Fund Management Co., Ltd.	Company operation and situation on “removing from city entering into park”

X. Punishments received by the Company, the Board of Directors or the directors, supervisors and senior management staffs:

During the reporting period, there was no administrative punishment or criticism imposed on the Company, the Board of Directors and directors, supervisors and senior management by China Securities Regulatory Commission, and there was no public censure imposed on the them from Shenzhen Stock Exchange.

XI. Other significant events

Naught

**Section X Financial Report**  
**AUDIT REPORT**

WCPAA[2010]NO.A133

**TO THE SHAREHOLDERS OF WUXI LITTLE SWAN COMPANY LIMITED,**

We have audited the consolidated financial statements of Wuxi Little Swan Company (the “Company”) which comprise the Balance sheet as at 31 December 2009, and the Income statement, Statement of changes in equity and Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors’ responsibility for the financial statements**

The directors’ responsible for the preparation and the true and fair presentation of these financial statements in accordance with Accounting Standard for Business Enterprises and Accounting System for Business Enterprises of the People’s Republic of China, are the responsibility of the company's management. These responsibilities includes designing , implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Independent Audit Standards promulgated by the Chinese Institute of Certified Public Accountants. Those standards require that



we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

### **Audit opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of the profit and cash flows of the Company for the year then ended in accordance with the Accounting Standards for Business Enterprise and the Accounting System for Enterprises of the People's Republic of China.

**Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.**

**CPA of China**

**CPA of China**

**China · Wuxi**

4<sup>th</sup> March , 2010

Balance sheet

Prepared by Wuxi Little Swan Company Limited 31 Dec.2009 Unit: RMB Yuan

Items	Balance as at 31 Dec. 2008		Balance as at 1 Jan. 2008	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	852,448,970.81	743,637,877.78	617,998,210.34	408,475,277.00
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	604,499,731.15	571,266,822.03	381,032,680.58	366,380,243.73
Account receivable	874,635,649.01	748,060,219.84	422,669,603.61	269,374,201.45
Account paid in advance	66,243,273.07	60,519,177.91	105,361,611.66	86,084,578.33
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable				
Dividend receivable			1,798,815.52	1,798,815.52
Other account receivable	25,361,277.23	17,978,669.16	99,682,875.67	127,640,209.34
Financial assets purchased under agreements to resell				
Inventories	440,416,228.67	326,373,717.04	694,973,687.18	336,687,306.24
Non-current assets due within 1 year				
Other current assets	17,326,441.89	17,326,441.89		
Total current assets	2,880,931,571.83	2,485,162,925.65	2,323,517,484.56	1,596,440,631.61
Non-current assets:				
Loans and advance				
Available for sale financial assets	312,816.00	312,816.00	7,045,326.00	7,045,326.00
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	144,060,027.63	780,102,984.35	218,856,545.67	938,059,586.29
Investing property			30,474,370.10	30,474,370.10
Fixed asset	591,877,098.11	492,656,905.52	502,382,574.01	248,254,016.23
Project in construction	23,101,817.68	23,101,817.68	14,371,339.58	11,349,269.50
Engineering material				
Fixed asset disposal				

Bearer biological asset				
Oil assets				
Intangible assets	141,527,568.63	115,411,645.61	152,351,167.32	118,260,757.99
Development expense				
Goodwill				
Long-term expense to be apportioned	16,773,746.67	7,062,716.07	16,339,825.28	
Deferred tax assets	80,045,127.37	82,168,839.89	73,949,611.44	66,461,324.37
Other non-current assets				
Total of non-current assets	997,698,202.09	1,500,817,725.12	1,015,770,759.40	1,419,904,650.48
Total assets	3,878,629,773.92	3,985,980,650.77	3,339,288,243.96	3,016,345,282.09
Current liabilities:				
Short-term borrowings	1,000,000.00		74,930,000.00	
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable	14,000,000.00		114,000,000.00	
Account payable	1,552,443,101.69	1,293,432,088.39	989,965,462.97	626,896,030.80
Account received in advance	135,076,044.68	107,001,841.73	225,481,656.23	157,288,864.35
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee's compensation payable	66,748,481.77	39,463,034.59	43,537,479.54	9,308,289.00
Tax payable	116,221,316.66	111,804,042.76	36,310,470.23	29,816,057.11
Interest payable			562,686.25	
dividend payable	2,967,922.95	2,917,374.60	3,527,937.47	2,917,374.60
Other account payable	60,542,744.72	36,210,266.59	135,832,343.39	90,089,986.19
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	1,948,999,612.47	1,590,828,648.66	1,624,148,036.08	916,316,602.05
Non-current liabilities:				
Long-term borrowings				
Debentures payable				
Long-term payables				
Specific purpose account payables				
Provisions for contingent liabilities	11,213,500.02		18,541,858.03	4,000,000.00

Deferred tax liabilities	31,877.40	31,877.40	801,108.90	801,108.90
Other non-current liabilities	3,679,000.00	2,400,000.00		
Total non-current liabilities	14,924,377.42	2,431,877.40	19,342,966.93	4,801,108.90
Total liabilities	1,963,923,989.89	1,593,260,526.06	1,643,491,003.01	921,117,710.95
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	547,655,760.00	547,655,760.00	547,655,760.00	547,655,760.00
Capital surplus	507,532,790.74	512,103,117.27	480,464,703.04	483,969,863.67
Less: Treasury Stock				
Special reserves				
Reserved fund	177,769,733.30	175,549,178.65	153,321,373.03	148,613,248.65
General risk provision				
Retained earnings	621,953,000.06	1,157,412,068.79	426,704,375.03	914,988,698.82
Foreign exchange difference			-1,829,651.98	
Total owners' equity attributable to holding company	1,854,911,284.10	2,392,720,124.71	1,606,316,559.12	2,095,227,571.14
Minority interest	59,794,499.93		89,480,681.83	
Total owner's equity	1,914,705,784.03	2,392,720,124.71	1,695,797,240.95	2,095,227,571.14
Total liabilities and owner's equity	3,878,629,773.92	3,985,980,650.77	3,339,288,243.96	3,016,345,282.09

### Income statement

Prepared by Wuxi Little Swan Company Limited Jan.-Dec.2009 Unit: RMB Yuan

Items	Amount of current period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	4,375,244,455.67	3,350,245,009.02	4,292,987,464.91	2,372,490,610.99
Including: Sales	4,375,244,455.67	3,350,245,009.02	4,292,987,464.91	2,372,490,610.99
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	4,168,137,571.35	3,056,304,551.00	4,314,007,153.67	2,392,524,197.14
Including: Cost of sales	3,352,503,034.75	2,464,016,514.74	3,495,399,864.11	1,820,803,468.71
Interests expenses				
Handling charges and commission expenses				
Claim expenses-net				
Provision for insurance liability reserve				
Expenses for reinsurance accepted				
Payments on surrenders				
Policyholder dividends				
Taxes and associate charges	19,057,858.10	17,359,399.06	17,500,882.04	11,929,779.87
Selling and distribution expenses	504,572,636.20	409,542,397.63	512,655,618.89	393,915,510.96
Administrative expenses	187,592,749.28	129,358,495.36	232,941,380.95	153,227,682.12
Financial expense	1,472,283.08	-2,930,660.90	16,888,023.62	-16,981,553.99
Impairment loss	102,939,009.94	38,958,405.11	38,621,384.06	29,629,309.47

Add: gain/(loss) from change in fair value (“-” means loss)				
Gain/(loss) from investment (“-” means loss)	-7,283,064.75	-64,398,153.50	62,913,701.07	71,355,967.14
Including: income from investment on affiliated enterprise and jointly enterprise	12,248,086.38	12,248,086.38	58,194,324.20	52,696,647.02
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	199,823,819.57	229,542,304.52	41,894,012.31	51,322,380.99
Add: non-business income	110,412,874.45	99,762,127.76	21,839,201.23	8,028,629.54
Less: non-business expense	32,614,370.88	19,279,196.35	24,118,053.14	13,817,280.91
Including: loss from non-current asset disposal				
IV. Total profit (“-” means loss)	277,622,323.14	310,025,235.93	39,615,160.40	45,533,729.62
Less: Tax expense	55,928,893.55	40,665,935.96	14,607,326.94	7,837,631.75
V. Net profit (“-” means loss)	221,693,429.59	269,359,299.97	25,007,833.46	37,696,097.87
Attributable to parent company	222,184,555.03	269,359,299.97	40,038,312.01	37,696,097.87
Minority interest	-491,125.44		-15,030,478.55	
VI. Earnings per share				
(I) Basic earnings per share	0.41		0.07	
(II) Diluted earnings per share	0.41		0.07	
VII. Other comprehensive income	-4,358,978.50	-4,358,978.50	-13,114,932.20	-13,114,932.20
VIII. Total amount of comprehensive income	217,334,451.09	265,000,321.47	11,892,901.26	24,581,165.67
Attributable to parent company	217,825,576.53	265,000,321.47	26,923,379.81	24,581,165.67
Minority interest	-491,125.44		-15,030,478.55	

### Cash flow statement

Prepared by Wuxi Little Swan Company Limited      Jan.-Dec.2009      Unit: RMB  
Yuan

Items	Amount of current period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows for operating activities:				
Cash received from sales of goods or rendering of services	2,556,622,295.66	1,550,726,161.78	3,126,431,039.68	1,586,182,661.49
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets				
Interests, handling charges and commission received				

Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received	31,800,855.85	4,830,903.02	68,623,559.16	9,858,332.02
Other cash received relating to operating activities	19,709,003.63	12,647,506.51	42,245,520.79	36,463,451.04
Sub-total of cash inflows	2,608,132,155.14	1,568,204,571.31	3,237,300,119.63	1,632,504,444.55
Cash paid for goods and services	1,567,851,845.94	738,964,066.74	2,355,883,982.88	1,060,189,650.36
Loans and advances drawn				
Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	213,108,158.96	141,454,304.40	298,614,361.79	183,418,716.22
Tax and fare paid	213,733,968.97	176,415,922.79	226,421,477.11	148,351,190.56
Other cash paid relating to operating activities	474,403,774.04	383,970,369.33	491,095,968.01	365,992,522.63
Sub-total of cash outflows	2,469,097,747.91	1,440,804,663.26	3,372,015,789.79	1,757,952,079.77
Net cash flow from operating activities	139,034,407.23	127,399,908.05	-134,715,670.16	-125,447,635.22
II. Cash Flows from Investment Activities:				
Cash received from return of investments	14,408,527.57	14,408,527.57		
Cash received from investment income	43,661,458.25	43,661,458.25	54,783,959.42	58,428,408.16
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	156,140,450.28	146,533,618.90	21,949,684.73	6,625,289.81
Proceeds from sale of subsidiaries and other operating units	33,622,525.46	71,977,077.88	7,216,043.48	18,123,901.75
Other cash received relating to investment activities				
Sub-total of cash inflows	247,832,961.56	276,580,682.60	83,949,687.63	83,177,599.72
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	108,674,341.04	63,569,469.87	150,627,295.76	103,252,313.55
Cash paid for acquiring investments				
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units	5,248,520.00	5,248,520.00	8,805,437.30	8,805,437.30
Other cash paid relating to investment activities				
Sub-total of cash outflows	113,922,861.04	68,817,989.87	159,432,733.06	112,057,750.85
Net cash flow from investing activities	133,910,100.52	207,762,692.73	-75,483,045.43	-28,880,151.13
III. Cash Flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings	23,900,000.00		196,910,000.00	80,000,000.00
Cash received from issuing debentures				
Other proceeds relating to financing activities				
Sub-total of cash inflows	23,900,000.00		196,910,000.00	80,000,000.00
Cash paid for settling debt	57,810,000.00		245,480,000.00	80,000,000.00
Cash paid for distribution of dividends or profit or	4,583,747.28		30,846,166.13	784,013.33

reimbursing interest				
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities				
Sub-total of cash outflows	62,393,747.28		276,326,166.13	80,784,013.33
Net cash flow from financing activities	-38,493,747.28		-79,416,166.13	-784,013.33
IV. Effect of foreign exchange rate changes				
V. Increase in cash and cash equivalents	234,450,760.47	335,162,600.78	-289,614,881.72	-155,111,799.68
Add : Cash and cash equivalents at year-begin	617,998,210.34	408,475,277.00	907,613,092.06	563,587,076.68
VI. Cash and cash equivalents at the end of the year	852,448,970.81	743,637,877.78	617,998,210.34	408,475,277.00

