

Hefei Meiling Co., Ltd.



Semi-Annual Report 2010

(Full-Text)

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Section I. Important Notes

1. Board of Directors, Supervisory Committee of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.
2. There was no case in the Company that directors, supervisors and senior management couldn't guarantee for the truth, accuracy and completion of the Report or had objections to it.
3. All directors were present in the Board Meeting by spot& telecom.
4. The Mid-term Financial Report of 2010 has not been audited by CPAs.
5. Chairman of the Board Mr. Zhao Yong, President Mr. Wang Yong, Vice-president Yu Wanchun and person in charge of accounting institution Mr. Liu Bimin hereby confirm that the Financial Report of the Semi-annual Report is true and complete.

Section II. Company Profile

I. Basic information

(I) Legal Name of the Company

In Chinese: 合肥美菱股份有限公司

In English: HEFEI MEILING CO., LTD

Short Form in English: HFML

(II) Legal representative: **Zhao Yong**

(III) Secretary of the Board: **Li Xia**

Contact Address: No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei

Tel.: (0551)2219021 Fax: (0551)-2219021

E-mail: lixia@meiling.com

(IV) Registered Address: Address: No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei

Post Code: 230601

Office address: Address: No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei

Post Code: 230601

Internet website: <http://www.meiling.com>

E-mail of the Company: info@meiling.com

(V) Newspapers Chosen for Disclosing the Information of the Company: Securities Times, Hong Kong Commercial Daily

Internet Website for Publishing Annual Report Designated by CSRC: Juchao Website, <http://www.cninfo.com.cn>

Place Where the Semi-Annual Report is Prepared and Placed: Secretariat of the Board on the 2nd floor of the Office Building of the Company

(VI) Stock listed in: Shenzhen Stock Exchange

Short Form of the Stock: MEILING DIANQI WANMEILING-B

Stock Code: 000521 200521

(VII) Other related information

1. Initial registration date: December 31, 1992

Registration address: Hefei Municipal Administration Bureau of Industrial and Commerce

Registration date after change: 21 May 2009

Address for change: Anhui Province Administration Bureau of Industrial and

Commerce

2. Legal Person Business License Registration No.: 340000400001278

3. Taxation Registration No.: GSWZi No.34010414918555X

4. Organization Code Certificate: 14918555-X

5. Name and office address of the certified public accountants engaged by the Company:

Shinwing Certified Public Accountants Co., Ltd.

Office Address: 9/F, Block A, Fuhua Building, Beida Street, Chaoyangmen, Dongcheng District, Beijing

II. Major financial data and indexes

(I) Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the period-end of last year	Increase/decrease at the end of this report period compared with that in period-end of last year (%)
Total assets	6,091,714,916.69	4,786,934,109.38	27.26%
Owners' equity attributable to shareholders of the listed company	1,434,622,300.53	1,324,427,907.57	8.32%
Share capital	413,642,949.00	413,642,949.00	0.00%
Net assets per share attributable to shareholders of the listed company (RMB/Share)	3.47	3.20	8.32%
	This report period (Jan. to Jun.)	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating income	4,575,759,806.96	3,393,249,805.15	34.85%
Operating profit	164,996,610.95	37,629,752.93	338.47%
Total profit	259,241,220.50	43,261,973.78	499.24%
Net profit attributable to shareholders of the listed company	218,616,696.38	36,255,089.84	503.00%

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	82,893,472.54	11,803,953.92	602.25%
Basic earnings per share (RMB/Share)	0.5285	0.0876	503.31%
Diluted earnings per share (RMB/Share)	0.5285	0.0876	503.31%
Return on equity (%)	15.24%	3.18%	391.51%
Net cash flow arising from operating activities	-163,991,222.01	-40,145,826.36	308.49%
Net cash flow per share arising from operating activities (RMB/Share)	-0.3965	-0.0971	308.49%

(II) Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount	Note(If applicable)
Gains and losses from the disposal of non-current assets	2,037,104.82	
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	22,650,367.20	
Gains and losses of debt restructuring		
Investment gains from the disposal of transactional financial assets and financial assets available for sale	134,809,167.26	
Written-off of welfarism payable		
Other gains/losses items meets the definition of non-recurring gains and losses		
Net amount of non-operating income and expense excluded the aforementioned items	607,137.53	
Amount of income tax influence	24,217,840.09	
Influence amount of non-recurring gains and losses attributable to minority shareholders	162,712.88	
Total of non-recurring gains and losses	135,723,223.84	
Net profit attributable to owners' of the parent company	218,616,696.38	
Net profit attributable to common shareholders of the	82,893,472.54	

parent company after deducting non-recurring gains and losses		
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(III) Accounting difference between IAS and CAS

Unit: RMB

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Jan.-Jun. 2010	Jan.-Jun. 2009	30 June 2010	30 June 2009
IAS	218,616,696.38	36,255,089.84	1,434,622,300.53	1,324,427,907.57
CAS	218,616,696.38	36,255,089.84	1,434,622,300.53	1,324,427,907.57
Sub-items and total adjusted based on IAS:0				
Total amount of differences between CAS and IAS	-	-	-	-
Explanations on differences between CAS and IAS	No differences			

On 12 September 2007, the CSRC announced the <Announcement of Auditing B-share Company > and acclaimed from the announcement day to cancel the 'dual auditory' requirement of hiring the stock CPAs and foreign auditing as information disclosure standardization for the B-share Company . The Company has not prepared the financial report under the IFRS since the year of 2007, and the company's financial report under the China Accounting Standard, so there is no difference between the CAS and IFRS.

(IV) Supplementary profit statement

Unit: RMB

Items	Profit in the report period	Return on equity		Earnings per share	
		Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders	218,616,696.38	15.24%	15.85	0.5285	0.5285
Net profit attributable to common	82,893,472.54	5.78%	6.01	0.2004	0.2004

shareholders after deducting the non-recurring losses and gains					
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Section III. Changes in Share Capital and Particulars about Shares Held by Main Shareholders

I. Particulars about change in share capital (As at the end of 30 June)

(I) Changes of shares

Unite: Share

	Before the change		Increase/decrease of this time (+, -)				After the change		
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	113,806,751	27.52%				-76,857,362	-76,857,362	36,949,389	8.94%
1. State-owned shares									
2. State-owned legal person's shares	104,461,498	25.26%				-75,110,025	-75,110,025	29,351,473	7.10%
3. Other domestic shares	9,277,998	2.24%				-1,747,337	-1,747,337	7,530,661	1.82%
Including: Domestic non-state-owned legal person's shares	9,149,917	2.21%				-1,619,256	-1,619,256	7,530,661	1.82%
Domestic natural person's shares	128,081	0.03%				-128,081	-128,081	0	0
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	67,255	0.02%						67,255	0.02%

II. Unrestricted shares	299,836,198	72.48%				+76,857,362	+76,857,362	376,693,560	91.06%
1. RMB Ordinary shares	186,736,198	45.14%				+76,857,362	+76,857,362	263,593,560	63.72%
2. Domestically listed foreign shares	113,100,000	27.34%						113,100,000	27.34%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	413,642,949	100.00%						413,642,949	100.00%

(II) particulars about the shares held by top 10 shareholders and shares held by top 10 unrestricted shareholders

Unit: Share

Total amount of shareholders						71,027
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total of shares held	Numbers of non-circulating shares held	Number of share pledged/frozen	
Sichuan Changhong Electric Co., Ltd.	State-owned	18.01%	74,491,952	28,850,503		
Hefei Xingtai Holding Group Co., Ltd	Domestic legal person	8.03%	33,210,696	500,970		
Changhong (Hong Kong) Trade Co., Ltd.	Foreign legal person	4.15%	17,150,815			
CAO SHENGCHUN	Foreign natural person	1.83%	7,579,969			
ICBC — Huitianfu Growth Focus Share Securities Investment Fund	Fund, financial products and	0.63%	2,617,537			

	other				
Long Qinfang	Foreign natural person	0.51%	2,100,766		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.50%	2,054,024		
Provincial ABC Trust Hefei Office	Domestic legal person	0.37%	1,536,975		
Wo Liangliang	Domestic natural person	0.33%	1,377,000		
Bank of Communication — Guotai Jinying Growth Securities Investment Fund	Fund, financial products and other person	0.33%	1,369,916		