Consolidate statement of changed in owners' equity

Prepared by Wuxi Little Swan Company Limited

Year 2009

Unit: RMB Yuan

Items	Amount of current period										Amount of last year											
	Owners' equity attributable to parent company									Minority equity	Total of owners' equity	Owners' equity attributable to parent company									Minority equity	Total of owners' equity
	Share capital	Capital reserve	Lessen: treasury stock	Special reserves	Surplus public reserve	General risk reserve	Retained profits	Others	Share capital			Capital reserve	Lessen: treasury stock	Special reserves	Surplus public reserve	General risk reserve	Retained profits	Others				
I. Balance at the end of last year	547,655,760.00	480,464,703.04			153,321,373.03		426,704,375.03	1,829,651.98	89,480,681.83	1,695,797,240.95	365,103,840.00	678,756,472.34			149,551,763.24		390,435,672.81	935,252.65	135,577,931.31	1,718,490,427.05		
Add: Change of accounting policy																						
Correction of errors in previous period																						
Other																						
II. Balance at the beginning of this year	547,655,760.00	480,464,703.04			153,321,373.03		426,704,375.03	1,829,651.98	89,480,681.83	1,695,797,240.95	365,103,840.00	678,756,472.34			149,551,763.24		390,435,672.81	935,252.65	135,577,931.31	1,718,490,427.05		
III. Increase/ decrease of amount in this year ("-" means decrease)		27,068,087.70			24,448,360.27		195,248,625.03	1,829,651.98	29,686,181.90	218,908,543.08	182,551,920.00	198,291,769.30			3,769,609.79		36,268,702.22	894,399.33	46,097,249.48	22,693,186.10		
(I) Net profit							222,184,555.03		491,125.44	221,693,429.59							40,038,312.01		15,030,478.55	25,007,833.46		
(II) Other comprehensive income		4,358,978.50								4,358,978.50		13,114,932.20								13,114,932.20		
Subtotal of (I) and (II)		4,358,978.50					222,184,555.03		491,125.44	217,334,451.09		13,114,932.20					40,038,312.01		15,030,478.55	11,892,901.26		
(III) Input an reduced capital		31,427,066.20			2,487,56			1,829,651.98	29,195,	1,574,091.99		2,624,91						894,39	30,172,3	33,69		



of owners					9.73				056.46			7.10					9.33	63.81	1,680.24					
1. Input capital of owners																								
2. Amount of Shares included in the owners' equity																								
3. Others		31,427,066.20			-	2,487,569.73		1,829,651.98	-	29,195,056.46	1,574,091.99	-	2,624,917.10				-	894,399.33	-	30,172,363.81	-	33,691,680.24		
(IV) Profit distribution					26,935,930.00			-	26,935,930.00					3,769,609.79			-	3,769,609.79		-	894,407.12	-	894,407.12	
1. Withdrawing surplus public reserve					26,935,930.00			-	26,935,930.00					3,769,609.79			-	3,769,609.79						
2. Withdrawing general risk reserve																								
3. Distribution to all owners (shareholders)																					-	894,407.12	-	894,407.12
4. Other																								
(V) Internal carrying forward of owners' equity												182,551,920.00	-	182,551,920.00										
1. New increase of capital (share capital) from capital reserves												182,551,920.00	-	182,551,920.00										
2. Convert surplus reserves to capital (share capital)																								
3. Surplus reserves make up losses																								
4. Others																								
(VI) Special reserves																								

1. Drawn in current period																				
2. Used in current period																				
IV. Balance at the end of this period	547,655,760.00	507,532,790.74			177,769,733.30		621,953,000.06		59,794,499.93	1,914,705,784.03	547,655,760.00	480,464,703.04			153,321,373.03		426,704,375.03	-1,829,651.98	89,480,681.83	1,695,797.240.95

Statement of changed in owners' equity of listed companies

Prepared by Wuxi Little Swan Company Limited

Year 2009

Unit: RMB Yuan

Items	Amount of current period								Amount of last year							
	Share capital	Capital reserve	Lessen: treasury stock	Special reserves	Surplus public reserve	General risk reserve	Retained profits	Total of owners' equity	Share capital	Capital reserve	Lessen: treasury stock	Special reserves	Surplus public reserve	General risk reserve	Retained profits	Total of owners' equity
I. Balance at the end of last year	547,655,760.00	483,969,863.67			148,613,248.65		914,988,698.82	2,095,227,571.14	365,103,840.00	679,636,715.87			144,843,638.86		881,062,210.74	2,070,646,405.47
Add: Change of accounting policy																
Correction of errors in previous period																
Other																
II. Balance at the beginning of this year	547,655,760.00	483,969,863.67			148,613,248.65		914,988,698.82	2,095,227,571.14	365,103,840.00	679,636,715.87			144,843,638.86		881,062,210.74	2,070,646,405.47
III. Increase/ decrease of amount in this year ("-" means decrease)		28,133,253.60			26,935,930.00		242,423,369.97	297,492,553.57	182,551,920.00	-195,666,852.20			3,769,609.79		33,926,488.08	24,581,165.67
(I) Net profit							269,359,299.97	269,359,299.97							37,696,097.87	37,696,097.87
(II) Other comprehensive income		-4,358,978.50						-4,358,978.50		-13,114,932.20						-13,114,932.20
Subtotal of (I) and (II)		-4,358,978.50					269,359,299.97	265,000,321.47		-13,114,932.20					37,696,097.87	24,581,165.67

(III) Input an reduced capital of owners		32,492,23 2.10						32,492,23 2.10							
1. Input capital of owners															
2. Amount of Shares included in the owners' equity															
3. Others		32,492,23 2.10						32,492,23 2.10							
(IV) Profit distribution					26,935,93 0.00		- 26,935,93 0.00					3,769,609 .79		- 3,769,609 .79	
1. Withdrawing surplus public reserve					26,935,93 0.00		- 26,935,93 0.00					3,769,609 .79		- 3,769,609 .79	
2. Withdrawing general risk reserve															
3. Distribution to all owners (shareholders)															
4. Other															
(V) Internal carrying forward of owners' equity								182,551,9 20.00		- 182,551,9 20.00					
1. New increase of capital (share capital) from capital reserves								182,551,9 20.00		- 182,551,9 20.00					
2. Convert surplus reserves to capital(share capital)															
3. Surplus reserves make up losses															
4. Others															
(VI) Special reserves															
1. Drawn in current period															

2. Used in current period																
IV. Balance at the end of this period	547,655,760.00	512,103,117.27			175,549,178.65		1,157,412,068.79	2,392,720,124.71	547,655,760.00	483,969,863.67			148,613,248.65		914,988,698.82	2,095,227,571.14

### **Section XI Documents Available for Reference**

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

**Wuxi Little Swan Company Limited**  
**Chairman of the Board: Fang Hongbo**  
4 March 2010

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

## Note I Corporate information

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

### 1. Company profile

Registered Address: No. 1 Hanjiang Road, National High-tech Industrial Development Zone,  
Wuxi

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

Structure of the company: Share-holding Company

### 2. Operations and business scope of the Company

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

### 3. Name of the parent company

Parent company: GUANGDONG MIDEA ELECTRIC APPLIANCES CO., LTD.

Ultimate controller: Mr. He Xiangjian

### 4. Authorization and date of issuing the financial statements

The financial statements were approved and authorized for issue by the board of directors 4<sup>th</sup> March, 2010.

## C. Note II Summary of Main Accounting Policies and Accounting Estimate

### **1. Preparation basis of the financial statements**

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

### **2. Statement of compliance with Enterprise accounting standards**

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

### **3. Accounting period**

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

### **4. Recording currency**

The recording currency of the company is Renminbi

### **5. Accounting Processing method of business combination under the same control and not under the same control**

#### **(1) The business combinations which are under the same control**

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

#### **(2) The business combinations which are not under the same control**

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

- a) When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;
- b) For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions;
- c) The costs directly attributed to business combination are included in the cost of combination;

The acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; if the combination costs are less

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

## **6. Preparation method of consolidated financial statements**

### **(1) Determination of consolidation scope**

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

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

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

(2) Disposal of purchasing or selling the shares of subcompanies. The company confirms the date when the risks and rewards related to the purchase or sales of company shares actually transfer as the purchase date and selling date.

## **7. Cash and cash equivalent**

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

## **8. Foreign currency transactions and translations**

All foreign currency transactions during the period have been translated in to RMB at the exchange rates stipulated by the People's Bank of China on the first day of the month. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the stipulated exchange rates at the balance sheet date.

The asset and liability items in the balance sheet will be converted at the spot exchange rate on the preparation date of balance sheet. The resulting exchange differences arising from these translations are expensed, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalized as part of fixed assets' costs.



## **9. Recognition and measurement of financial instrument**

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

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

- a) financial assets at fair value through profit or loss, which refer to financial assets measured at fair value with variations accounted into current income account.
- b) sellable financial assets, which are measured on fair values at the balance sheet date, and the variations of fair values are accounted into “Capital reserves–other capital reserves”.
- c) loans and receivables; and
- d) held-to-maturity investments.

### **(2) Recognition of financial instrument fair values**

When there is an active market for the financial instrument, the value quoted at the active market is adopted by the Company as the fair value.

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

### **(3) Basis of recognition and accounting of finance asset transferring**

Transferring of financial assets by the Company includes the following two cases:

- a) Transfer the rights of collecting the cash flow attached to the financial asset to another party;
- b) Transfer the financial asset to another party, but reserve the rights to collect cash flow related to such financial asset, and is responsible to pass the cash flow over to the final beneficiary.

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

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

## **10. Accounts Receivable**

### **(1) Recognition and providing of bad debt provision on the individually significant receivables**

Standards of the individually significant accounts receivable: the accounts receivable whose individual amount accounts for over 10% (including 10%) of accounts receivable balance at the end of this period or amount of the individual account receivable which is greater than RMB 10 millions (and including 10 millions);

Standards of the individually significant other receivable: the other receivable whose individual amount accounts for over 10% (including 10%) of other receivables balance at the end of this

period or amount of the individual other receivable which is greater than RMB 5 millions (and including 5 millions).

For the individually significant receivables, the impairment test is carried on individually; the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(2) Recognition and providing of bad debt provisions on the receivables which are not individually significant, but are assessed at high risk level through credit risk combination.

Confirmation of credit risk characteristics' combination: the receivables which are involved in pending lawsuits or dissolution of the debtor company, and the receivables with the age of over 3years (excluding the individually significant receivables).

For the receivables which are not individually significant, but which are assessed at high risk level through credit risk combination, the impairment test is carried on individually; the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(3) For the receivables which are not individually significant, as well as the individually tested receivables which the test has not recognize any impairment loss, the company categorizes them according to their age. On the basis of the actual loss rate of receivable account age package in the previous year, the company will consider the current situation to determine the percentage of providing the bad debt reserve for the following receivable account package at the end of this period:

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

(4) The company does not provide bad debt provision for receivables of subsidiaries in the combination scope. When the subsidiaries suffer excess loss, impairment tests are carried on and impairment provisions are provided individually.

(5) No provision of bad debts shall be accrued for no-risky receivables, such as export tax rebate

receivable.

## **11. Inventories**

### **(1) Categorizing of inventories**

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

### **(2) Pricing of delivering inventory**

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

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

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

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

### **(4) Inventory system**

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

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

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

## **12. Long-term share equity investment**

### **(1) Recognition of initial investment costs**

Investments of the Company in subsidiaries are valued at investment costs. For long-term share equity investment formed by shareholding and merger please see Note II(V). Retrospective or retrieved investments are adjusted to the cost of long term equity investment. For long-term equity investment of the Company with or without common control or major influence on the investee, and there is no quotation in an active market, and the fair value is not reliably measured, values are on initial investment costs.

### **(2) Subsequent measurement and recognition of gain/loss**

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

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

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

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

### **(3) Basis of recognizing common control and significant influence**

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

the investee, the investee is regarded as their affiliate.

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

#### (4) Impairment examination and providing of impairment provision

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

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

### **13. Investment properties**

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

The company employs the cost mode to calculate the investment properties, and withdraws the depreciation or amortization in accordance with the same depreciation or amortization policies of fixed assets and intangible assets in the company.

### **14. Fixed assets**

#### (1) Conditions for fixed asset recognition

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

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

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

<b>Categories</b>	<b>Useful life</b>	<b>Salvage value</b>	<b>Annual depreciation ratio</b>
Plant & buildings	30-40 years	5%	2.38-3.17%
Machinery equipment	10-18 years	5%	5.28-9.00%
Electric equipment	3-8 years	5%	11.88-31.67%
Transportation vehicles	4-12 years	5%	7.92-23.75%
Others	5-8 years	5%	11.88-19%
Fit up fee	3-8 years		12.50-33%

### (3) Impairment testing and impairment provisions

At the balance sheet day, fixed assets are accounted at the lower one of book value and retrievable value. If the retrievable value is lower than the book value, the book value will be deducted to the retrievable value, and the deducted amount will be recorded as asset impairment loss into current income account, and impairment provision shall be provided accordingly. Once the impairment loss was recognized, it will not be written back in coming fiscal terms.

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

- a) during the period, a fix asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use during the current period;
- b) evidence is available of obsolescence or physical damage of an asset;
- c) the asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date;
- d) significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;
- e) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used by the company in calculating an asset's value by predicted future cash flows, and decrease the asset's recoverable amount materially;
- f) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from fixed

assets or the operating profit (or loss) realized by fixed assets is lower (higher) than the excepted amount, etc.; and

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

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

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred.

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

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

## **15. Construction in process**

Construction in process conducted by the Company itself, its actual cost consists of essential costs of carrying on the construction till it reaches usable status.

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

At the balance sheet day, fixed assets which are suspended for a long time and not possibly resumed in coming 3 years, or strong evidence of impairment exists, are accounted at the lower one of book value and retrievable value. If the retrievable value is lower than the book value, the book value will be deducted to the retrievable value, and the deducted amount will be recorded as asset impairment loss into current income account, and impairment provision shall be provided accordingly. Once the impairment loss was recognized, it will not be written back in coming fiscal terms.

## **16. Borrowing expenses**

#### (1) Capitalization of borrowing costs

The costs of borrowings designated for acquisition or construction of qualifying assets should be capitalized as part of the cost of the assets. Assets satisfying the conditions of capitalization are referring to the fixed assets, investment properties, and inventories that need one year or more than one year's construction or production process to reach the usable or sellable status. Borrowing expenses start to be capitalized when all of the followings are satisfied:

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

Other borrowing costs that do not qualify for capitalization should be expensed off during current period.

#### (2) Capitalization period of borrowing costs

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

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

#### (3) Calculation method of capitalization for borrowing costs

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

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

### **17. Intangible assets**

#### (1) Recognition of intangible assets:

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

Intangible assets are initially measured by their costs. Intangible assets purchased are booked at



the actual cost to purchase and relative expenses.

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

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

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

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

①The technical feasibility of completing the intangible asset so that it will be available for use or sale;

②Its intention to complete the intangible asset and use or sell it;

③The method that the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑤ Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

⑥The use of the intangible products cycle more than 1 year.

Usage life and amortization of intangible assets:

The land-use rights is amortized straightly to the useful life, from the starting date, when accept the land-use rights,

The patent, non-patent technology and other intangible assets are amortized straightly to the less number among the useful life, contract years and the effective year of the law.

The amortization assigned to the related assets and current profit and loss.

For the intangible assets with the uncertain usage life, such as trade mark, no amortization will be made.

(2) Depreciation of intangible assets:

Intangible assets without certain useful life are not amortized. They will be reconsidered in each accounting period, if strong evidence showing that the useful life became limited, then it will be estimated, and amortized on straight basis. On the balance sheet date, the Company measures intangible assets according to the lower of book value and retrievable value, intangible asset impairment provisions shall be provided at the difference of retrievable value lower than the book value, and the corresponding impairment loss shall be recorded to current income account. Once intangible asset impairment losses are recognized, they will not be written back in successive fiscal periods.

- ① It has been replaced by other new technologies, and significantly decreased the economic interests of the Company's ability;
  - ② The price fell sharply in the current market, and the price is not expected to resume in the remaining period;
  - ③ Over the period of legal protection, but still has some value;
- Other things that prove the assets actually impaired.

#### **18. Long-term deferred expenses**

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

#### **19. Expected liabilities**

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

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

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

#### **20. Revenue recognition**

- (1) Sales of goods

When all of the following conditions are satisfied, the sales of goods are recognized as sales

income according to the contract amount received or receivable from the buyer:

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

(2) Providing of labor service

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

(3) Demising of asset using rights

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

## **21. Government grant**

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

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

## **22. Differed income tax assets/ differed income tax liabilities**

Based on the differences between the book values of assets and liabilities and taxation basis (for the items that have not been confirmed as the assets and liabilities, if their taxation basis may be determined in accordance with the taxation provisions, the difference between such taxation basis and their book values will be applied), the deferred income tax assets or deferred income tax

liabilities will be confirmed at the applicable tax rate during the expected periods of returning such assets or settling such liabilities.

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

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

### **23. Change of main accounting policies and estimations**

(1) Change of accounting policies

No change of accounting policies occurred in the year.

(2) Change of accounting estimations

No change of accounting estimations occurred in the year.

### **24. Correction of previous accounting faults**

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

## **D. Note III. Taxation**

### **1. Operation tax and rate**

<b>Items</b>	<b>Tax basis</b>	<b>tax rate</b>
VAT	deducting value added input tax.	17%
Business tax	operating revenue	5%
Urban maintenance and construction	Payable circulating tax amount	7%
Educational fee	Payable circulating tax amount	1% or 4%
Corporate income tax	Payable income tax amount	25% or 15%

Flood Control Security Fund	operating revenue	0.1%
Levee fee	Payable circulating tax amount	2%

## 2. Notes

During the march of 2009, the company and Wuxi Little Swan GE Co. , Ltd were filed as the high technology qualification, and the qualification number is GR200932000077 and GR200932000078.

During may of 2009, Wuxi Filin Electronics Co. , Ltd was filed the high technology qualification, and the qualification number is GR200932000397.

According to document guoshuifa ( 2008 ) 111 issued by National Tax Bureau, and guoshuihan[2008]985, the company and two subsidiaries ,Wuxi Little Swan GE Co. , Ltd and Wuxi Filin Electronics Co. , Ltd, was approved to enjoy income tax rate 15%.

## E. NOTE IV: Business combination and consolidated financial statements

### 1. Subsidiaries

(1) The subsidiaries obtained through the establishment or investment

Unit: RMB(0'000)

Subsidiaries	Categori es	Reg. Add.	Business nature	Registered capital	Business scope	Paid-in capital	Other essential investm ent	The proporti of holding shares (%)	The proporti of voting rights (%)	Included in consolidat ed statements	Minorit y Interest	Deductibl e minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Wuxi Little Swan General Electric Appliances Co., Ltd.	Holding subsidiar ies	Wuxi	Productio n	2,800.00	Manufacture and sale of washing machine and dryers	1,960.00		70.00	70.00	Yes	2,956.81		
Wuxi Little Swan Driving & Control Development	Holding subsidiar ies	Wuxi	R&D	500	Development & research of driving & Control	450.00		100.00	100.00	Yes	17.75		

Subsidiaries	Categories	Reg. Add.	Business nature	Registered capital	Business scope	Paid-in capital	Other essential investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statements	Minority Interest	Deductible minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Technology Co., Ltd.													
Wuxi Electronics Co., Ltd.	Filial Holding subsidiaries	Wuxi	Production	USD362.46	Manufacture and sales of computer control components for washing machine	1,962.00		73.00	73.00	Yes	1,577.12		
Wuxi Huayin Electric Appliances Co., Ltd.	Holding subsidiaries	Wuxi	Production	USD600	Manufacture and sale of electric engines for household appliances and	3,731.36		75.00	75.00	Yes	1,418.48		

Subsidiaries	Categori es	Reg. Add.	Business nature	Registered capital	Business scope	Paid-in capital	Other essential investm ent	The proporti of holding shares (%)	The proporti of voting rights (%)	Included in consolidat ed statements	Minorit y Interest	Deductibl e minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Wuxi Little Swan Washing Machine Co., Ltd.	Little Holding subsidia ries	Wuxi	Productio n	4967.95	digital engines Manufacture and sale of commercial washing machine , dryers and spare parts	3,725.96		75.00	75.00	Yes	-		-3,780.42
Wuxi Meitian Refrigerator Market Co., Ltd.	Little Holding subsidia ries	Wuxi	Trading	USD300	Sales of refrigerator	2,484.00		99.91	99.91	Yes	-		-2,846.17
Jiangsu Little	Little Holding	Wuxi	Trading	41,950.00	Sales of					Yes			-6,173.95



Subsidiaries	Categori es	Reg. Add.	Business nature	Registered capital	Business scope	Paid-in capital	Other essential investm ent	The proporti on of holding shares (%)	The proporti on of voting rights (%)	Included in consolidat ed statements	Minorit y Interest	Deductibl e minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Swan Marketing and Sales Co., Ltd.	subsidia ries				electrical appliances	41,755.00		99.64	99.64		-		
Wuxi Little Swan Import & Export Co., Ltd	Holding subsidia ries	Wuxi	Import & Export	6,500.00	Import & export of electric machine products	5,750.00		88.46	88.46	Yes	9.28		
P.T. Swan Prima Industries	Wholly- owned subsidia ry	Malay sia	Trading	USD100	Manufacture of washing machine and air conditioners	422.47		51.00	51.00	No			

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

Subsidiaries	Categories	Reg. Add.	Business nature	Registered capital	Business scope	Paid-in capital	Other essential investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statements	Minority Interest	Deductible minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Little Swan (Jing Zhou) Electronic Appliances Company Limited	Wholly-owned subsidiary	Jingzhou	Production	1,107.02	Manufacture and sale of refrigerators	1,186.94		100.00	100.00	Yes	-		-921.35

## 2. Unconsolidated subsidiaries and reasons:

- a. L.S.M. Corporation(M) SDN BHD has been stopped operation years ago; the full impairment of provisions for the company has been accrued and are excluded in the consolidated scope of the year of 2008;
- b. The dis-registration & liquidation procedures of Little Swan Technology Development U.S.A. Co., Ltd. was completed during March 2008.

## 3. Changing of Consolidation Scope

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

The total equity share of Little Swan (Jing Zhou) Electronic Appliances Company Limited has been fully transferred to Guangdong Midea Electric Appliances Co., Ltd. Only the operating gains and losses covered from Jan. 2009 to Apr. of 2009 have been included in the consolidation scope of year 2009.

The liquidation procedures of P.T. Little Swan Prima Industries were completed in the beginning of year 2009. Thus this company is excluded from consolidation scope of the year of 2009.

At the end of year 2008, the company signed an equity transfer agreement with Yi Xing Yin Tian Trading Co., Ltd., and transferred 75% of stockholder's equity of Wuxi Little Swan High Grade Casting Co. Ltd. to Yi Xing Yin Tian Trading Co., Ltd. at the price of RMB 6,500,000. The stock right transfer was approved by relevant department and the procedures were completed in the beginning of year 2009. Wuxi Little Swan High Grade Casting Co. Ltd. is excluded from consolidation scope of the year of 2009.

The subsidiary of the company, Wuxi Little Swan Jiangbo Mould Manufacturing Co. Ltd., applied for liquidation at the end of December of year 2008. The Wuxi Intermediate People's Court accepted the application in Jan. 1<sup>st</sup> 2009 and rendered a ruling concluding the bankrupt in May 18<sup>th</sup>, 2009. This subsidiary is excluded from consolidation scope of year 2009.

## 4. The companies which are excluded from consolidation scope

Name	Net assets of disposal Day	Net profit from opening day to disposal Day
Little Swan (Jing Zhou) Electronic Appliances Company Limited	59,292,225.03	-18,672,452.86
Wuxi Little Swan High Grade Casting Co. , Ltd.	2,127,464.70	
P.T. Little Swan Prima Industries	-2,776,081.42	
Wuxi Little Swan Jiangbo Mould Manufacturing Co. , Ltd.	1,465,998.60	

F. Note V: Notes to the consolidated financial statements (Unit: RMB yuan)

1. Monetary fund

Items	Closing year			Opening year		
	Original currency	Exchange rate	Translated to RMB	Original currency	Exchange rate	Translated to RMB
<b>Cash:</b>						
USD	2,549.00	6.8282	17,405.08	2,549.00	6.8346	17,421.40
JPY	40,886.00	0.073782	3,016.65	40,886.00	0.075650	3,093.03
RMB			299,347.70			229,675.94
Cash subtotal			319,769.43			250,190.37
<b>Bank savings:</b>						
USD	12,337,796.9 1	6.8282	84,244,932.16	10,227,955.44	6.8346	69,972,460.95
JPY				40,886.00	0.07565	3,093.03
EUR	12.63	9.7973	123.74	152,482.88	9.6590	1,472,832.10
GBP	14.09	10.9780	154.68	12,302.67	9.8798	121,547.92
RUP				4,635,080,317.7 9	0.0006232	2,888,582.05
RMB			205,382,647.88			342,190,058.57
Sub-total			289,627,858.46			416,648,574.62
<b>Other monetary capital</b>						
USD	129,183.91	6.8282	882,093.57	262,724.00	6.8346	1,795,797.36
RMB			561,619,249.35			199,303,647.99
Subtotal			562,501,342.92			201,099,445.35
Total			852,448,970.81			617,998,210.34

2. Notes receivable

Categories	Closing year	Opening year
Bank acceptance	604,499,731.15	381,032,680.58
Commercial acceptance		
Total	604,499,731.15	- 381,032,680.58

3. Dividends receivable

Item	Opening balance	Increase	Decrease	Closin g	Reasons of unrecove re	Impairment
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				balance	d
Jiangsu Little Swan Sanjiang Electrical Appliances Co., Ltd.	1,798,815.52		1,798,815.52		
<b>Total</b>	<b>1,798,815.52</b>	<b>-</b>	<b>1,798,815.52</b>	<b>-</b>	

#### 4. Account receivable

(1) Account receivable is categorized as:

Category	Closing balance				Opening balance			
	Balance		Bad debts		Balance		Bad debts	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Individually significant accounts receivable	950,308,642.23	81.56	123,089,717.71	12.95	354,006,303.50	55.03	132,884,398.38	37.54
Accounts receivable which are not individually significant, but are assessed at high risk level through credit risk combination	158,298,434.02	13.58	158,298,199.62	100.00	71,503,064.52	11.12	66,225,457.82	92.62
Other non-material receivables	56,657,946.10	4.86	9,241,456.01	16.31	217,753,413.19	33.85	21,483,321.40	9.87
<b>Total</b>	<b>1,165,265,022.35</b>	<b>100.00</b>	<b>290,629,373.34</b>	<b>24.94</b>	<b>643,262,781.21</b>	<b>100.00</b>	<b>220,593,177.60</b>	<b>34.29</b>

(2) Aging analysis:

Aging	Closing balance			Opening balance		
	Balance		Bad debts	Balance		Bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	919,108,641.37	78.86	46,538,757.11	416,754,365.44	64.78	38,025,076.48
1-2 years	30,247,357.50	2.60	28,609,418.05	47,915,312.50	7.45	15,731,636.42
2-3 years	40,287,639.16	3.46	39,878,446.43	10,521,497.75	1.64	3,078,721.93
3-5 years	22,905,700.37	1.97	22,887,067.80	20,897,517.66	3.25	16,583,654.91
Over 5	152,715,683.95	13.11	152,715,683.95	147,174,087.86	22.88	147,174,087.86
<b>Total</b>	<b>1,165,265,022.3</b>	<b>100.00</b>	<b>290,629,373.3</b>	<b>643,262,781.2</b>	<b>100.00</b>	<b>220,593,177.6</b>

(3) Foreign currencies are:

Items	Closing balance			Opening balance		
	Original currency	Exchange rate	Translated to RMB	Original currency	Exchange rate	Translated to RMB
USD	37,053,560.88	6.8282	253,009,124.40	34,347,975.04	6.8346	234,754,670.21
EUR	1,444,323.99	9.7971	14,150,186.56	39,598.67	9.6590	382,483.55
GBP				221,009.28	9.8798	2,183,527.48

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

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

Names	Relationship	Amount	Aging	Proportion to total accounts Receivables (%)
No.1	Retailer	78,236,458.12	Within 1 year	6.71
No.2	Retailer	73,552,583.73	Within 1 year	6.31
No.3	Retailer	56,421,339.28	Within 1 year	4.26
No.4	Retailer	41,496,751.04	Within 1 year	3.56
No.5	Retailer	40,247,490.68	1-3years	3.45
<b>Total</b>		<b>289,954,622.85</b>		<b>24.30</b>

(6) Details of accounts receivables from related parties

Names	Relationship	Amount	Proportion to total accounts Receivable (%)
He Fei Rongshida Washing Machinery Co. , Ltd.	Under control of same parent company	56,421,339.28	4.84

5. Advances to the supplier

(1) Aging analysis:

Aging structure	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)

Within 1 year	65,696,005.50	99.18	104,644,943.03	99.32
1-2 years	497,676.87	0.75	452,313.74	0.43
2-3 years	11,469.00	0.02	180,916.33	0.17
3-5 years	36,121.70	0.05	82,934.56	0.08
Over 5 years	2,000.00	-	504.00	-
<b>Total</b>	<b>66,243,273.07</b>	<b>100.00</b>	<b>105,361,611.66</b>	<b>100.00</b>

(2) The amount of the prepayments of the top 5 suppliers is totally as RMB22,155,099.50.