Particulars about the shares held by the top ten unrestricted shareholders

Full Name of shareholder	Amount of unrestricted shares held	Type of shares
Sichuan Changhong Electric Co., Ltd	45,641,449	RMB common share
Hefei Xingtai Holding Group Co., Ltd	32,709,726	RMB common share
Changhong (Hong Kong) Trade Co., Ltd.	17,150,815	Domestically listed foreign share
CAO SHENGCHUN	7,579,969	Domestically listed foreign share
ICBC — Huitianfu Growth Focus Share Securities Investment Fund	2,617,537	RMB common share
Long Qinfang	2,100,766	Domestically listed foreign share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,054,024	Domestically listed foreign share
Provincial ABC Trust Hefei Office	1,536,975	RMB common share
Wo Liangliang	1,377,000	RMB common share
Bank of Communication — Guotai	1,369,916	RMB common share

Jinying Growth Securities Investment Fund		
Explanation on associated relationship or accordant action among the aforesaid shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the controlling subsidiary of Sichuan Changhong Electric Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electric Co., Ltd., Changhong (Hong Kong) Trade Co., Ltd. and other top 8 shareholders; and top ten shareholders with unconditional subscription; as the Company has not known whether there exists any business relationship among the above shareholders with unconditional subscription or they belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies.	

(III) Statement on changes of restricted shares

Unit: Share

Name of shareholders	Restricted shares in year-begin	Restricted shares increased this year	Restricted shares released this year	Restricted shares in period-end	Reason for condition	Date of releasing
Sichuan Changhong Electric Co., Ltd.	70,214,797		41,364,294	28,850,503	Commitment for Share Merger Reform	4 January 2010
Hefei Xingtai Holding Group Co., Ltd	27,730,974	500,970	27,730,974	500,970	Commitment for Share Merger Reform	4 January 2010
Hefei Meiling (Group) Holdings Co., Ltd.	4,978,752	0	4,978,752	0	Commitment for Share Merger Reform	4 January 2010
Total	102,924,523	500,970	74,074,020	29,351,473		

(IV) Amount of shares held by top 10 restricted shareholders and restricted condition

Unit: Share

Name of shareholders	Amount of restricted shares held	Restricted condition
Sichuan Changhong Electric Co., Ltd.	28,850,503	Commitment for Share Merger Reform
Provincial ABC Trust Hefei Office	1,536,975	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Hefei Technology Bank	853,875	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Hefei Insurance Company	853,875	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Hefei Xingtai Holding Group Co., Ltd	500,970	Commitment for Share Merger Reform
Bank of China Hefei Branch	426,937	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Hefei Group Industry Federation	426,937	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Provincial Trust Investment Co., Wuhu Office	341,550	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Liaoning Huaxing Precision Machinery Plant	256,162	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still

		un-traded in market
Longtang Ice Distribution Plant	170,775	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market

II. Particular about controlling shareholder and actual controller

(I) Change of share held

Upon the transfer, the Company's largest shareholder—Sichuan Changhong held 40214797 restricted shares accounting for 16.98% of the total. Sichuan Changhong committee to continue fulfill commitments in the Share Merger Scheme.

(II) Brief introduction on controlling shareholder and actual controller

(II) Brief introduction on controlling shareholder and actual controller

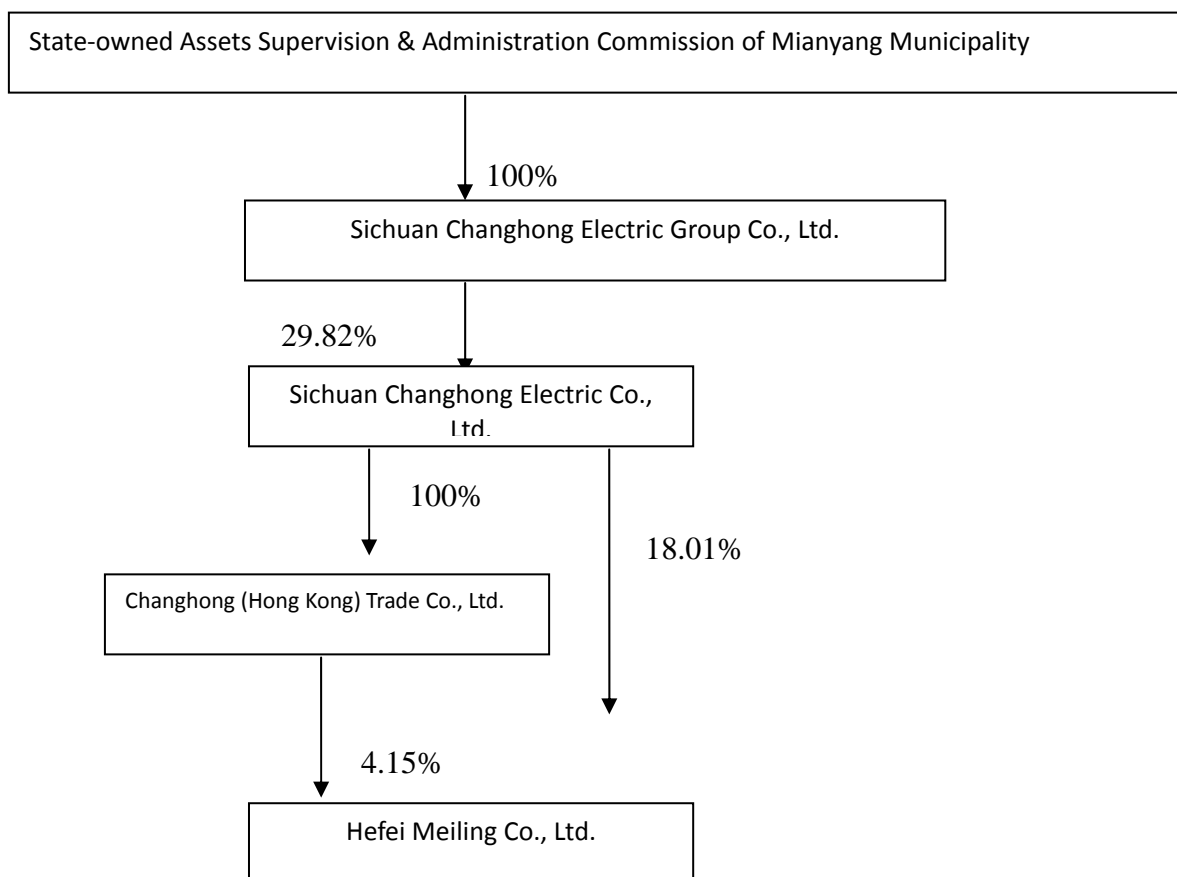
Sichuan Changhong is the controlling shareholder.

Sichuan Changhong Electric Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 1,898,210,000; registered address: No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan; business scope: manufactures, sales and maintenance of household appliance, electric products and spare parts, communications equipments, computer and other electrical equipments, specialized equipments of electronic and electrician, electrical machinery and equipment, series products of batteries, electric medicine products, electrical equipments, digital monitoring products, metal products, apparatus and instruments, culture and office machines, culture and education and sports products, furniture, kitchen cabinet and gas appliance; house and equipment rental, packing products and technical services; road transportaion, storage and discharging convey; e-commerce; R&D, sales and services of software; consultancy and services of enterprise management; hi-tech project investment and other state-permitted business; development and operation of property; callback and disposal of obsolete appliance and electric products.

Sichuan Changhong Electronics Group is the controlling shareholder of Sichuan Changhong Apparatus Co., Ltd. with the legal person representative Mr. ZhaoYong, rgisterred capital 898040000 and business scope of production and sales of home apparatus,electronic information products and so on. As ending 30 June2010, Sichuan Changhong held 849152736 shares,accounting for 29.82% of the Sichuan Changhong stocking。

Mianyang SASAC is the actual shareholder of Sichuan Changhong with100% shareholding in Sichuan Changhong.

Equity structure chart of the Company is as follows:



Section IV. Directors, Supervisors, and Senior Executives

I. Changes of shares held by directors, supervisor and senior executives of the Company

In the report period, among the directors, supervisors and senior executives, only the vice-president--- Mr. Wang Jiazhang held the shares of the Company with 89,674 shares. In report period, the shares held by Mr. Wang Jiazhang has no change.