(3) The balance related to the shareholders holding over 5 percent stocks are as followings:

Names	Closing balance		Opening balance	
	Amount	Bad debts	Amount	Bad debts
GUANGDONG MIDEA ELECTRIC APPLIANCES CO., LTD.	1,210,212.00		1,210,212.00	
<b>Total</b>	<b>1,210,212.00</b>	<b>-</b>	<b>1,210,212.00</b>	<b>-</b>

(4) Advance to the related parties:

Names	Relationship	Amount	Proportion to total
			Advances to the supplier (%)
Hefei Century molding Development Co., Ltd.	Under control of the company's ultimate controlling shareholder's direct relative	21,000.00	0.00

6. Other receivables

(1) category analysis:

Category	Closing balance				Opening balance			
	Balance		Bad debts		Balance		Bad debts	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Individually significant receivables	39,987,246.38	33.10	33,235,039.06	83.11	108,356,553.8 9	56.92	46,122,148.40	42.57
Receivables which are not individually significant, but are assessed at	59,930,748.05	49.62	58,315,136.45	97.30	38,714,967.10	20.34	36,671,480.99	94.72

high risk level  
through credit  
risk  
combination

Others	20,868,853.33	17.28	3,875,395.02	18.57	43,280,970.74	22.74	7,875,986.67	18.20
<b>Total</b>	120,786,847.76	100.00	95,425,570.53	79.00	190,352,491.73	100.00	90,669,616.06	47.63

(2) aging analysis:

Aging	Closing balance			Opening balance		
	Balance		Bad debts	Balance		Bad debts
	Amount	(%)	provision	Amount	(%)	provision
Within 1 year	11,891,854.42	9.84	602,070.90	67,432,062.55	35.42	2,105,283.29
1-2 years	17,740,983.67	14.69	10,740,363.73	33,557,695.48	17.63	8,867,444.29
2-3 years	9,694,301.01	8.03	5,845,558.22	13,232,728.96	6.95	9,922,090.13
3-5 years	30,967,277.74	25.64	29,315,171.98	36,979,917.69	19.43	32,001,343.11
Over 5 years	50,492,430.92	41.80	48,922,405.70	39,150,087.05	20.57	37,773,455.24
<b>Total</b>	120,786,847.76	100.00	95,425,570.53	190,352,491.73	100.00	90,669,616.06

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

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

Names	Relationship	Amount	Aging	Proportion to total other Receivables (%)
No.1	Previous cooperation party	21,707,997.30	Over five years	17.97
No.2	Previous cooperation party	13,235,685.32	Over five years	10.96
No.3	Receivables generated from transfer of shares	9,481,245.50	1-2 years	7.85



No.4	Related party	5,166,705.78	Over five years	4.28
No.5	Previous cooperation party	3,554,634.15	Over five years	2.94
<b>Total</b>		<b>53,146,268.05</b>		<b>44.00</b>

(5) Other receivables due from related parties :

Names	Relationship	Amount	Proportion to total accounts Receivables (%)
BSW Household Appliances Co. , Ltd.	Joint – operative	5,166,705.78	4.28

7. Inventory

(1) Category

Items	Closing balance			Opening balance		
	Balance	Bad debts	Net book value	Balance	Bad debts	Net book value
Raw materials	101,385,347.94	13,387,393.90	87,997,954.03	213,546,630.72	22,163,953.33	191,382,677.39
Low price consumables	1,822,359.00	815,486.54	1,006,872.46	409,034.70	-	409,034.70
Finished goods in stock	358,327,823.37	23,968,190.18	334,359,633.19	500,321,528.51	33,580,799.73	466,740,728.78
OEM materials	896,432.94		896,432.94	8,734,670.57		8,734,670.57
Product in process	16,227,836.04	72,500.00	16,155,336.04	29,101,925.12	1,395,349.38	27,706,575.74
<b>Total</b>	<b>478,659,799.29</b>	<b>38,243,570.62</b>	<b>440,416,228.67</b>	<b>752,113,789.62</b>	<b>57,140,102.44</b>	<b>694,973,687.18</b>

(2) Change of inventory impairment provisions

Category	Opening balance	Provided in current year	Decreased this year		Closing balance
			Written back	Written off	
Raw materials	22,163,953.33	5,782,287.12	4,815,049.15	9,743,797.40	13,387,393.90
Low price consumable		815,486.54			815,486.54
Finished goods in	33,580,799.73	6,986,703.54	9,217,729.07	7,381,584.02	23,968,190.18

stock

Product in process	1,395,349.38	72,500.00			72,500.00
<b>Total</b>	<b>57,140,102.44</b>	<b>13,656,977.20</b>	<b>14,032,778.22</b>	<b>18,520,730.80</b>	<b>38,243,570.62</b>

8. Other current asset

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
Deferred expenses	17,326,441.89	

9. Sellable financial assets

Categories	Closing balance		Opening balance	
	Initial cost	Fair value	Initial cost	Fair value
Bank of Communications (601328)			1,500,000.00	6,650,694.00
Nanjing Xinjiekou Department Store Co. (600682)			104,300.00	239,400.00
Wuhan Huaxin Hi-Tech Co., Ltd. (400038)	100,300.00	312,816.00	100,300.00	155,232.00
<b>Total</b>	<b>100,300.00</b>	<b>312,816.00</b>	<b>1,704,600.00</b>	<b>7,045,326.00</b>

10. Co-operative & Joint-operative subsidiaries investments

Invested party	Business type	Reg. Add.	Legal representative	Business Scope	Registered capital (RMB0'000)	Share proportion (%)	Voting rights (%)	Total assets at the end of year	Total liabilities at the end of year	Total net assets at the end of year	Total operating revenue of current year	Net profit of current year
Joint – operative												
BSW Household Appliances Co.	Ltd. liability	Wuxi	WINFRIED EDUARD SEITZ	Production of washing-machines and kitchen appliances	USD 2,927.5	40	40	507,660,856.80	212,358,131.49	295,302,725.31	703,931,989.84	51,758,343.45
Wuxi Indesit Home Appliances Co., Ltd.	Ltd. liability	Wuxi	GIUSEPPE GIACALONE	Production of dishwashers	USD 1,360	30	30	79,980,343.71	13,787,365.51	66,192,978.20	131,335,401.21	-28,605,338.64
Guangzhou Antaida Material Distribution Co.	Ltd. liability	Guangzhou	Ye Weilong	Logistics service	1,000	20	20	33,564,679.22	14,659,458.98	18,905,220.24	17,534,894.79	631,766.83

According to the eleventh board of directors' resolution of Wuxi Indesit Home Appliances Co., Ltd., the joint venture contract was terminated at the end of year 2009, then dissolution and liquidation proceedings of the company commenced.

## 11. Long-term equity investment

Company	Method	Amount of Initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportion s of shareholdi ng (%)	Proportions of voting rights (%)	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	In cr ea se in cu rre nt ye ar	Cash dividends
Little Swan Mobile Communication Co	Equity	2,500,000.00	-	-	-	25.00	25.00				-
Ningbo Xinle Electric Appliances Co.	Equity	31,185,705.89	35,836,152.49	-35,836,152.49	-	32.00	32.00				-
Little Swan Electric Appliances Co.(Ning Bo)	Equity	2,359,056.00	2,755,598.29	-2,755,598.29	-	32.00	32.00				-
BSW Household Appliances Co.	Equity	97,482,661.00	140,526,770.84	-22,405,680.72	118,121,090.12	40.00	40.00				43,109,015.29
Wuxi Indesit Home Appliances Co.	Equity	33,768,120.00	28,439,495.02	-8,581,601.56	19,857,893.46	30.00	30.00				-
Guangzhou Antaida Material Distribution Co.	Equity	2,000,000.00	3,654,690.68	126,353.37	3,781,044.05	20.00	20.00				-
L.S.M. Corporation (M) SDN BHD	Cost	4,224,744.00	-	-	-	51.00	51.00				-

Company	Method	Amount of Initial investment	Opening balance	Increase/Decrease	Closing balance	Proportion of shareholding (%)	Proportions of voting rights (%)	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Increase in current year	Cash dividends
Hengtai Insurance Brokers Co., Ltd.	Cost	1,000,000.00	1,000,000.00	-	1,000,000.00	3.33	3.33				-
Toshiba Washing Machine Wuxi Co., Ltd.	Cost	3,104,025.00	343,838.35	-343,838.35	-	18.46	18.46				-
Suzhou Renmin Department Store Co., Ltd. (150000 unit)	Cost	150,000.00	150,000.00	-	150,000.00	-	-				25,000.00
Bank of Jiangsu (2092564 unit)	Cost	1,100,000.00	1,100,000.00	-	1,100,000.00	-	-				- 246,810.24
Commercial Bank of Jingzhou	Cost	5,000,000.00	5,000,000.00	5,000,000.00	-						
Inner Mongolia Baotou Department Store Co., Ltd.	Cost	50,000.00	50,000.00		50,000.00						
<b>Total</b>		183,924,311.89	218,856,545.67	-64,796,518.04	144,060,027.63				4,224,744.00	-	43,380,825.53

12. Investment real estate

<b>Items</b>	<b>Opening balance</b>	<b>Increased this year</b>	<b>Decreased this year</b>	<b>Closing balance</b>
(1). Total costs				
Houses & buildings	38,239,072.40		38,239,072.40	-
Total	38,239,072.40	-	38,239,072.40	-
(2) Accumulated depreciation and amortization				
Houses & buildings	7,764,702.30		7,764,702.30	
Total	7,764,702.30	-	7,764,702.30	-
(3) The net book value				
Houses & buildings	30,474,370.10		30,474,370.10	-
Total	30,474,370.10	-	30,474,370.10	-
(4) Provision for impairment loss				
Houses & buildings				
Total				
(5) Carrying amount				
Houses & buildings				
Total	30,474,370.10	-	30,474,370.10	-

The investment real-estate was transferred into fixed assets in the current year.

13. Fixed assets

(1) Details:

1) Cost of the fixed assets

<b>Item</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
Property and buildings	304,550,694.42	289,510,347.67	173,717,275.79	420,343,766.30
Machineries	572,613,463.15	100,838,147.21	421,350,689.74	252,100,920.62
Vehicles	17,316,099.71	5,603,833.45	8,183,932.31	14,736,000.85
Electronic and other equipment	122,584,932.90	39,100,416.21	75,594,249.48	86,091,099.63

Decoration	1,712,955.13	-	1,712,955.13	-
<b>Total</b>	<b>1,018,778,145.31</b>	<b>435,052,744.54</b>	<b>680,559,102.45</b>	<b>773,271,787.40</b>

## 2) Depreciation

Item	Opening balance	Increase	Decrease	Closing balance
Property and buildings	64,346,017.32	8,993,906.52	46,033,701.28	27,306,222.56
Machineries	380,650,357.01	28,636,455.83	309,945,385.28	99,341,427.56
Vehicles	10,110,953.52	1,262,729.18	5,430,736.77	5,942,945.93
Electronic and other equipment	60,535,410.65	6,227,005.50	32,685,671.32	34,076,744.83
Decoration	467,273.94	252,951.48	720,225.42	-
<b>Total</b>	<b>516,110,012.44</b>	<b>45,373,048.51</b>	<b>394,815,720.07</b>	<b>166,667,340.88</b>

## 3) The net book value

Item	Opening balance	Increase	Decrease	Closing balance
Property and buildings	240,204,677.10	280,516,441.15	127,683,574.51	393,037,543.74
Machineries	191,963,106.14	72,201,691.38	111,405,304.46	152,759,493.06
Vehicles	7,205,146.19	4,341,104.27	2,753,195.54	8,793,054.92
Electronic and other equipment	62,049,522.25	32,873,410.71	42,908,578.16	52,014,354.80
Decoration	1,245,681.19	-252,951.48	992,729.71	-
<b>Total</b>	<b>502,668,132.87</b>	<b>389,679,696.03</b>	<b>285,743,382.38</b>	<b>606,604,446.52</b>

## 4) Provision for impairment loss

Item	Opening balance	Increase	Decrease	Closing balance
Property and buildings	-	12,576,065.29	-	12,576,065.29
Machineries	223,809.86	2,114,112.60	223,809.86	2,114,112.60
Vehicles	-	2,240.00	-	2,240.00
Electronic and other equipment	61,749.00	12,107.20	38,925.68	34,930.52
Decoration	-	-	-	-
<b>Total</b>	<b>285,558.86</b>	<b>14,704,525.09</b>	<b>262,735.54</b>	<b>14,727,348.41</b>

5) Carrying amount

Item	Opening balance	Closing balance
Property and buildings	237,928,641.95	380,461,478.45
Machineries	191,242,109.53	150,645,380.46
Vehicles	7,415,821.63	8,790,814.92
Electronic and other equipment	64,550,319.71	51,979,424.28
Decoration	1,245,681.19	
<b>Total</b>	<b>502,382,574.01</b>	<b>591,877,098.11</b>

(2) Details of temporarily idle fixed assets are as follows:

Item	Cost	Accumulated depreciation	Impairment loss	Carrying amount	Note
Property and buildings	18,278,815.09	5,154,385.35	12,576,065.29	548,364.45	
Machineries	3,544,245.33	837,197.01	2,114,112.60	592,935.72	
Vehicles	54,800.00	52,060.00	2,240.00	500.00	
Electronic and other equipment	287,524.00	273,147.80	12,107.20	2,269.00	
Decoration	-	-	-	-	
<b>Total</b>	<b>22,165,384.42</b>	<b>6,316,790.16</b>	<b>14,704,525.09</b>	<b>1,144,069.17</b>	

14. Construction in progress

(1) Construction in process:

Items	Closing balance			Opening balance		
	Amount	Impairment provision	Net book value	Amount	Impairment provision	Net book value
Little Swan Industrial Park	23,101,817.68		23,101,817.68	11,349,269.50		11,349,269.50
Project of Filin Co.			-	33,900.00		33,900.00