II. New engagement and dismissal of directors, supervisors and senior executives of the Company:

Pursuant to the company's operation development, and upon the approval of 34th of 6th of the Board Meeting, and according to the CEO's nomination, it was agreed to appointed Li Wei as the Deputy CEO. Relevant announcements were published in Secuties Times, Hongkong Commercial Daily and Juchao website on 2ND June 2010.

On 26 Jan.2010,the supervisor—Mr. Qi Dunwei resigned for personal reason and got the supervisors' approval. On 26 Feb.2010, the supervisors appointed Mr. Shang Wen as the supervisors. The above-mentioned were disclosed respectively on On 28 Jan.2010 and 2 March.2010 in Secuties Times, Hongkong Commercial Daily and Juchao website.

Section V. Report of Board of Directors

I. operation results and its financial analysts

(一) operation results analysts

In first half year of 2010, at the background of the fluctuation of global crisis, the Company following the operation strategy of “products basis, quality principle, innovation marketing and lowered the cost”, and under the promotion of beneficial policies from the State, the Company obtaining a great performance. From the January to June of 2010, the capability of production and sales has a dramatically growth compared with same period of 2009. realized the operation income of RMB 4,576,000,000, a year-on-year growth of 34.85%. In which, the refrigerator industry realized the operation income of RMB3,273,000,000, a year-on-year 34.91% growth, realized a curring gains and loss of RMB 75,000,000, a year-on-year 296.53% growth. At the same time, according to the data, Meiling has a sales occupation rate of 10.61%(Zhong Yikang) in first and second degree market at the first half year of 2010, up a 0.5 percentage point year-on-year; in the rural household appliance, the sales occupation rate was accumulated to 10.5%(Market reseach center of Maimaiti), a year-on-year growth of 0.2 percentage point.

In report period, the Company fouce on the marketing of quality service. Concerning the innovation marketing, greatly promoted the sales volume by setting up Joint venture marketing company, organizing activities of rural household appliance with 10 years free maintance and quality examination activities (Meiling will return for you when the frigerator was not cooling) and brand present activities, the sales bolume increase 38% year-on-year.

The Company also developed the products activily for strength the competition of Meiling. Quality modification in order to promoted the products' quality, and push the strategy work of lower the cost, the amount of cost lowing has a year-on-year growth of 116%. Meanwhile, the Company star on the strategy plan of unifying development of Dianbai Industry. Though plan the midterm future of Meiling to determined the future development and projects with th purpose of promiting the stantially developmetn ability of Meiling.

Main operation index:

Unit: RMB

Item	Jan. to June, 2010	Jan. to June, 2009	Increase or decrease of variance scope (%)

Operation income	4,575,759,806.96	3,393,249,805.15	34.85%
Operation cost	3,448,098,730.82	2,555,248,647.49	34.94%
Gross profit from sales	1,127,661,076.14	838,001,157.66	34.57%
Sales expense	986,399,238.84	666,569,872.07	47.98%
Administration expense	84,359,075.10	95,574,281.02	-11.73%
Financial expense	-4,425,042.15	12,158,103.88	-136.40%
Net profit attributable to owners of parent company	218,616,696.38	36,255,089.84	503.00%

Analysis on reason for change:

1. Growth in operation income year-on-year mainly came from: benefited from policies of state Appliance-sent-to-Countryside, Replacement household appliances and Environmental & Economical, the promotion of management ability of the Company; strength the innovation construction with different ways; strengthening in market construction and product promotion; and adjustment of products structure in the report period.

2. there have a year-on-year growth on operating cost and sales gross profit, mainly due to the influence of growth of operating income.

3. sales expenses increase compared with last year mainly caused by the layout of "Rural household appliance". Marketing resource innovation, category the market, strength the sales ability that results in the increase of market support fee, AD fee, labor fee, vehicle gas expense and logistic warehouse etc. and the predicted fee of "10 years free maintainece" in a Rural household appliance plan.

4. net profit dramatically increase compared with that of last year mainly caused by the performance upgrade from the enlargement of business scale. The operation profit increased, and investment gains from disposal of partial financial assets available for sale, and the income of government subsidy .

(II) Analysis on financial status

Unit: RMB

Item	30 June 2010	31 December 2009	Variance scope(+,-) (%)
Notes receivable	1,991,166,609.04	892,748,372.08	123.04%
Account receivable	590,080,988.03	317,114,097.62	86.08%

Account paid in advance	204,748,953.43	109,721,377.94	86.61%
Inventory	1,255,457,988.28	1,052,702,140.26	19.26%
Account payable	1,716,535,832.24	1,157,326,858.96	48.32%
Account received in advance	806,709,974.79	718,021,736.69	12.35%
Tax payable	126,857,235.77	65,662,600.35	93.20%

Analysis on reason for change:

1、Increase in notes receivable compared with that of year-beginning, RMB 1,098,418,236.96,123.04%, was mainly due to the sales scope extension, sales payment notes increase and bill discounting endorsement.

2、Increase in accounts payable compared with that of year-beginning, was mainly due to large delivery sum and undue account receivable increase.

3、Increase in accounts paid in advance compared with that of year-beginning, was mainly due to the uncompleted transfer of 100% state-owned property in Meiling Grou.

4、Increase in inventoy compared with that of year-beginning, was mainly due to the busy season inventory.

5、Increase in account payable compared with that of year-beginning, was mainly due to increase in material purchase and undue account payable in the busy season of production and sales.

6、Increase in accounts received in advance compared with that of year-beginning, was mainly due to increase in accounts paid in advance by the dealers as of the prosperous sales in home-appliances-to-the-countyside products.

7、Increase in tax payable compared with that of year-beginning, was mainly due to payment for the added value tax and income tax payable.

II. Operation in the report period

(I) Main business scope and operation status

As house appliances enterprise, the Company's main business scope is manufacture of cooling appliance, air-conditioner, washer, CNC Injection Machine, computerized water-heater, plastic products, packaging and ornament production, the import-export of technology and operating in self-products.

1. Main business according to products of semi-annual 2010

Unit: RMB '0000

Item	Operating income	Operating Cost	Gross rare (%)	Year-on-year increase/decrease in	Year-on-year increase/decrease in	Year-on-year increase/decrease in gross

				operating income (%)	operating cost (%)	rate (%)
Refrigerator (Ice Box)	327,322. 34	226,544. 88	30.79 %	34.91%	22.83%	1.33%
Air-conditio ner	101,584. 86	93,638.5 8	7.82 %	21.99%	26.06%	-5.80%
Total	428,907. 20	320,183. 46	25.35 %	31.01%	31.72%	-0.06%

2. Main business according to are of semi-annual 2010

Unit: RMB'0000

Area	This period			Last period		
	Main business income	cost	Gross rate(%)	income	cost	Gross rate (%)
Sales in domestic	389,428.34	283,501.28	27.20%	293,777.60	214,548.26	26.97%
Exported products	39,478.87	36,682.18	7.08%	32,122.65	28,531.57	11.18%
Toal	428,907.20	320,183.46	25.35%	325,900.26	243,079.83	25.41%

(II) In the report period, there is no material change happened to profit constitution, main business and its structure, and profit-making ability of main business of the Company.

(III) In the report period, there is no other business activity which brings significant influence upon profit.

(IV) Particular about investment income from single joint-stock company brings influence on the Company's net profit over 10% in the report period.

In the report period, the Company sold part financial assets available for sale and received investment income after tax amounted to RMB 114,587,800 and obtained the dividend bonus of the shares amounted to RMB 210,000.

(V) Problems and strategies in operation

As for the instability of the global economic situation in the second half of 2010, the company will face up to some certain challenge and pressure. The company will popularize deeply the quality service, aggressively explore market and strengthen the sales.

III. Corporate Investment in Period

(I) Usage of Raised Funds

In the Period, there was no raised fund or use of previous fund continuing into the Period.

(II) Investment project by non-raised fund in Period

1. Refrigerator Capacity Extension

According to the Company's business needs, on 13 November 2009, the Company's 26th of

6th Board Meeting approved the Proposal of Reformation and Capacity Extension of Hefei Production Base, namely refrigerator capacity extension. The Company's 32nd of 6th Board Meeting on 19 April 2010 and 2nd Temporary Shareholders' Meeting approved the non-public issuance scheme and then the project of refrigerator capacity extension will be invested and established by use of non-public issuance raised funds, totaled RMB 37,517,780,000 (current capital included). The project is able two-phase; and upon two-phase construction, the annual production will be up to 600000 refrigerators of volume below 300L and 600000 refrigerators of volume above 300L, totaled 1,200,000 a year. Details of the aforementioned events were disclosed in announcements in Securities Times, Hongkong Commercial Daily and <http://www.cninfo.com.cn>.

The project was put on records by Hefei Development and Reformation Commission, and got approval and permission from the Hefei Environment Protection Bureau. As ending 30 June 2010, the Company has been channelling the own funds into the project while construction of land and houses are in early implementation as well as equipment asset inquiry, bidding and purchasing are in line with the project progress.

As under construction, the project has no investment return at present.

2. Capacity Extension of Environment Protection and Energy Saving Refrigerator

According to the Company's development strategy needs to enhance further the competition of the environment protection and energy saving refrigerator and that in domestic Midwest, the Company's 32nd of 6th Board Meeting on 19 April 2010 and 2nd Temporary Shareholders' Meeting approved the non-public issuance scheme and then the project of capacity extension of environment protection and energy saving refrigerator will be invested and established by use of non-public issuance raised funds, totaled RMB 37,517,780,000 (current capital included). The project subject included the Company and its subsidiary—Mianyang Meiling Cooling Co., Ltd. (hereafter referred as "Mianyang Meiling"); and the project construction included technology reformation of existing production lines for 600,000 environment protection and energy saving refrigerators to form two-shift productivity and construction of a new production line with 600,000 (two-shift) a year to finally form a production base of 1200000(two-shift) a year. The supplementary capital is used for R&D, purchase and sales of environment protection and energy saving refrigerators. Details of the aforementioned events were disclosed in announcements in Securities Times, Hongkong Commercial Daily and <http://www.cninfo.com.cn>.

The project was put on records by Economical Development Bureau of China (Mianyang) Scientific City Regulatory Commission, and got approval and permission from the Hefei Environment Protection Bureau. As ending 30 June 2010, the Company has been channelling the own funds into the project while the equipment asset inquiry, bidding and purchasing are in implementation.

As under construction, the project has no investment return at present.

IV. Routine of Board in Period

Date & session	Contents	Newspaper for disclosure
14 Jan. 2010 28 th of 6 th of Board Meeting	Approval for <i>Proposal of Application to Anhui People's Bank of China for RMB50000000 Short-term Credit</i>	Securities Times Hongkong Commercial Daily

26 Jan. 2010 29 th of 6 th of Board Meeting	Approvals for Proposal of Changhong Air Conditioner Bidding for 10% shareholding in Zhongshan Changhong Air Conditioner and Proposal of Application to Luyang (Hefei) Branch of People's Bank of China for RMB150000000 Short-term Credit	Securities Times Hongkong Commercial Daily
15 Mar. 2010 30 th of 6 th of Board Meeting	Approvals for Twenty Proposals as <i>2009 Annual Report and Summary of Report, Proposal of Compensation for Loss of Surplus Reserve, Proposal of Preparation for Price Fall of Accrued Inventory</i>	Securities Times Hongkong Commercial Daily
25 Mar. 2010 31 st of 6 th of Board Meeting	Approvals for <i>Proposal of Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd. and Proposal of Holding 1st Temporary Shareholders' Meeting</i>	Securities Times Hongkong Commercial Daily
19 April. 2010 32 nd of 6 th of Board Meeting	Approvals for Nine Proposals as <i>Proposal of Company's Qualifications for Non-public Issuance, Proposal of Non-public Issuance Scheme, Proposal of Preplan of Non-public Issuance of Hefei Meiling Co., Ltd.</i>	Securities Times Hongkong Commercial Daily
21 April. 2010 33 rd of 6 th of Board Meeting	Approvals for Five Proposals as <i>2010 First Quarter Report and Proposal for Bank Credit Guarantee for Sichuan Changhong Air Conditiner Co., Ltd.</i>	Securities Times Hongkong Commercial Daily
31 May. 2010 34 th of 6 th of Board Meeting	Approvals for Seven Proposals as <i>Proposal of Appointment of Deputy CEO, Proposal of Application to Hefei China Merchants for RMB120000000 Credit, Proposal of Signing of Agreement on Trademark Use Between Zhongshan Changhong Air Conditiner Co., Ltd. and Sichuan Changhong Air Conditiner Co., Ltd.</i>	Securities Times Hongkong Commercial Daily
11 June. 2010 35 th of 6 th of Board Meeting	Approval for <i>Report of Use of Last Raised Fund</i>	Securities Times Hongkong

		Commercial Daily
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In the Periodical, the Company also held three Shareholders' General Meeting. On 6th April 2010, it held the 2009 Annual Shareholders' General Meeting and approved sixteen approvals as *2009 Annual Report and Summary of Report Proposal of Withdrawal of Staff Retirement and Pension Benefit*. On 12th April 2010, it held the 1st Temporary Shareholders' Meeting and approved *Proposal of Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd.*. On 19th May 2010, it held the 2nd Temporary Shareholders' Meeting and approved eight proposals as *Proposal of Non-public Issuance Scheme, Proposal of Preplan of Non-public Issuance*. All the above events were disclosed in Securities Times, Hongkong Commercial Daily as well as in <http://www.cninfo.com.cn>, the designated website by the CSRC, and you can enquiry by inputting the Company's stock code in Personal Stock Inquiry.

V. the Financial Report of this semi-annual report have not been audited

Section VI. Significant Events

I. Corporate Governance

In the Period, pursuant to the requirements of *Company Law*, *Securities Law*, *Governance Ordinance of Listing Company* and Regulation of Stock Listing in Shenzhen Stock Exchange together with relevant law and rule, the Company continued establishing and perfecting the Corporate Governance Structure, enforced information disclosure, established and improved internal management and control systems, launch the corporate governance campaign continually and deeply, standardized the corporate operation and improved the corporate governance. At present, all corporate systems are basically healthy and complete, business operation standard, legal person structure perfect, which are up to requirements of standardization documents for listed company's governance announced by CSRC.

In the Period, pursuant to requirements of <Announcement of Enforcement of Registration of Regulation on Information Insider> (No. 103 Anhui SRB [2010]) and <Announcement of Jurisdictional Listed Company's Reception to Specific Subjects for Investigation & Study, and Interview> (hereafter referred as Announcements) (No. 149 Anhui SRB [2010]) by Anhui Stock Regulatory Bureau, the Company get together the Company's directors, supervisors, and senior management together with principals of all functional departments, branches and holding subsidiaries and launched the specific campaign for study and implementation of the Announcements. In this way, their sense of standard operation on inside information and reception to specific objects for investigation & study, and interview was strengthened with improvement of consciousness and initiative of the work. Meanwhile, upon the system building and perfection as <Work System of Reception and Promotion of Hefei Meiling Co., Ltd> included, and enforcement of regulation on registration of information insider and standardization of reception to specific subjects for investigation and study in practical work, the Company implemented the requirements of the Announcements practically. Later on, with enforcement of system building and execution, and improvement of corporate governance and business management, all facilitated improvement of creditability and transparency and promoted that of corporate standard operation.

II. Option Incentive Scheme in Period

In the Period, the Company has not made out or implemented the Option Incentive Scheme.