Projects of San jin Co.				-	306,555.00		306,555.00	
Plant of Jing Zhou project					2,681,615.08		2,681,615.08	
<b>Total</b>		23,101,817.68		-	23,101,817.68	14,371,339.58	-	14,371,339.58

(2) Profiles of main construction in process and changes:

Project	Budget	Opening balance	Increased this year	Transferred to fixed asset this year	Decreased this year	Incl. Interest capitalization	Capital source	Closing balance
Little Swan Industrial Park	0.5 billion	10,158,537.70	262,318,313.11	269,427,849.55	851,620.61		Self-raised	23,101,817.68
<b>Total</b>		<b>10,158,537.70</b>	<b>262,318,313.11</b>	<b>248,523,412.52</b>	<b>851,620.61</b>			<b>23,101,817.68</b>

15. Intangible assets

(1) Details of intangible assets

1) Cost of the intangible assets

Project	Opening balance	Increased this year	Decreased this year	Closing balance
Land use right	163,086,482.35	16,696,500.00	28,354,325.00	151,428,657.35
Know how	18,550,000.00	-	6,622,000.00	11,928,000.00
Software	2,693,446.22	664,400.00	1,142,428.17	2,215,418.05
<b>Total</b>	<b>184,329,928.57</b>	<b>17,360,900.00</b>	<b>36,118,753.17</b>	<b>165,572,075.40</b>

2) Amortization

Project	Opening balance	Increased this year	Decreased this year	Closing balance
Land use right	13,074,499.28	3,064,706.13	4,477,280.90	11,661,924.51
Know how	17,803,000.00	199,200.00	6,622,000.00	11,380,200.00
Software	1,101,261.97	394,913.10	493,792.81	1,002,382.26
<b>Total</b>	<b>31,978,761.25</b>	<b>3,658,819.23</b>	<b>11,593,073.71</b>	<b>24,044,506.77</b>

3) The net book value

Project	Opening balance	Increased this year	Decreased this year	Closing balance
Land use right	150,011,983.07	13,631,793.87	23,877,044.10	139,766,732.84
Know how	747,000.00	-199,200.00	0.00	547,800.00

Software	1,592,184.25	269,486.90	648,635.36	1,213,035.79
<b>Total</b>	<b>152,351,167.32</b>	<b>13,702,080.77</b>	<b>24,525,679.46</b>	<b>141,527,568.63</b>

4) Provision for impairment loss

Project	Opening balance	Increased this year	Decreased this year	Closing balance
Land use right	-	-	-	-
Know how	-	-	-	-
Software	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

5) Carrying amount

Project	Opening balance	Increased this year	Decreased this year	Closing balance
Land use right	150,011,983.07	13,631,793.87	23,877,044.10	139,766,732.84
Know how	747,000.00	-199,200.00	0.00	547,800.00
Software	1,592,184.25	269,486.90	648,635.36	1,213,035.79
<b>Total</b>	<b>152,351,167.32</b>	<b>13,702,080.77</b>	<b>24,525,679.46</b>	<b>141,527,568.63</b>

16. Long-term deferred expenses

Project	Opening balance	Increased this year	Amortization	Other decrease	Closing balance	Reasons for other decrease
Moldings	9,400,189.45	9,086,906.86	7,469,666.46	1,632,481.47	9,384,948.38	The long-term deferred expenses were removed from account with the equity transfer of Little Swan (Jing Zhou) Electronic Appliances Co. Ltd. and Wuxi Little Swan High Grade Casting Co., Ltd.
IT consulting fee	1,042,921.27	2,290,585.42	466,139.30	1,010,886.55	1,856,480.84	
Expenditure on leasehold improvements	5,896,714.56	3,631,566.96	3,995,964.07	-	5,532,317.45	
<b>Total</b>	<b>16,339,825.28</b>	<b>15,009,059.24</b>	<b>11,931,769.83</b>	<b>2,643,368.02</b>	<b>16,773,746.67</b>	

17. Deferred tax assets/deferred tax liabilities

<b>Project</b>	<b>Closing balance</b>	<b>Opening balance</b>
Deferred tax assets		
Asset impairment provision	40,611,352.14	42,907,827.56
Payroll and dismissal expenses	5,864,987.65	1,200,000.00
Accrued expenses	29,510,843.54	18,670,265.54
Internal unrealized profits	626,625.66	744,775.63
Change of fair value	-	-
Provisions for foreseeable liabilities	1,682,025.00	4,235,464.51
Deferred revenue (government subsidies)	431,850.00	-
Investment differences	1,317,443.38	6,191,278.20
Total	80,045,127.37	73,949,611.44
Deferred tax liabilities		
Differences caused by appreciation in assets value	-	-
Deferred revenue (government subsidies)	-	-
Provisions for foreseeable liabilities & Accrued expenses	-	-
Change of fair value	31,877.40	801,108.90
Total	31,877.40	801,108.90

18. Provisions for impairment loss

<b>Category</b>	<b>Opening balance</b>	<b>Increased this year</b>	<b>Decreased this year</b>	<b>Written off</b>	<b>Closing balance</b>
Provision for bad debts	311,262,793.66	88,610,285.86		13,818,135.65	386,054,943.87
Provision for impairment of inventories	57,140,102.44	13,656,977.20	14,032,778.22	18,520,730.80	38,243,570.62
Provision for impairment of financial assets available for	-			-	-

sale

Provision for impairment of held-to-maturity investments	-	-	-	-	-
Provision for impairment of long-term equity investments	4,224,744.00	-	-	-	4,224,744.00
Provision for impairment of investment property	-	-	-	-	-
Total provision for impairment of fixed assets	285,558.86	14,704,525.09	-	262,735.54	14,727,348.41
Materials for projects impairment provision	-	-	-	-	-
Construction in process impairment provision	-	-	-	-	-
Provision for impairment of intangible assets	-	-	-	-	-
Goodwill impairment provision	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>372,913,198.96</b>	<b>116,971,788.16</b>	<b>14,032,778.22</b>	<b>32,601,601.99</b>	<b>443,250,606.90</b>

#### 19. Short-term loans

##### (1) Categories of Short-term loans:

<b>Category</b>	<b>Closing balance</b>	<b>Opening balance</b>
Guaranteed loan	1,000,000.00	8,920,000.00
Mortgaged loan		66,000,000.00
Mortgage		10,000.00
<b>Total</b>	<b>1,000,000.00</b>	<b>74,930,000.00</b>

(2)The total Guaranteed loans at the balance sheet date is RMB 1,000,000.00, which is the subsidiary's loan guaranteed by the Company;

#### 20. Notes payable

<b>Category</b>	<b>Closing balance</b>	<b>Opening balance</b>
Bank acceptance	14,000,000.00	114,000,000.00
<b>Total</b>	<b>14,000,000.00</b>	<b>114,000,000.00</b>

21. Accounts payable

(1) Details of accounts payable

<b>Aging(year)</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1 year	1,514,018,862.88	959,542,858.70
1 -2 years	24,674,220.68	15,739,980.93
2-3 years	5,368,353.10	6,997,336.33
3-5 years	4,174,975.80	4,049,508.90
Over 5 years	4,206,689.23	3,635,778.11
<b>Total</b>	<b>1,552,443,101.69</b>	<b>989,965,462.97</b>

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

<b>Name of shareholders</b>	<b>Closing balance</b>	<b>Opening balance</b>
Guangdong Midea Electric Appliances Co., Ltd.	10,139,312.80	

(3) List of foreign exchange payables :

Project	Closing balance			Foreign currency amount	Opening balance	
	Foreign currency amount	Conversion rate	Amount in RMB		Conversion rate	Amount in RMB
USD	12,350,141.58	6.8282	84,329,236.74			
EUR	266,717.24	9.7971	2,613,055.47			

(4) The list of the top five companies in the amount of accounts payable:

<b>Company name</b>	<b>Relationship with the company</b>	<b>Closing balance</b>	<b>Aging</b>	<b>Proportion to total accounts payable (%)</b>
No.1	Supplier	60,463,343.20	Within 1 year	3.89
No.2	Supplier	58,541,779.41	Within 1 year	3.77
No.3	Supplier	43,477,473.09	Within 1 year	2.80
No.4	Supplier	35,423,041.62	Within 1 year	2.28
No.5	Supplier	33,157,818.86	Within 1 year	2.14

22. Advance from customers

(1) Aging analysis:

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1 year	99,743,755.38	209,284,505.07
1-2 years	23,016,643.76	2,979,288.10
2-3 years	1,907,411.51	1,355,411.02
3-5 years	1,390,642.36	2,862,888.27
Over 5 years	9,017,591.67	8,999,563.77
<b>Total</b>	<b>135,076,044.68</b>	<b>225,481,656.23</b>

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

(3) Foreign currencies are:

<b>Items</b>	<b>Closing balance</b>			<b>Opening balance</b>		
	Original currency	Exchange rate	Translated to RMB	Original currency	Exchange rate	Translated to RMB
USD	1,178,300.82	6.8282	8,045,673.66	1,135,104.48	6.8346	7,758,059.57
EUR	18,001.33	9.7971	176,360.83			

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

<b>Names</b>	<b>Relationship</b>	<b>Amount</b>	<b>Aging</b>	<b>Proportion to total advance from customers (%)</b>
No.1	Seller	41,270,456.25	Within 1 year	30.55
No.2	Seller	10,095,075.32	Within 1 year	7.47
No.3	Seller	7,467,839.67	Within 1 year	5.53
No.4	Seller	2,818,901.73	Within 1 year	2.09
No.5	Seller	2,456,905.38	Within 1 year	1.82

23. Employees' wage payable

<b>Items</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
Wage, bonus, allowance and subsidies	6,658,656.76	183,797,303.7 1	150,114,688.5 4	40,341,271.93
Employee welfare	4,669,072.69	17,240,815.87	14,313,725.87	7,596,162.69

Social insurance	5,569,427.19	26,075,605.14	28,516,054.28	3,128,978.05
Housing fund	4,788,325.93	8,092,733.96	8,272,608.25	4,608,451.64
Trade union and education allowance	5,420,271.87	2,784,046.30	3,843,756.36	4,360,561.81
Non-monetary welfare	-	12,207.00	12,207.00	-
Compensations for disengagement other than dismissing policy	14,896,447.41	3,695,755.16	11,879,146.92	6,713,055.65
Others	1,535,277.69	-	1,535,277.69	-
<b>Total</b>	<b>43,537,479.54</b>	<b>241,698,467.14</b>	<b>218,487,464.91</b>	<b>66,748,481.77</b>

24. Tax payable

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
VAT	31,968,476.77	400,565.67
Business tax	2,140,214.68	2,623,359.29
Enterprise income tax	71,149,430.87	24,148,563.76
Personal income tax	835,933.67	221,571.10
Property tax	1,712,100.16	423,395.55
Land using tax	541,103.54	484,438.30
Stamp tax	564,185.09	386,108.32
Urban maintenance and construction tax	2,391,172.40	1,381,639.92
Education surtax	1,684,869.10	1,865,323.68
Other taxes	3,233,830.38	4,375,504.64
<b>Total</b>	<b>116,221,316.66</b>	<b>36,310,470.23</b>

25. Interest payable

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
Short-term borrowing interests payable		562,686.25

26. Dividends payable

<b>Names</b>	<b>Closing balance</b>	<b>Opening balance</b>	<b>Reason of unpaid over 1years</b>
Little Swan shares of restricted	2,917,374.60	2,917,374.60	Unable to pay

sale of corporate		
Shareholders of Huayin	50,548.35	50,548.35
Little Swan (Jing Zhou) Electronic Appliances Company Limited		560,014.52
<b>Total</b>	<b>2,967,922.95</b>	<b>3,527,937.47</b>

27. Other payables

(1) Other payables details

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1year	47,285,655.41	99,778,216.51
1 -2years	6,738,159.40	28,788,740.47
2-3years	648,454.74	666,004.85
3-5years	2,890,355.91	3,545,627.01
Over 5years	2,980,119.26	3,053,754.55
<b>Total</b>	<b>60,542,744.72</b>	<b>135,832,343.39</b>

(2) There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in other payables.

(3) The details of significant other payables are as follows:

<b>Name</b>	<b>Relationship</b>	<b>Amount</b>	<b>Aging</b>	<b>Proportion to total other Payables (%)</b>
No.1	Supplier	3,463,007.80	Within 1year	5.72
No.2	Supplier	3,415,413.86	Within 1year	5.64
No.3	Supplier	3,413,500.00	Within 1year	5.64
No.4	Supplier	2,852,317.37	Within 1year	4.71
No.5	Supplier	2,662,530.00	Within 1year	4.40

28. Estimated liabilities

<b>Item</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
Quality guarantee payable	14,541,858.03	12,586,430.71	15,914,788.72	11,213,500.02



Losses from re-organization of debts	4,000,000.00		4,000,000.00	-
<b>Total</b>	18,541,858.03	12,586,430.71	19,914,788.72	11,213,500.02

The washing machine, produced by Wuxi Little Swan General Electric Co., Ltd., owned by the company, has some risks especially sold to the United States and other foreign markets. In the washing machine where quality problems occur, the insurance company paid less than risks, as well as General Electric Company agreed in the contract of more than FCR (failure rate) in compensation risk. As of December 31, 2009 the company expected that for the sold products, the FCR payables and the amount of loss which exceeded insurance limit was 11.21 million yuan.