(I) Asset Acquisition

1. Changhong Air Conditioner Bidding for 10% Shareholding in Zhongshan Changhong
In Jan. 2010, China Five-Ore Group Co., Ltd. (hereafter referred as "China Five-Ore") made open selling of its 10% shareholding asset in Zhongshan Changhong Electrical Apparatus Co., Ltd. (hereafter referred as Zhongshan Changhong) in Beijing Property Exchange. According to the Company's strategic development needs in white power industry and for purpose of improvement of controlling capacity in and efficiency of decision and management and operation of Zhongshan Changhong, further integration and optimization of white power industry sources and development of air conditioner industry, the Company held 29th of 6th Session of the Board Meeting on 26th January 2010, and approved the <Proposal of Changhong Air Conditioner Bidding for 10% Shareholding in Zhongshan Changhong>, namely agreed the Company's participation via its wholly-owned subsidiary — Sichuan Changhong Air Conditioner Company., Ltd. (hereafter referred as Changhong Air Conditioner) in the open selling of 10% shareholding in Zhongshan Changhong by China Five-ore. The evaluation price of bidden assets before the open seeling was RMB 11398300 and yet the listed price is RMB 11412800. The permitted bidding price was no more than RMB 11500000. Complying with the required procedure, the Changhong Air Conditioner decided and entered for the bidding. As only one intentional transferee

(Changhong Air Conditioner) present in the open selling, and the stock transfer in agreement transferee pursuant to procedures and requirements in the Announcements, China Five-ore signed the <Property Exchange Contract> with Changhong Air Conditioner, namely transfer of its 10% shareholding asset in Zhongshan Changhong to Changhong Air Conditioner at agreement price of 11412800. upon Zhongshan Changhong's completion of registration of the industry-commerce change on 14th May, Sichuan Changhong had 10% direct shareholding in Zhongshan Changhong, and the Company 10% indirect shareholding via Sichuan Changhong.

2. Agreement Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd.

Pursuant to the Company's development program and need of uniform maintenance and management of Meiling brand, the Company held 31st of 6th Session of Board Meeting on 25th March 2010 and approved the <Proposal of Transfer of 100% State-owned Property in Hefei Meiling Company., Ltd. > with agreement of the agreement transfer of 100% state-owned property in Hefei Meiling Company., Ltd. (hereafter referred as Meiling Group) by Hefei Xingtai Holding Group Co., Ltd. (hereafter referred as Xingtai Holding), in exclusion of 1.2% stock property in the Company by Hefei Meiling. According to the evaluation result of the 100% state-owned asset by Hefei Group which was put on records by the State-owned Property Supervision and Regulatory Commission of Hefei Municipality, the asset evaluation price of the bidding was RMB 111,200,000 and the asset transfer price RMB 113,200,000 after full negotiation with Xingtai Holding. It was permitted to sign the <Property Transfer Contract>with the Xingtai Holding. The Company held 1st Temporary Shareholders' Meeting on 12th April 2010, and approved the <Proposal of Transfer of 100% State-owned Property in Hefei Meiling Company., Ltd. >. As the directors and supervisors were approving the proposal, all related directors and shareholders withdrew from the vote with all voting procedures up to rules of relevant law and regulation, price-setting of related transaction public, just and fair and without harm to the interest of the Company or other shareholders.

The 100% state-owned property in the agreement transfer included:

(1) Long-term investment: 100% state-owned shareholding in seven enterprises as Hefei Meiling Apparatus Industrial Trade Co., Ltd., Meiling Yingkaite Apparatus (Hefei) Co., Ltd., Hefei Yingkaite Apparatus Co., Ltd., Hefei Meiling Nonferrous Metal Product Co., Ltd., Hefei Meiling Precision Pine Industry Co., Ltd., Hefei Meiling Environment Protection Packaging Material Co., Ltd., Hefei Yingkaite Apparatus Co., Ltd. and 51.72% state-owned shareholding in Hefei Meiling Packaging Product Co., Ltd..

(2) Intangible assets: patent of registered trademark—"Meiling"and name of Meiling 28 products were registered as Meiling and the Meiling Group possessed patents of all products registered to the exclusion of 11th product and 23-year free use of "Meiling" trade mark of 11th product to the exclusion of refrigerator, ice cube and air conditioner.

On 9th April 2010, the Company received the document--< Approval of Agreement to Agreement Transfer of State-owned Property in Meiling Group > (Hefei State-owned Property No.34 [2010]), that issuance, the State-owned Property Supervision and Regulatory Commission of Hefei Municipality agreed the Xingtai Holding to transfer under agreement 100% state-owned property in partially off-stripped and indebted Meiling Group (name of the Meiling Group) at price of RMB 113,200,000 to the Company.

At present, Xingtai Holding has fulfilled procedures of reduction in assets of Meiling Group partially off-stripped and indebted. As at 28th July 2010, the Company has completed the procedures of registration for industry-commerce changes. Upon the stock transfer, the Company had 100% shareholding of the Meiling Group.

Announcements of all the aforementioned events were disclosed respectively on 26 March 2010, 13 April 2010, June 25 2010 and 29 July 2010, in Securities Times, Hongkong

Commercial Daily and Juchao website (Announcement No. 2010-012, 2010-016, 2010-017, 2010-035, 2010-038)

(II) Asset sales

Pursuant to the Company's business development and for purpose of the Company's main business development and revitalization of financial assets available for sale by concentration of core resource, the Company, after the resolution of the shareholders and directors, agreed to authorize the operation level to sell progressively in the secondary market the financial assets (Kedaxunfei, share of China Insurance) available for sale complying with relevant rules and financial market environment, of which, stock in China Insurance has sold out by 2009. In the Period, the operation level has sold the financial assets of 3618233 shares in Kedaxunfei in accumulation with the net investment return of RMB 11458779217. As ending 30 July 2010, the Company still held 84767 shares in Anhui Kedaxunfei Information Technology Co., Ltd.

V. Material related transactions in the report period

(I) Related purchase

1. Policy for setting price

The Company's purchase of materials from related enterprises was all conducted in the form of public bidding according to market prices.

2. Statement on the purchase of goods from related parties

Type of related parties and name of related party	Amount in this period		Amount at same period of last year	
	Amount(RMB'0000)	Proportion	Amount(RMB'0000)	Proportion
Ultimate parent company and ultimate controller				
Which: Sichuan Chongqing Electric Power Co., Ltd	3,665.57	0.94%	43,356.35	15.83%
Subsidiary and affiliated enterprise				
Which: Hefei Hengxing Packing Corporation	2,477.94	0.64%	1,620.66	0.59%
Other enterprise under the control of same parent company and ultimate controller				
Which: Sichuan Chongqing Hengxing Logistics Ltd.	2,859.19	0.74%	918.76	0.34%
Which: Hefei Hengxing Pressor Co.,	20,457.92	5.27%	13,664.01	4.99%

ian ghong Mould astic nology Co.,	11,292.04	2.91%	2,697.28	0.98%
ian ghong Jijia Co., ltd.	8,973.03	2.31%	2,243.27	0.82%
uan Hongxin ware Co., Ltd.	70.00	0.02%	108.38	0.04%
nyang igfaMode ign Co., ltd.	10.59	0.00%		
uan ghong ing Printing Ltd.	1,618.73	0.42%	639.87	0.23%
uan ghong Power ted Liability pany	0.39	0.00%		
uan ghong yuan Fine pment Co.,	1,886.66	0.49%	227.77	0.08%
uan ghong Fine ric technology Ltd.	119.53	0.03%	24.30	0.01%
uan ghong Device ology Co.,	1,083.60	0.28%	406.74	0.15%
uan	30.14	0.01%	13.33	0.00%

ghong New gy Technology Ltd.				
uan Liyuan onic Co., Ltd.	375.08	0.10%		
nyang run Electronic Ltd.				
ngdong ghong ronic Co., Ltd.	1.05	0.00%	7.09	0.00%
ngshan ghong ld-Plastic nology Co.,	10.70	0.00%	37.71	0.01%
ated enterprises of controlling shareholders and actual controller				
ian Changhe nology Co.,	79.40	0.02%		
uan Changxin rigeration nponent Co.,	238.83	0.06%		
ian Jinghong ing Co., Ltd.	413.61	0.11%		
uan Hongyu al ufacture ited Liability npany	35.25	0.01%		
Total	55,699.25	14.34%	65,965.52	24.08%

(II) Associated sales

1、Goods sold to the related party was at the market price of the same type.

2、Detailed table of goods to the related party

Type of related parties and name	Amount in this period		Amount at same period of last year	
	Amount(RMB'0000)	Proportion	Amount(RMB'0000)	Proportion
Parent company and ultimated controller				
In which: Sichuan Changhong Electric Appliance Co., Ltd	57,743.39	12.62%	44,341.78	13.07%
Joint venture and affiliated enterprise				
In which: Chaohu Meiling Marketing Co., Ltd.	2,423.07	0.53%		0.00%
Jiujiang Meiling Marketing Co., Ltd.	1,716.17	0.38%		0.00%
Haozhou Meiling Marketing Co., Ltd.	1,671.99	0.37%		0.00%
Guangyuan Meiling Marketing Co., Ltd.	1,386.35	0.30%		0.00%
Guangxi Meiling Marketing Co., Ltd.	939.60	0.21%		0.00%
Changzhou Meiling Marketing Co., Ltd.	636.63	0.14%		0.00%
Other enterprise under the control of same parent company and ultimated controller				
In which: PT.CHANGHONG ELECTRIC IND	3,043.97	0.67%	3,697.00	1.09%
Sichuan Changhong Jijia Fine Co., Ltd.	2,152.78	0.47%	1,333.37	0.39%
Sichuan Changhong Mould-Plastic Technology Co.,	4,013.21	0.88%	1,418.18	0.42%

Ltd.				
Sichuan Hongshi Display Technology Co., Ltd.				0.00%
Mianyang Lejiayi Commerce Chain Co., Ltd.	95.35	0.02%	178.17	0.05%
Jiangxi Changhong Electronic Technology Development Co., Ltd.	6.76	0.00%		0.00%
Sichuan Changhong Fine Electronic Technology Co., Ltd.	125.87	0.03%		0.00%
Hong Kong (Changhong) Trade Co., Ltd.			31.38	0.01%
Sichuan Changhong Xinrui Technology Co., Ltd.	62.61	0.01%	98.40	0.03%
Chengdu Lejiayi Commerce Co., Ltd.			5.30	0.00%
Sichuan Changhong International Hotel Limited Liability Company	0.39	0.00%	41.54	0.01%
Chongqing Hong Life Commerce Co., Ltd.	25.25	0.01%	21.84	0.01%
Tianjin Lejiayi Commerce Co., Ltd.				0.00%
Huayi Compressor Holding Co., Ltd.				0.00%

Sichuan Changhong Device Technology Co., Ltd.	13.33	0.00%	4.70	0.00%
Kunming Yijiahong Commerce Co., Ltd.	5.93	0.00%		0.00%
Sichuan Changhong Electronic System Co., Ltd.	3.09	0.00%	2.05	0.00%
Fuzhou Lejiayi Commerce Co., Ltd.	-1.05	0.00%	3.29	0.00%
Tianjin Lejiayi Commerce Co., Ltd.				0.00%
Jinan Lejiayi Commerce Co., Ltd.				0.00%
Sichuan Hongrui Electrician Limited Liability Company				0.00%
Sichuan Hongou Display Device Co., Ltd.	458.59	0.10%	1.46	0.00%
Sichuan Changgong New Energy Technology Co., Ltd.				0.00%
Guangdong Changhong Electronic Co., Ltd.	47.60	0.01%	0.75	0.00%
Guangdong Changhong Digital Technology Co., Ltd.	3.92	0.00%		0.00%
Taiyuan Lejiayi Commerce Chain			0.77	0.00%

Co., Ltd.				
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.	0.44	0.00%	0.16	0.00%
Lejiayi Chain Management Co., Ltd.				0.00%
Changhong Electrical Apparatus(Austrilia) Co., Ltd.	221.03	0.05%	1.59	0.00%
Zhongshan Guanghong Mould-Plastic Technology Co., Ltd.	10.00	0.00%	22.63	0.01%
Sichuan Changhong Packing Printing Co., Ltd.	10.95	0.00%		0.00%
Sichuan Changhong Minsheng Logistic Limited Liability Company	18.46	0.00%		0.00%
Sichuan Kuaiyidian Electrical Apparatus Service Chain Co., Ltd.	0.38	0.00%		0.00%
Affiliated enterprise of controlling shareholders and actual contoller				
Sichuan Changxin Refrigeration Device Co., Ltd.				0.00%
Total	76,836.06	16.79%	51,204.36	15.09%

(III) 2010 年年初公司预计全年关联交易总金额将不超过 315,000.00 万元，2010 年上半年公司与关联方发生关联采购及销售金额合计为 132,535.31 万元，占年初预计金额的 42.07%。

(IV) in report period, particulars about eh liabilities and debt transaction or guarantees between the Company and its related parties.

1、particular about liabilities and debts between the company and its related parties

Name of related parties	Relationship with the listed company	Capital offer to related parties from listed company		Capital offer to listed company from related parties	
		Occurred amount	Balance	Occurred amount	Balance
Sichuan Changhong Electric Co., Ltd	Parent company			-92,313,755.86	193,928,843.19
Hefei Meiling Packing Corporation	Affiliated enterprise				340,000.00
Sichuan Changhong Minsheng Logistics Co., Ltd.	Other enterprise under the control of same parent company and ultimated controller			139,137.30	5,652,223.28
Sichuan Changhong Mould & Plastic Technology Co., Ltd.	Other enterprise under the control of same parent company and ultimated controller				100,000.00
Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise under the				150,000.00

	control of same parent company and ultimated controller				
Sichuan Changhe Technology Co., ltd.	Affiliated enterprise of controlling shareholders and actual controller			50,000.00	50,000.00
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Affiliated enterprise of controlling shareholders and actual controller			55,362.36	55,362.36
Total				-92,069,256.20	200,276,428.83

Of which: Occurred amount of fund provided by the listed company to controlling shareholder and its subsidiaries in the report period was RMB 0.00, balance RMB 0.00.

2. Guarantees between the Company and related parties in the report period

Ended 30 June 2010, guarantee provided by Sichuan Changhong Electric Group Co., Ltd for loans of the Company totaled to RMB 60 million in period-end. Total RMB 300 million was provided for bank acceptance.

(VI) Other related connections

1. Agreement Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd.

Details in the part of (I) 2 of part IV in Section VI., named as Agreement Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd..

2. <Agreement of Use of Trademark> among Changhong Air Conditioner, Zhongshan Changhong and Sichuan Changhong

Pursuant to the Company's business development, upon the approval of 34th of the 6th Session of the Board Meeting, it was agreed to sign the <Contract of Permission of Use of Trademark>. It was stipulated that: under the condition that Sichuan Changhong is the controlling shareholder of Hefei Meiling Co., Ltd. and Hefei Meiling Co., Ltd. the controlling shareholder of Changhong Air Conditioner and Zhongshan Changhong, the owner of the trademark—Sichuan Changhong permitted Changhong Air Conditioner and Zhongshan Changhong free use of the registered trademark“长虹”in the air conditioner and air clearer; and then Changhong Air Conditioner and Zhongshan Changhong were to use

the trademark in the registry pursuant to the stipulations. It was also stipulated specifically as the mutual right and duty, change and termination of contract, responsibility of breach of contract.

Concerning the above related transaction, the independent directors all aired admmissive and independent opinions. The transaction was favorable to the listed company' development and correspondent to all directors' interest without harm to the company's or other shareholders'. Details of the aforementioned were referred to relevant announcements in Securities Times, Hongkong Commercial Daily and Juchao website (Announcements No. 2010-030, 2010-031).

3. <Patent Licencing Contract> between Zhongshan Changhong and Sichuan Changhong

Pursuant to the Company's development in air conditioner business, and upon the approval of 34th of the 6th Session of the Board Meeting, it was agreed that Zhongshan Changhon as the controlling subsidiary, signed with Sichuan Changhon as the controlling shareholder, the <Patent Licencing Contract>. It was stipulated that under the condition that Sichuan Changhong is the controlling shareholder of Hefei Meiling Co., Ltd. and Hefei Meiling Co., Ltd. the controlling shareholder of Changhong Air Conditioner and Zhongshan Changhong, the owner of the trademark—Sichuan Changhong authorized Zhongshan Changhong free use of four patents in air conditioner (out-door equipment of split type air conditioner, heat exchanger of air-conditioner included) in the legal patent validity. The pattern and scope of the license were Sichuan Changhong's authorization to Zhongshan Changhong for exclusive possession with no use, transfer, sub-license, or global license and right to produce, use, develop and sell the licensed products in the contract period. It was also specifically stipulated as offer and share of the confidence and follow-up improvement, and breach, claim and validity of contract.