#### 29. Other non-current liabilities

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Deferred revenue	3,679,000.00	

#### 30. Share capital

<b>Item</b>	<b>Opening balance</b>	<b>Increase/Decrease (+/-)</b>			<b>Closing balance</b>
		<b>Issuing new shares</b>	<b>Reserves transferred to shares</b>	<b>Others</b>	
A shares – restrictive	143,825,935.00		-135,336,415.00		8,489,520.00
A shares—common	212,793,953.00		135,336,415.00		348,130,368.00
B shares	191,035,872.00				191,035,872.00
<b>Total</b>	<b>547,655,760.00</b>				<b>547,655,760.00</b>

#### 31. Capital surplus

<b>Item</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
Share premium	434,041,972.30	32,492,232.10		466,534,204.40
Capital surplus transferred in	40,177,175.90	4,250,729.10	5,248,520.00	39,179,385.00
Loss/profit from fair value	4,539,617.10	79,850.40	4,438,828.90	180,638.60
Provision of equity investment	1,705,937.74		67,375.00	1,638,562.74

<b>Total</b>	<b>480,464,703.04</b>	<b>36,822,811.60</b>	<b>9,754,723.90</b>	<b>507,532,790.74</b>
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32. Surplus reserves

<b>Item</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
Legal reserve	153,321,373.03	26,935,930.00	2,487,569.73	177,769,733.30

33. Retained earnings

<b>Item</b>	<b>Amounts</b>	<b>Extraction or allocation proportion</b>
Before beginning retained earnings	426,704,375.03	
plus: Retained earnings at the beginning of the year		
Adjusted retained earnings at the beginning of the year	426,704,375.03	
Plus: Net profit attributable to parent company transferred in	222,184,555.03	
Less: the statutory reserved fund	26,935,930.00	10%
Optional surplus reserves		
Common risk provisions		
Common share dividend payable		
Ordinary dividend from shares transferred to share capital		
Retained earnings at the end of the year	621,953,000.06	

34. Operational turnover and costs

(1) Details of business turnover and costs:

<b>Items</b>	<b>Occurred this year</b>		<b>Occurred last year</b>	
	<b>Turnover</b>	<b>Operation cost</b>	<b>Turnover</b>	<b>Operation cost</b>
Washing machines	3,830,601,379.40	2,864,949,815.30	2,898,516,427.39	2,299,705,068.48
Refrigerator	179,511,504.91	196,667,989.95	620,566,158.82	522,592,442.31
Other goods	90,406,885.24	42,240,177.41	440,465,599.69	370,136,437.38
Raw materials	246,542,956.95	235,100,548.09	296,408,369.17	283,635,526.96
Others	28,181,729.17	13,544,504.00	37,030,909.84	19,330,388.98
<b>Total</b>	<b>4,375,244,455.67</b>	<b>3,352,503,034.75</b>	<b>4,292,987,464.91</b>	<b>3,495,399,864.11</b>

(2) Turnover from top 5 clients:

<b>Name of clients</b>	<b>Turnover</b>	<b>Portion in total turnover (%)</b>
No.1	627,640,718.01	14.35
No.2	314,256,618.01	7.18
No.3	261,568,465.96	5.98
No.4	162,032,705.94	3.70
No.5	115,099,407.60	2.63
<b>Total</b>	<b>1,480,597,915.52</b>	<b>33.84</b>

35. Business tax and surcharge

<b>Items</b>	<b>Occurred this year</b>	<b>Occurred last year</b>
City maintenance and construction tax	11,709,655.77	9,801,352.29
Education surtax	6,699,082.10	5,533,900.45
Local fee	357,116.87	922,492.28
Business tax	292,003.36	1,243,137.02
<b>Total</b>	<b>19,057,858.10</b>	<b>17,500,882.04</b>

36. Financial expenses

<b>Items</b>	<b>Occurred this year</b>	<b>Occurred last year</b>
Interest expenses	5,682,608.55	28,444,074.64
Less: Interest income	7,625,395.30	31,615,513.42
Plus: Exchange losses	1,576,455.60	18,620,657.69
Commission charge and other	1,838,614.23	1,438,804.71
<b>Total</b>	<b>1,472,283.08</b>	<b>16,888,023.62</b>

37. Impairment provisions of assets

<b>Items</b>	<b>Occurred this year</b>	<b>Occurred last year</b>
Bad debt losses	88,610,285.87	44,492,067.19
Inventory impairment losses	-375,801.02	-5,932,432.13
Fixed assets	14,704,525.09	61,749.00

impairment losses

**Total** **102,939,009.94** **38,621,384.06**

38. Investment income

Items	Occurred this year	Occurred last year
Long-term equity investment gains on cost basis –cash dividends from non-subsiaries	271,810.24	849,104.47
Long-term equity investment gains on equity basis	12,248,086.38	58,194,324.20
Gains from disposal of long-term equity investment on equity basis	-32,887,821.66	3,870,272.40
Investment gains from disposal of sellable financial assets, etc.	12,804,227.57	
Investment gains from holding of sellable financial assets, etc.	280,632.72	
<b>Total</b>	<b>-7,283,064.75</b>	<b>62,913,701.07</b>

39. Non-operating income

Items	Occurred this year	Occurred last year
Total of gains from disposal of non-current assets	99,050,027.19	5,073,378.70
Gains from debt reorganization	1,423,348.34	342,712.21
Gains from governmental subsidy	5,365,188.08	3,391,495.96
Penalty income	1,294,099.19	5,011,326.69
Other	3,280,211.65	8,020,287.67
<b>Total</b>	<b>110,412,874.45</b>	<b>- 21,839,201.23</b>

Details of gains from government subsidies:

Items	Occurred this year	Occurred last year	Notes
Subsidies form the sixth scientific and technological development projects	500,000.00		
Rewards from the foreign trade and economic development project funds		126,400.00	
Subsidies for technological upgrading of enterprises	696,000.00		
National New Product subsidies		400,000.00	

Items	Occurred this year	Occurred last year	Notes
Awards for the distribution of industry	500,000.00		
National Enterprise Technology Center innovation project grants	600,000.00		
Information Statistics Awards	1,180,000.00		
Support for general trade export	1,451,165.04	1,008,500.00	
Reward for Certification of ROHS	23,600.00		
Incubation enterprise subsidies	28,382.52		
VAT refund upon collection	376,040.52	1,711,595.96	
Others	10,000.00	145,000.00	
<b>Total</b>	<b>5,365,188.08</b>	-	<b>3,391,495.96</b>

40. Non-operating expenses

Items	Occurred this year	Occurred last year	
Loss from disposal of fixed assets	21,386,678.30	7,345,086.45	
Incl. Loss from disposal of intangible assets	441,832.00		
Reduction of fixed asset	-	29,011.74	
Penalties paid	1,396,799.50	296,797.07	
Compensation expenses	1,409,231.53	165,025.00	
Donations expenses	250,000.00	21,320.00	
Losses from re-organization of debts	144,471.00	4,029,657.08	
Local fees	3,552,970.83	7,589,403.86	
Others	4,032,387.72	4,641,751.94	
<b>Total</b>	<b>32,614,370.88</b>	-	<b>24,118,053.14</b>

41. Income tax expenses

Items	Occurred this year	Occurred last year
Income tax calculated according to the law and regulations of current term	64,296,158.54	50,153,660.50

Adjustment of differed income tax	-8,367,264.99	-35,546,333.56
<b>Total</b>	<b>55,928,893.55</b>	<b>14,607,326.94</b>

42. Calculation formula of basic earnings per share and diluted earnings per share

(1) Calculation outcome

Profit of the report period	Current Year		Previous Year	
	Basic earnings per share	Diluted gains per share	Basic earnings per share	Diluted gains per share
Net profit attributable to common share holders of the Company	0.41	0.41	0.07	0.07
Net profit attributable to common share holders of the Company after deducting of non-recurring gain/loss	0.27	0.27	0.16	0.16

(2) Formula of earnings per share

Items	No.	Current Year	Previous Year
Net profit attributable to common shareholders of the Company	1	222,184,555.03	40,038,312.01
Non-recurring gain/loss attributable to the net profit of common shareholders of the parent company after deducting of income tax influences	2	75,582,995.60	-47,188,750.54
Net profit attributable to common share holders of the Company after deducting of non-recurring gain/loss	3=1-2	146,601,559.43	87,227,062.55
Total of shares at beginning of year	4	547,655,760.00	547,655,760.00
Amount of shares increased by capitalizing of common reserves or share dividend	5		
Amount of shares increased by issuing of new shares or transforming of debt to shares	6		
Number of months from the next month of new share issuing or converting of debt to shares to the end of report term	7		
Amount of shares decreased by repurchasing of shares in the report term	8		
Number of months from the next month of share decreasing to the end of	9		

Items	No.	Current Year	Previous Year
report term			
Amount of shares reduced	10		
Number of months in the report term	11	12.00	12.00
Weighted average of common shares issued outside (I)	$12=4+5+6 \times 7 \div 11-8 \times 9 \div 11-10$	547,655,760.00	547,655,760.00
Weighted average of common shares issued outside adjusted for merger under common control (II)	13	547,655,760.00	547,655,760.00
Basic earnings per share (I)	$14=1 \div 12$	0.41	0.07
Basic earnings per share (II)	$15=3 \div 13$	0.27	0.16
Diluting potential common share interests recognized as expenses	16		
Income tax rate	17	0.15	0.15
Transformation fees	18		
Amount of shares increased by transforming or exercising of company bond, subscription certificate, or share option	19		
Diluted earnings per share (I)	$20=[1+(16-18) \times (1-17)] \div (12+19)$	0.41	0.07
Diluted earnings per share (II)	$21=[3+(16-18) \times (1-17)] \div (13+19)$	0.27	0.16

43. Other misc. incomes

Items	Occurred this year	Occurred last year
1. Gains (losses) from sellable financial assets	7,676,017.57	-
Less: Income tax influence of sellable financial assets	1,151,402.64	-2,314,399.80
Net amount written into other gains and transferred into gain/loss in previous terms	10,883,593.43	-
Sub-total	-4,358,978.50	13,114,932.20
2. Shares in other gains of investees on equity basis		
Less: Income tax influence of shares in other gains of investees on equity basis		
Net amount written into other gains and transferred into gain/loss in previous terms		
Sub-total	-	-

3. Amount of gains (or losses) from cash flow hedge instrument

Less: Income tax influence of cash flow hedge instruments

Net amount written into other gains and transferred into gain/loss in previous terms

Adjusted amount transferred to initial amount of the target project

Subtotal	-	-
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4. Difference from translating of foreign currency financial statements

Less: Net amount of disposing overseas business and transferred to current gain/loss

Sub-total	-	-
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5. Others

Less: Income tax influence by other accounted into other misc. incomes

Net amount accounted into other misc. income and transferred into current gain/loss in previous terms

Sub-total	-	-
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<b>Total</b>	<b>-4,358,978.50</b>	<b>13,114,932.20</b>
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#### 44. Notes to the Cash Flow Statement

##### (1) Other cash inflow related to operation

Items	Amount
Revenue from fines	1,578,173.10
Subsidies	1,724,119.99
Penalty	362,477.56
Revenues from insurance claim of current assets	232,979.91
Interest income	7,625,352.97
Other non-operating-related cash income	5,785,900.10
The rentals from Operating lease	2,400,000.00
<b>Total</b>	<b>19,709,003.63</b>

##### (2) Other cash paid related to operation

Items	Amount
Sales expense	282,716,915.70



Administrative expense	183,653,811.18
The amount of fee expenditures in financial expenses	3,167,183.13
Others	5,208,226.48
<b>Total</b>	<b>474,746,136.49</b>

#### 45. Appendix of Cash Flow Statement

Items	Closing balance	Opening balance
1. Net profit adjusted to cash flow of operation:		
<b>Net profit</b>	<b>221,693,429.59</b>	<b>25,007,833.46</b>
Plus: Asset impairment provision	102,939,009.94	38,621,384.06
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	45,747,983.53	70,164,128.77
Amortizing of intangible assets	3,658,819.23	4,909,186.16
Amortizing of long-term expenses	12,005,805.09	9,589,905.49
Loss from disposal of fixed assets, intangible assets, and other long-term assets (“-“ for gains)	-78,320,039.72	2,271,707.75
Loss from fixed asset discard	1,883,727.57	-
Loss from fluctuation of fair value		-
Financial expenses	4,447,744.43	28,444,074.64
Investment loss (“-“ for gains)	7,283,064.75	-62,913,701.07
Decrease of deferred income tax asset (“-“ for increase)	-8,365,670.96	-33,833,634.65
Increase of deferred income tax liabilities (“-“ for decrease)		-
Decrease of inventory (“-“ for increase)	146,505,609.63	-73,517,895.55
Decrease of operational receivable items (“-“ for increase)	-1,029,801,596.15	-31,721,569.66
Increase of operational payable items (“-“ for decrease)	709,356,520.30	-86,021,315.80
Others	-	-25,715,773.76
<b>Net cash flow generated by business operation</b>	<b>139,034,407.23</b>	<b>-134,715,670.16</b>
2. Investment and financing activities not involving in cash flow	-	-
Liabilities converted to capital	-	-
Convertible bond expire within 1 year	-	-
Fixed assets acquired under finance leases	-	-
Others	-	-
3. Change of cash and cash equivalents	-	-
Balance of cash at end of year	852,448,970.81	617,998,210.34
Less: Balance of cash at beginning of year	617,998,210.34	907,613,092.06
Plus: Balance of cash equivalents at end of term	-	-
Less: Balance of cash equivalents at beginning of term	-	-
<b>Net increase of cash and cash equivalents</b>	<b>234,450,760.47</b>	<b>-289,614,881.72</b>

46. Notes of the Changes in owner's equity

<b>The items of Capital surplus - Invested capital of the owners-others:</b>	<b>Amount</b>
Equity investment difference from Little Swan (Jing Zhou) Electronic Appliances Company Limited	32,492,232.10
The combined profits of equity investments from Little Swan (Jing Zhou) Electronic Appliances Company Limited	4,250,729.10
Surplus Reserves of Wuxi Little Swan Jiangbo Mould Manufacturing Co. , Ltd.	-67,375.00
Differences in minority interests from Little Swan (Jing Zhou) San Jin Electric Appliance Co. , Ltd.	-5,248,520.00
Sub-total	31,427,066.20
<b>Items of Surplus reserves- Invested capital of the owners-others:</b>	
Reverse the pre-retention to Little Swan (Jing Zhou) Electronic Appliances Company Limited	-2,487,569.73
Others	
Reverse the Foreign Exchange Spreads of P.T. Little Swan Prima Industries	1,829,651.98