Concerning the above related transaction, the independent directors aired admmissive and independent opinions. The transaction was favorable to the listed company' development and correspondent to all directors' interest without harm to the company's or other shareholders'. Details of the aforementioned were referred to relevant announcements in Securities Times, Hongkong Commercial Daily and Juchao website (Announcements No. 2010-030, 2010-031) on 2 June 2010.

4. Sichuan Changhong's Subscription for the Company's A-share offered non-publicly in 2010

Sichuan Changhong were to participate in the Company's non-public intended offering of A-share in 2010 and committed to subscribe for the non-public stock with RMB 400000000 in cash and in amount of no more than 400000000 shares. Details were referred to Section 7 VII. Other significant events.

VI. Material contracts and their implementations in the report period

(I) there are no major trust, contract, lease of other company's assets or items entrsted , contracted, leased of the Company.

(II) Material guarantee contracts

Except for the controlling subsidiaries of the Company, there are no any legal person or nature person received guarantee from the Company. All guarantees provided to contolling subsidiaries based on the loans arising from supporting their operations, and all in warrantee. As at the end of 30 June 2010, the external guarantee and guarantee for subsidiaries are as follwed:

Unit: RMB'0000

External guarantees (excluding guarantees for controlling subsidiaries)								
Guarantee's name	Relevant disclosure date /No.	Guarantee amount	Date of happening (date of agreement signing)	Actual guarantee amount	Guarantee type	Guarantee term	Accomplished or no	For related parties or not (yes or no)
N/A								
Total of external guarantee approved in Period (A1)		0		Total of actual external guarantee in Period(A2)		0		
Total of external guarantee approved at Period-end (A3)		0		Total of actual external guarantee at Period-end (A4)		0		
Company 's Guarantee for subsidiaries								
Guarantee's name	Relevant disclosure date /No.	Guarantee amount	Date of happening (date of agreement signing)	Actual guarantee amount	Guarantee type	Guarantee term	Accomplished or not	For related parties or not (yes or no)
Zhongke Meiling Cryogenic Technology Limited Liability Co.	2 June 2010 No.:2010-032	1,000	8 June 2010	1,000	Credit	1year	Not	No
Sichuan Chuanghong Air Conditioner Co., Ltd.	22April 2010 No.:2010-024	8,000	1 June 2010	8,000	Credit	1 year	Not	No
Total of guarantee for subsidiaries approved in		9,000		Total of actual guarantee for subsidiaries in		9,000		

Period (B1)		Period (B2)	
Total of guarantee for subsidiaries approved at Period-end (B3)	10,500	Total of actual guarantee for subsidiaries at Period-end (B4)	10,500
Total of Company's guarantee (namely total of the large two aforementioned)			
Total of guarantee approved in the Period (A1+B1)	9,000	Total of actual guarantee in the Period (A2+B2)	9,000
Total of guarantee approved at Period-end (A3+B3)	10,500	Total of actual guarantee at Period-end (A4+B4)	10,500
Proportion of the actual guarantee total in Company's net assets (A4+ B4)		7.32%	
Including:			
Guarantee for shareholders, actual controllers and related parties(C)		0	
Debt guarantee for guarantee objects of direct/indirect asset liabilities above 70% (D)		0	
Guarantee totaled above net assets 50%(E)		0	
Total of three guarantees aforementioned (C+D+E)		0	
Explanations on possible affiliated redemption responsibilities for undue guarantees		N/A	

The aforementioned warranties are the Company's controlling subsidiaries. These companies run normally, bringing no negative influence on the Company's financial status. Details are as followings:

Unite: RMB'0000

Name of guarantee	Guarantees provided by the Company to controlling subsidiaries			
	Amount of guarantee	Guarantee initial date	Guarantee due date	Accomplished or not
Zhongke Meiling Cryogenic Technology Limited Liability Co.,	300	2008-8-18	2010-8-18	Not
Zhongke Meiling Cryogenic Technology Limited Liability Co.,	800	2009-5-15	2010-5-15	Yes

Zhongke Meiling Cryogenic Technology Limited Liability Co.,	2,000	2008-3-3	2010-3-3	Yes
Zhongke Meiling Cryogenic Technology Limited Liability Co.,	1,200	2009-4-18	2012-4-18	Not
Zhongke Meiling Cryogenic Technology Limited Liability Co.,	1,000	2010-6-1	2011-5-30	Not
Sichuan Changhong Air Conditioner Co., Ltd.	8,000	2010-4-27	2011-4-27	Not
Total balance at report period-end for controlling subsidiaries	10,500			
Proportion of guarantees to net assets of the Company	7.32%			

(III) No cash management entrusted in report period

VII. Other Significant Events

In the Period, pursuant to the development strategy and operation development, and upon the approval of 32nd of 6th of the Board Meeting, the Company planned to raise funds by non-public offering to specific objects including the first largest shareholder (Sichuan Changhong) for investment in projects as deluxe refrigerator production based, capacity extension of energy-saving-and-environment-protection refrigerator and ice cuber and supplementation to current capital. Net of raised funds in the non-public offering was expected no more than RMB 1200000000 with no more than ten specific issuing objects including Sichuan Changhong, no less than 5000000 shares and yet no more than 13000000 shares of which Sichuan Changhong was to subscribe for no more than 40000000 shares with RMB 400000000, and offering price no less than RMB10.18 each.

Details of the aforementioned were referred to relevant announcements in Securities Times, Hongkong Commercial Daily and Juchao website respectively on 20 April 2010 and 20 May 2010.

In the end of June 2010, the Company presented the application material for the non-public offering; and on 1 July 2010, the CSRC provided the acceptance advice.

VIII. Commitments

(I) Commitments for Share Merge Reform

The Company implemented the Share Merge Reform on 24 August 2010, that is, the Company took the 151530340 current shares before the Reform and arranged 1.5share per 10 shares by valuable consideration for all current A-share holders registered before the registered date of scheme implementation. Upon completion of the valuable consideration, the shareholding of Meiling non-current share holders got the right to come into the market.

As at end of the Period, the non-current shareholders all have strictly fulfilled commitments in the moratorium and other relevant commitment.

(II) Commitments for transfer of air conditioner asset

10 November 2009, the Company signed with Sichuan Changhong and

ChanghongChuangtou in Mianyang City the <Property Exchange Contract> concerning the successful bidding fro shareholding in Zhongshan Changhong and Changhong Air Conditioner; at the same day, the Company received the <Commitment Letter> presented by the large shareholder—Sichuan Changhong. For purpose of Meiling’s development, its independence and withdrawal from the intratype competition between the Sichaun Changhong and Meiling Apparatus, Sichuan Changhong committed that:

1. Concerning property and land in use by Changhong Air Conditioner were not in the assets scope of the transfer, Sichaun Changhong committed that it would continue leasing to Changhong Air Conditioner at market price and negotiate with Meiling Appratus about the transfer of partial property and land according to Changhong Air Conditioner’s operation.

2. Upon the transfer, Sichuan Changhong committed that it would make efforts to withdraw from new related transaction with Meiling Appratus; however, as for the inevitable ones, it committed that it would set price of related transaction in market manner to make sure the transaction fair, just and with no harm to Meiling’s interest.

3. For support of development of Meiling apparatus and air conditioner, and upon the transfer, Sichuan Changhong committed that it would continue authorizing free use of trademark--‘Changhong’ in the coming three years to Changhong Air Conditioner and Zhongshan Changhong. As the above authority due, Sichuan Changhong would negotiate with Meiling Apparatus about the authorized use of patent“Changhong”according to Meiling Apparatus’s air conditioner development.

4. Upon the transfer, Sichuan Changhong committed that it would not enter into operation business or activities that competed or conflicted with Meiling Apparatus’s current or future business, as air conditioner or refrigerator.

(III) Commitments for Reduction of and Withdrawal from Intratype Competition

The Company was to issue A-share non-publicly and presented <Commitment Letter of reduction of and withdrawal from intratype competition with Hefei Meiling Co., Ltd. > and committed and guaranteed that:

1. In addition to assistance activities required by Meiling Apparatus for its interest, Sichuan Changhong would not take initiative in business and activities competing or conflicting with Meiling Apparatus’s.