G. NOTE VI: Relationship and Related party transactions

1. Details of the parent party:

Name of the parent company	Relationship	Enterprise Nature	Registered place	Corporate representative	Business Nature	Registered Capital	Proportions of parent company's shareholding to the company (%)	Proportions of parent company's voting right to the company (%)	Ultimate controller of the company	Organization Code
Guangdong Midea Electric Appliances Co., Ltd.	Parent Company	Joint stock company	Foshan, Guangdong	Fa Hongbo	Manufacture and sales of commercial air conditioners、refrigerators、washing-machines and compressors, after-sale service of productions	2,080,180,000.00	29.64	29.64	He Xiangjian	19033709-2

## 2. Related parties

Name of the parties	Relationship
BSW Household Appliances Co. , Ltd.	Joint – operative
Guangzhou Antaida Material Distribution Co. , Ltd.	Joint – operative
Little Swan Mobile Communication Co. , Ltd.	Joint – operative
Wuxi indesit Home Appliances Co. , Ltd.	Joint – operative
Fo Shan Wei Ling Washing Motor Co., Ltd.	Under control of same parent company
Wuhu Andde Material Distribution Co.,	Under control of same parent company
Hefei Century molding Development Co., Ltd.	Under control of the company’s ultimate controlling shareholder’s direct relative
He Fei Hua Ling Share Holding Co. , Ltd.	Under control of same parent company
He Fei Rongshida Washing Machinery Co. , Ltd.	Under control of same parent company
Fo Shan Midea Materials Supply Co., Ltd.	Under control of same parent company

## 3. Related Party Transactions

### (1) Buying and selling goods, providing and receiving services among the related-party

Name of company	Type	Detail s	Occurred this year		Occurred last year	
			Amount	%	Amount	%
Guangzhou Antaida Material Distribution Co. , Ltd.	Purchase	Distributio n			844.39	0.24
He Fei Rongshida Washing Machinery Co. , Ltd	Purchase	Washing machines, accessories	34,743.07	9.72	2,740.38	0.77
Foshan Media materials supply Co., Ltd.	Purchase	Materials	2,149.84	0.60	1,908.30	0.53
Foshan Weiling washing Electrical Manufacturing Co., Ltd.	Purchase	Motor	8,654.33	2.42	1,587.19	0.45
He Fei Hua Ling Share Holding Co. , Ltd.	Purchase	Materials	0.58	0.00	722.65	0.2
Guangdong Midea Electric Appliances Co., Ltd	Purchase	Materials	2,358.70	0.66		

Name of company	Type	Details	Occurred this year		Occurred last year	
			Amount	%	Amount	%
Wuhu Andde Material Distribution Co.,	Purchase	Distribution	2,568.05	0.72		
Midea Microwave Electric Appliance Manufacturing Co., Ltd.	Purchase	Microwave	926.70	0.26		
He Fei Rongshida Refrigerator Machinery Co. , Ltd	Purchase	Refrigerator	2,069.94	0.58		
Hefei Century molding Development Co., Ltd.	Purchase	Materials	543.42	0.15		
<b>合计</b>			<b>54,014.63</b>	<b>15.11</b>	<b>7,802.91</b>	<b>2.19</b>

Note:

- (1) % refers to the proportion taking up the total amount of the same kind of transactions for the current period;
- (2) The transfer price among the affiliated parties are determined by the market prices.

Hefei Century molding Development Co., Ltd.	Selling	Materials	582.19	0.14		
Wuxi Indesit Home Appliances Co.	Selling	Labor	68.32	0.02	1,021.17	0.24
He Fei Rongshida Washing Machinery Co. , Ltd	Selling	Washing machine	11,509.94	2.81	33.86	
Hefei Media Rongshida electric Marketing Co., Ltd.	Selling	Washing machine	108.77	0.03		
He Fei Media Rongshida Refrigerator Machinery Co. , Ltd	Selling	Refrigerator	16,203.27	3.95		
<b>Total</b>			<b>28,472.49</b>	<b>6.95</b>	<b>1,055.03</b>	<b>0.24</b>

Note:

- (1) % refers to the proportion taking up the total amount of the same kind of transactions for the current period;
- (2) The transfer price among the affiliated parties are determined by the market prices.

**(2) Guarantees among the related parties**

By 31 December 2009 , the detailed guaranteed transactions of the company which provided for the subsidiaries' loans & bank acceptances can be found as follows: (monetary unit: RMB10,000)

<b>Guarantee receiver</b>	<b>Bank loan</b>	<b>Bank Acceptance</b>
Wuxi Filin Electronics Co. , Ltd.	100	
Little Swan (Jing Zhou) Electronic Appliances Company Limited		1,400
<b>Total</b>	<b>100</b>	<b>1,400</b>

By 31 December 2009, the company provided guaranteed transactions for the subsidiaries' Letter of Credit. The details are EUR 1,105,708.80 and USD 1,287,137.00

**(3) Details of Property Transfer and Debt Restructuring between related parties.**

The company intended to purchase the equity of USD 94,145,000.00 of He Fei Rongshida Washing Machinery Co. , Ltd from the parent company Guangdong Midea Electric Appliances Co., Ltd. by issuing A-shares to the parent company.

In the beginning of year 2009, 51% equity share of Little Swan (Jing Zhou) Electronic Appliances Company Limited has been transferred by the company to its parent company Guangdong Midea Electric Appliances Co., Ltd. at the price of RMB29,620,000.00.

**4. Amount due to/from related parties**

<b>Name</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>Accounts Receivable</b>		
He Fei Rongshida Washing Machinery Co. , Ltd	5,642.13	39.62
<b>Total</b>	<b>5,642.13</b>	<b>39.62</b>
<b>Other Accounts Receivable</b>		
BSW Household Appliances Co.	516.68	576.68
<b>Total</b>	<b>516.68</b>	<b>576.68</b>
<b>Prepayment</b>		
Guangdong Midea Electric Appliances Co., Ltd	121.02	121.02

Hefei Century molding Development Co., Ltd.	2.10	
<b>Total</b>	<b>123.12</b>	<b>121.02</b>

**Accounts payable**

Fo Shan Wei Ling Washing Motor Co., Ltd.	4,347.74	755.01
He Fei Hua Ling Share Holding Co. , Ltd.		845.50
He Fei Rongshida Washing Machinery Co. , Ltd	6,046.34	
Guangdong Midea Electric Appliances Co., Ltd	1,013.93	
Hefei Century molding Development Co., Ltd.	305.94	
<b>Total</b>	<b>7,686.21</b>	<b>1600.51</b>

**Advances from the customers**

Wuhu Andde Material Distribution Co.,	4.89	
He Fei Rongshida Washing Machinery Co. , Ltd	16.83	
Wuxi Indesit Home Appliances Co.		130.18
<b>Total</b>	<b>21.72</b>	<b>130.18</b>

**Other payables:**

Wuhu Andde Material Distribution Co.,	391.54	
Guangzhou Antaida Material Distribution Co.		41.80
<b>Total</b>	<b>391.54</b>	<b>41.80</b>

H. Note VII: Contingent events

As of December 31, 2009, no other significant contingent events should be disclosed.

I. Note VIII: Commitment issues

As of December 31, 2009, no other significant commitment issues should be disclosed.

J. Note IX.: Events after balance sheet date

As of December 31, 2009, no other significant events should be disclosed.

K. Note X: Other significant events

To meet the rapidly increasing market demand, the company launched a plan, which has been adopted by the fourth Session of 6th board-meeting, that an extra 240 million yuan will be reinvested on the capacity expansion of tumbling-box washing machine and automatic washing machine during year 2010. In order to ensure the smooth carrying out of this project and considering the follow-up fund needs for construction of Jingzhou industrial base, the company did not distribute the profits of 2009, nor transfers the capital surplus to capital.

L. Note XI: Notes to the financial statements of parent Company

1. Accounts receivable

(1) category analysis:

Category	Closing balance			Opening balance			
	Balance	Bad debts		Balance	Bad debts		
	Amount	Amount	(%)	Amount	(%)	Amount	(%)
Individually significant accounts receivable	748,265,677.8	129,337,709.8	17.28	263,191,027.3	67.39	87,641,606.70	33.30
Accounts receivable which are not individually significant, but are assessed at high risk level through credit risk combination	2,466,242.62	2,466,242.62	100.00	25,710,469.81	6.58	24,746,725.86	96.25
Others	136,233,322.3	7,101,070.48	5.21	101,677,428.6	26.03	8,816,391.85	8.67
<b>Total</b>	<b>886,965,242.8</b>	<b>138,905,022.9</b>	<b>15.66</b>	<b>390,578,925.8</b>	<b>100.00</b>	<b>121,204,724.4</b>	<b>31.03</b>

(2) aging analysis:



Aging	Closing balance				Opening balance			
	Amount	Balance (%)	Bad debts	Bad debts (%)	Balance	Balance (%)	Bad debts	Bad debts (%)
Within 1 year	799,308,410.83	90.12	51,703,176.06	6.47	280,175,333.12	71.72	10,801,131.67	3.86
1-2 years	539,466.45	0.06	84,481.38	15.66	-	-	-	-
2-3 years	-	-	-	-	42,000.00	0.01	42,000.00	100
3-5 years	2,413,477.83	0.27	2,413,477.83	100.00	2,917,271.44	0.75	2,917,271.44	100
Over 5 years	84,703,887.72	9.55	84,703,887.72	100.00	107,444,321.30	27.51	107,444,321.30	100
<b>Total</b>	<b>886,965,242.83</b>	<b>100.00</b>	<b>138,905,022.99</b>	<b>15.66</b>	<b>390,578,925.86</b>	<b>99.99</b>	<b>121,204,724.41</b>	<b>31.03</b>

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

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

Names	Relationship	Amount	Aging	Proportion to total accounts Receivables (%)
No.1	Retailer	78,236,458.12	Within 1 year	8.82
No.2	Retailer	49,606,889.78	Within 1 year	5.59
No.3	Retailer	41,496,751.04	Within 1 year	4.68
No.4	Retailer	34,722,854.58	Within 1 year	3.91
No.5	Retailer	27,029,529.18	1-3years	3.05

## 2. Other receivables

(1) category analysis:

Category	Closing balance				Opening balance			
	Balance Amount	Balance (%)	Bad debts Amount	Bad debts (%)	Balance Amount	Balance (%)	Bad debts Amount	Bad debts (%)

Individually significant accounts receivable	92,748,647.83	58.17	86,524,272.83	93.29	208,723,789.09	82.65	90,892,639.98	43.55
Accounts receivable which are not individually significant, but are assessed at high risk level through credit risk combination	51,220,980.12	32.13	51,209,456.12	99.98	33,688,301.89	13.34	33,241,859.02	98.67
Others	15,457,995.73	9.70	3,715,225.57	24.03	10,114,152.23	4.01	751,534.87	7.43
<b>Total</b>	<b>159,427,623.68</b>	<b>100.00</b>	<b>141,448,954.52</b>	<b>88.72</b>	<b>252,526,243.21</b>	<b>100.00</b>	<b>124,886,033.87</b>	<b>49.45</b>

(2) aging analysis:

Aging	Closing balance				Opening balance			
	Amount	(%)	Bad debts provision	(%)	Amount	(%)	Bad debts provision	(%)
Within 1 year	8,754,928.53	5.49	441,180.08	5.04	110,277,456.41	43.67	3,092,330.98	2.8
1-2 years	27,606,307.57	17.32	21,317,264.85	77.22	23,903,175.88	9.47	12,628,738.26	52.83
2-3 years	19,947,014.83	12.51	18,189,180.22		22,079,314.81	8.74	19,179,969.27	86.87
3-5 years	37,959,191.99	23.81	36,341,148.61	95.74	41,876,020.84	16.58	36,971,351.90	88.29
Over 5 years	65,160,180.76	40.87	65,160,180.76	100.00	54,390,275.27	21.54	53,013,643.46	97.47
<b>Total</b>	<b>159,427,623.68</b>	<b>100.00</b>	<b>141,448,954.52</b>	<b>88.72</b>	<b>252,526,243.21</b>	<b>100.00</b>	<b>124,886,033.87</b>	<b>49.45</b>

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

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

Names	Relationship	Amount	Aging	Proportion to total accounts Receivables (%)
No.1	Subsidiary	33,373,228.02	1-5yesrs	20.93
No.2	Subsidiary	28,186,177.01	1-5years	17.68

No.3	The original cooperative unit	21,707,997.30	Over 5	13.62
No.4	The original cooperative unit	13,235,685.32	Over 5	8.30
No.5	Receivables generated from transfer of shares	9,481,245.50	1-2 years	5.95

### 3. Long-term equity investment

Company	Method	Amount of Initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportion s of shareholdi ng (%)	Proportion s of voting Rights (%)	Note for difference between proportions of voting rights and shareholdin g	Provision for impairment	Increase in current year	Cash dividends
Little Swan Mobile Communication Co.	Equity	2,500,000.00	-	-	-	25.00	25.00				-
Ningbo Xinle Electric Appliances Co.	Equity	31,185,705.89	35,836,152.49	-35,836,152.49	-						-
Little Swan Electric Appliances Co.(Ning Bo)	Equity	2,359,056.00	2,755,598.29	-2,755,598.29	-						-
BSW Household Appliances Co.	Equity	97,482,661.00	140,526,770.84	-22,405,680.72	118,121,090.12	40.00	40.00				43,109,015.29
Wuxi Indesit Home Appliances Co.	Equity	33,768,120.00	28,439,495.02	-8,581,601.56	19,857,893.46	30.00	30.00				-
Guangzhou Antaida Material Distribution Co.	Equity	2,000,000.00	3,654,690.68	126,353.37	3,781,044.05	20.00	20.00				-
Wuxi Little Swan Import & Export Co., Ltd	Cost	57,500,000.00	57,500,000.00	-	57,500,000.00	88.46	88.46				-

Company	Method	Amount of Initial investment	Opening balance	Increase/Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting Rights (%)	Note for difference between proportions of voting rights and shareholding	Provision for impairment	Increase in current year	Cash dividends
Wuxi Huayin Electric Appliances Co., Ltd.	Cost	37,313,630.00	37,313,630.00	-	37,313,630.00	75.00	75.00				-
Wuxi Little Swan Washing Machine Co., Ltd.	Cost	37,259,587.50	37,259,587.50	-	37,259,587.50	75.00	75.00				-
Wuxi Little Swan Molding Co., Ltd.	Cost	-	7,000,000.00	-7,000,000.00	-						-
Wuxi Meitian Refrigerator Marketing and sale Co., Ltd.	Cost	24,840,000.00	24,840,000.00	-	24,840,000.00	75.00	75.00				-
Wuxi Little Swan High Grade Casting Co., Ltd.	Cost	-	36,013,440.00	-36,013,440.00	-	75.00	75.00				-
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Cost	417,550,000.00	417,550,000.00	-	417,550,000.00	99.54	99.54				-
Wuxi Filin Electronics Co., Ltd.	Cost	19,620,041.50	25,660,308.10	-	25,660,308.10	73.00	73.00				-
Wuxi Little Swan General Electric Appliances Co.,	Cost	19,600,000.00	19,600,000.00	-	19,600,000.00	70.00	70.00				-

Company	Method	Amount of Initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportion s of shareholdi ng (%)	Proportion s of voting Rights (%)	Note for difference between proportions of voting rights and shareholdin g	Provision for impairment	Incre ase in curre nt year	Cash dividends
Ltd.											
Little Swan (Jing Zhou) Electronic Appliances Company Limited	Cost	-	44,594,267.90	-44,594,267.90	-						-
San Jin (Jing Zhou) Electrical Appliances Manufactory Co. , Ltd.	Cost	11,869,431.12	6,620,911.12	5,248,520.00	11,869,431.12	57.48	57.48				-
Wuxi Little Swan Driving & Control Development Technology Co. , Ltd.	Cost	4,500,000.00	4,500,000.00	-	4,500,000.00	90.00	90.00				-
P.T. Little Swan Prima Industries (Indonesia)	Cost	-	5,800,896.00	-5,800,896.00	-						-
L.S.M. Corporation (M) SDN BHD	Cost	4,224,744.00	-	-	-	51.00	51.00		4,224,744.00		-
Hengtai Insurance Brokers Co. , Ltd.	Cost	1,000,000.00	1,000,000.00	-	1,000,000.00	3.33	3.33				-

Company	Method	Amount of Initial investment	Opening balance	Increase/Decrease	Closing balance	Proportion of shareholding (%)	Proportion of voting Rights (%)	Note for difference between proportions of voting rights and shareholding	Provision for impairment	Increase in current year	Cash dividends
Toshiba Washing Machine Wuxi Co., Ltd.	Cost	3,104,025.00	343,838.35	-343,838.35	-						-
Suzhou Renmin Department Store Co., Ltd. (150000 unit)	Cost	150,000.00	150,000.00	-	150,000.00	-	-				25,000.00
Bank of Jiangsu (2092564 unit)	Cost	1,100,000.00	1,100,000.00	-	1,100,000.00	-	-				246,810.24 -
<b>Total</b>			<b>938,059,586.29</b>	<b>-157,956,601.94</b>	<b>780,102,984.35</b>			<b>4,224,744.00</b>			<b>43,380,825.53</b>

#### 4. Operational turnover and costs

##### (1) Details of business turnover and costs:

Category	Occurred this year		Occurred last year	
	Turnover	cost	Turnover	cost
Washing machine	3,071,318,699.95	2,185,634,169.06	1,865,702,228.93	1,404,616,304.58
Refrigerator	62,672,874.05	76,785,198.76	300,971,586.25	227,731,265.97
Other goods			3,538,081.76	2,402,604.23
Raw materials	211,917,498.27	200,219,676.79	176,288,795.96	172,134,108.83
Others	4,335,936.75	1,377,470.13	25,989,918.09	13,919,185.10
<b>Total</b>	<b>3,350,245,009.02</b>	<b>2,464,016,514.74</b>	<b>2,372,490,610.99</b>	<b>1,820,803,468.71</b>

##### (2) Turnover from top 5 clients:

Name of clients	Turnover	Portion in total turnover (%)
GOME Electrical Appliances Co., Ltd.	314,256,618.01	9.38
Suning Appliance Co., Ltd.	261,568,465.96	7.81
He Fei Rongshida Refrigerator Machinery Co., Ltd.	162,032,705.94	4.84
He Fei Rongshida Washing Machinery Co., Ltd.	115,099,407.60	3.44
Jiangsu Five Star Appliance Co., Ltd.	59,510,642.53	1.78
<b>Total</b>	<b>912,467,840.04</b>	<b>27.25</b>

#### 5. Investment income

Sources of investment gains	Occurred this year	Occurred last year
Long-term equity investment gains on cost basis –cash dividends from non-subsidiaries	271,810.24	247,515.00
Long-term equity investment gains on cost basis - cash dividends from subsidiaries	-	3,224,810.83
Long-term equity investment gains on equity basis	12,248,086.38	52,696,647.02
Investment gains from disposal of long term equity investment	-	15,186,994.29
Investment gains from disposal of sellable financial assets, etc.	12,804,227.57	
Investment gains in the period of holding sellable financial assets, etc.	280,632.72	
<b>Total</b>	<b>64,398,153.50</b>	<b>71,355,967.14</b>



## 6. Appendix of Cash Flow Statement

Items	Current year	Last year
1. Net profit adjusted to cash flow of operation:		
<b>Net profit</b>	<b>269,359,299.97</b>	<b>37,696,097.87</b>
Plus: Asset impairment provision	38,958,405.11	29,629,309.47
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	30,077,522.28	29,826,422.62
Amortizing of intangible assets	2,849,112.40	3,337,420.41
Amortizing of long-term expenses	407,625.82	4,986,200.33
Loss from disposal of fixed assets, intangible assets, and other long-term assets (“-“ for gains)	-83,199,171.83	-2,760,089.28
Loss from fixed asset discard	-	-
Loss from fluctuation of fair value	-	-
Financial expenses	-	782,933.33
Investment loss (“-“ for gains)	64,398,153.50	-71,355,967.14
Decrease of deferred income tax asset (“-“ for increase)	-15,707,515.52	-25,338,290.71
Increase of deferred income tax liabilities (“-“ for decrease)	-769,231.50	-
Decrease of inventory (“-“ for increase)	21,714,309.18	-268,581,657.90
Decrease of operational receivable items (“-“ for increase)	-853,668,620.08	-114,344,710.43
Increase of operational payable items (“-“ for decrease)	652,980,018.72	122,206,259.27
Others	-	128,468,436.94
<b>Net cash flow generated by business operation</b>	<b>127,399,908.05</b>	<b>-125,447,635.22</b>
2. Investment and financing activities not involving in cash flow		
Liabilities converted to capital	-	-
Convertible bond expire within 1 year	-	-
Fixed assets acquired under finance leases	-	-
Others	-	-
3. Change of cash and cash equivalents		
Balance of cash at end of year	743,637,877.78	408,475,277.00
Less: Balance of cash at beginning of year	408,475,277.00	563,587,076.68
Plus: Balance of cash equivalents at end of term	-	-

Less: Balance of cash equivalents at beginning of term	-	-
<b>Net increase of cash and cash equivalents</b>	<b>335,162,600.78</b>	<b>-155,111,799.68</b>

M. Note XII.: Supplementary Info.

**1. Details of non-recurring gain/loss of current term**

<b>Items</b>	<b>Occurred this year</b>	<b>Occurred last year</b>
Gain/loss from disposal of non-working capital, including the neutralized part of the impairment provision provided already	77,221,516.89	4,769,066.54
Refunding and exemption of taxes in excess of authority or without official approval documents		
Government subsidies accounted into current income account (except for those government subsidies closely related to the Company's business, and received at national statutory standard and amount)	5,365,188.08	3,311,495.96
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss		
Gain/loss from differences between the cost of enterprise merger and the fair value of recognizable net asset of the invested entities		
Gain/loss from non-monetary assets		
Gain/loss from commissioned investment or assets		
Asset impairment provisions provided for force-majeure		
Gain/loss from debt reorganization	1,278,877.34	393,055.13
Enterprise reorganizing expenses, such as employee placement fee and integration fee		
Gain/loss from trade departing from fair value		
Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation		
Gain/loss generated by contingent liabilities without connection with main businesses		
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	12,804,227.57	

Items	Occurred this year	Occurred last year
Restoring of receivable account impairment provision tested individually		
Gain/loss from commissioned loans		
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement		
Influence of one-time adjustment made on current gain/loss account according to the laws and regulations regarding tax and accounting		
Consigning fee received for consigned operation		
Other non-business income and expenditures other than the above	-6,067,078.74	-3,872,964.97
Other gain/loss items satisfying the definition of nonrecurring gain/loss account		
Estimated liabilities		-4,000,000.00
Dismiss welfare	-3,529,364.47	-60,051,836.44
Total of non-recurring gain/loss (influence on gross profit)	87,073,366.67	-59,451,183.78
Less: Influenced amount of income tax	13,149,360.23	-13,000,156.85
Less: Influenced amount of minor shareholders' equity	261,644.97	737,723.61
Net profit attributable to common share holders of the Company after deducting of non-recurring gain/loss	<b>73,662,361.47</b>	<b>-47,188,750.54</b>

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

Items	This year	Last year	Increase/decrease	Change percentage %	Notes
Monetary fund	85,244.90	61,799.82	23,445.08	37.94	①Retrieved compensation for demolition at the end of year ②Sale of some subsidiaries ③Collection time of receivables was shortened
Note receivables	60,449.97	38,103.27	22,346.71	58.65	Sharp growth of the washer's domestic sale caused more receivables in form of bank acceptance
Accounts receivable	87,463.56	42,266.96	45,196.60	106.93	Increase of the washer sales led to growth of operating receivables
Advances to	6,624.33	10,536.1	-3,911.83	-37.13	The new industrial park was

Items	This year	Last year	Increase/decrease	Change percentage %	Notes
suppliers		6			basically completed and put into use, construction project prepayments decreased
Dividends receivable	-	179.88	-179.88	-100	Received in this year
Other receivables	2,536.13	9,968.29	-7,432.16	-74.56	Collection of receivables was accelerated in order to strengthen the risk control ①Influenced by the sale and closing of subsidiaries, the book value of inventories decreased by 108,935,700.00
Inventory	44,041.62	69,497.37	-25,455.75	-36.63	②Influenced by external macroeconomic situation and industry conditions, the company increased inventory turnover rate and strictly controlled the size of inventory
Other current assets	1,732.64	-	1,732.64	100	With the increase of production capacity, a quantity of molds was kept at the end of year
Sellable financial assets	31.28	704.53	-673.25	-95.56	600682 and 601328 were sold in this year
Long-term equity investment	14,406.00	21,885.65	-7,479.65	-34.18	Sale and closing of some subsidiaries
Investment real estate	-	3,047.44	-3,047.44	-100	The property has ceased renting and was disposed for the reason of removal.
Construction in process	2,310.18	1,437.13	873.05	60.75	Some facilities of the new industrial park have not been completed yet. ①With the sale of Wuxi Little Swan (Jingzhou) Appliances Co.,Ltd., a loan of 40million
Short-term loan	100	7,493.00	-7,393.00	-98.67	belonging to this subsidiary was sold together. ②The loan of 33 million were returned in this year.

Items	This year	Last year	Increase/decrease	Change percentage %	Notes
Notes payable	1,400.00	11,400.00	-10,000.00	-87.72	With the sale of Wuxi Little Swan (Jingzhou) Appliances Co.,Ltd.,60 million of notes payable belonging to this subsidiary was sold together.
Accounts payable	155,244.31	98,996.55	56,247.76	56.82	Operating payables increased due to the increased sales and purchases.
Advance from customer	13,507.60	22,548.17	-9,040.56	-40.09	Decrease of advance from customers was resulted from the national macro-fiscal and monetary policies during current period.
Employees' wage	6,674.85	4,353.75	2,321.10	53.31	Paid in January and February of 2010
Tax payable	11,622.13	3,631.05	7,991.08	220.08	VAT payable was increased at the end of year due to the sale of products and production cycle. Income tax payable was increased for the growth of profit.
Interest payable	-	56.27	-56.27	-100	The short loan was basically returned and interest expenses declined.
Other payables	6,054.27	13,583.23	-7,528.96	-55.43	The project of "Moving from city into park" was completed, and compensation was transferred out of this account.
Estimated liabilities	1,121.35	1,854.19	-732.84	-39.52	Share transferring of the subsidiary Wuxi Little Swan High Grade Casting Co. Ltd. was completed, the corresponding loss of debt restructuring has been achieved.
Deferred liabilities	3.19	80.11	-76.92	-96.02	With the sale of some sellable financial assets, the corresponding deferred liabilities were written off.

Items	This year	Last year	Increase/decrease	Change percentage %	Notes
Other non-current liabilities	367.9	0.00	367.9	100	Deferred revenue increased.
Foreign exchange difference	-	-182.97	182.97	-100	Overseas subsidiaries were liquidated and closed.
Financial expenses	147.23	1,688.80	-1,541.57	-91.28	①Decrease of short-term loans reduced interest expenses. ②Reduction of the exchange gains and losses.
Impairment loss	10,293.90	3,862.14	6,431.76	166.53	①Increasing of the accounts receivable. ②The extra bad debts of 20.12 million was provided for the bankruptcy of Russia EVGO, which is a customer of the company's subsidiary ③The company provided 12.78 million bad debts for the damage of the old office when the company moved.
Investment income	-728.31	6,291.37	-7,019.68	-111.58	①Loss from the disposal of subsidiaries ②Influenced by the external macro-economic situations, profit of the equity investment companies falls.
Non-operating income	11,041.29	2,183.92	8,857.37	405.57	①Income from the disposal of houses and land for the reason of removal ②Acquisition of the Government Technology Innovation grant
Non-operating expense	3,261.44	2,411.81	849.63	35.23	Expenses for equipment discarding increased.
Income tax expense	5,592.89	1,460.73	4,132.16	282.88	Profit increased.