2. The Company guaranteed that it would use the shareholders’ right legally and reasonably without take any activities restricting or influencing Meiling’s normal operational.

3. If Meiling expanded its business scope futher while the Company had already operated the new business, the Company agreed to authorize Meiling Apparatus the relevant preferential acquisition right only that the Company was still the controlling shareholder or actual controller.

(IV) Sichuan Changhong’s Commitment Letter of Reduction and Standardization of Related Transaction with the Company

The Company was to issue A-share non-publicly and presented <Commitment Letter of reduction of and withdrawal from intratype competition with Hefei Meiling Co., Ltd. > and committed and guaranteed that:

1. It would take measures to make efforts to avoid continual related transaction with Meiling, and as for the inevitable ones, signed the related connection contract legally and set the just price respectively according to the marketization principle—equity and mutual benefit, making compensation for equal value, and current market standard.

2. It would fulfill duties as necessary withdrawal of related directors and shareholders from the vote and obedience to legal procedures of related transactions and duties of information disclosure.

3. It guaranteed that it would not harm the legal interests of Meilng Apparatus and

other shareholders of Meiling.

(VI) Transfer of State-owned Property in Meiling Group

As the Company (A Party or Transferee) signed decimal the <Property Transfer Contract> with Xingtai Holding Co., Ltd. (hereafter referred as Xingtai Holding) on 25th March 2010, the Company transferred under the agreement the 100% state-owned property in Hefei Meiling Co., Ltd. (hereafter referred as Meiling Group) which is partially striped and indebted, held by Xingtai Holding, (including“Meiling”trademark, business name, together with 8 wholly-owned or controlling subsidiaries, excluding 1.2% stock property of Meiling Group in the Company). Commitments relevant to the Company were as follows:

1. There was no change in the legal subject position of the transferring enterprise. The new transferee entity would not move out from the Hefei City within the legal duration and continue enter into apparatus and its related industry. The new transferee entity would pay tax no less than RMB 15000000—sum of the last year within 5 years in Hefei City.

2. Within 5 years from the effectual day of the contract, investment newly increased in Hefei City is no less than RMB 10000000.

3. Within 5 years from the signing, A Party, besides the internal transfer, would not transfer the bid.

4. Meiling Group transferred to Hefei Xingtai Asset Management Co., Ltd.the credit in total of RMB 4869000 under the transfer scope held by the subsidiary (the actual sum is the one in the audited report as ending 25th March 2010) with the new transferee entity paying off in 2 years from the signing day(a legal valid contract is necessary).

5. The transferee offered the post in proportion to 80% of the now on-the-job number in the transferring enterprise and subsidiary in the transfer. Under the same condition, the existing staff and management had the privileges to be hired and arranged. As day of the displacement is the continuing day of labor relations, it signed the labor contract of no less than 3 years with hired people within one month from the effecting day. It continued and handled all social insurances and paid for the housing reserve according to Hefei relevant rules.

6. The transferee inherited all assets and liabilities evaluated and confirmed, of the transferring enterprise.

7. The transferee continued fulfilling the agreement signed with the external parties by the transferring enterprise.

8. The transferee continued cooperating with the A Party to complete the strip-off of the nontransferable equity in the transferring enterprise.

9. The transferee had to make rational utilization of land in the transfer without claim to change in land usage.

10. The transferee did not dilute or weaken the trademark and business name“Meiling”, maintain them properly and committed that Meiling production amount in Hefei was no less than 70% of the total, increase of sales amount no less than 20%, fee for its product research and development and trademark maintenance no less than 1% of the sales sum.

IV. General situation of Company’s Capital appropriation by controlling shareholders and subsidiaries and independent opinions by independent directors on Listed Company’s capital appropriation by controlling shareholders and other related parties, and Company’s external guarantee

(I) There was no appropriation of the Company’s capital by the largest shareholder, actual controllers and its subsidiaries.

(II) Pursuant to the requirements <Notice of Standardization on Capital Dealings with Related Party and External Guarantee of Listed Company> (CSRC No.56 [2003]) released by CSRC and SASAC. As ending in the Period, there was no guarantee of the Company for the related party or previous guarantee continuing into the Period.

(III) Specific explanation and independent opinion of independent directors on Company's Capital appropriation by controlling shareholders and other related party Pursuant to the requirements <Notice of Regulation on Capital Dealings with Related Party and External Guarantee of Listed Company> (CSRC No.56 [2003]) released by CSRC and External Guarantee of Listed Company and <Notice of Standardization on External Guarantee>(CSRC No.120 [2005])(hereafter referred as <Announcements>), independent directors as Mr. Wang Xingzhong, Mr. Song Baozeng, and Mr. Liu Youpeng with the attitude of being rigorous, practical and realistic, and serious and responsible, carefully checked the Company's semi-annual external guarantees in 2010 and made explanations and independent opinions on the checking.

In the Period, total of the external guarantee of the Company and its subsidiaries was RMB 105000000, accounting for 7.93% of the net assets audited lately, all of which were parent company's guarantees for its controlling subsidiaries with bank financing credit guarantee of RMB 2500 for Zhongke Meiling Low-temperature Technology Co., Ltd. and bank financing credit guarantee of RMB 8000 for Sichuan Meiling Co., Ltd. The controlling subsidiaries' guarantee for the joint stock subsidiaries was RMB 0 and there was no over-due external guarantee.

As ending 30 June 2010, there was no listed company's capital appropriation for non-operation by the controlling shareholders or related party. In the Period, even though there was listed company's capital appropriation for non-operation by the controlling shareholders or related party, the Company did not provide direct or indirect capital for their use.

Independent directors concluded that the Company executed the following strictly complying with regulations and requirements in the <Announcements>, standardization on the capital dealings between the Company and its controlling shareholders or related party, and external guarantee which was up to the regulatory requirements and regulation, fulfilled the relevant approval procedures without illegal external guarantees, strict control and prevention on the business risk to protect the interest of stock public and the Company. In the period, all external guarantees were for the production and business, and rational capital utilization of the Company and its subsidiaries, and the guarantee procedures were legal and rational without harm to the interests of the Company and shareholders, especially the mid-small ones.

IX. General situation of Company's Capital appropriation by controlling shareholders and subsidiaries and independent opinions by independent directors on Listed Company's capital appropriation by controlling shareholders and other related parties, and Company's external guarantee

(I) There was no appropriation of the Company's capital by the largest shareholder, actual controllers and its subsidiaries.

(II) Pursuant to the requirements <Notice of Standardization on Capital Dealings with Related Party and External Guarantee of Listed Company> (CSRC No.56 [2003]) released by CSRC and SASAC. As ending in the Period, there was no guarantee of the Company for the related party or previous guarantee continuing into the Period.

(III) Specific explanation and independent opinion of independent directors on Company's Capital appropriation by controlling shareholders and other related party Pursuant to the requirements <Notice of Regulation on Capital Dealings with Related Party and External Guarantee of Listed Company> (CSRC No.56 [2003]) released by CSRC and External Guarantee of Listed Company and <Notice of Standardization on External Guarantee>(CSRC No.120 [2005])(hereafter referred as <Announcements>), independent directors as Mr. Wang Xingzhong, Mr. Song Baozeng, and Mr. Liu Youpeng with the attitude

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In the Period, total of the external guarantee of the Company and its subsidiaries was RMB 105000000, accounting for 7.93% of the net assets audited lately, all of which were parent company's guarantees for its controlling subsidiaries with bank financing credit guarantee of RMB 2500 for Zhongke Meiling Low-temperature Technology Co., Ltd. and bank financing credit guarantee of RMB 8000 for Sichuan Meiling Co., Ltd. The controlling subsidiaries' guarantee for the joint stock subsidiaries was RMB 0 and there was no over-due external guarantee.

As ending 30 June 2010, there was no listed company's capital appropriation for non-operation by the controlling shareholders or related party. In the Period, even though there was listed company's capital appropriation for non-operation by the controlling shareholders or related party, the Company did not provide direct or indirect capital for their use.

Independent directors concluded that the Company executed the following strictly complying with regulations and requirements in the <Announcements>, standardization on the capital dealings between the Company and its controlling shareholders or related party, and external guarantee which was up to the regulatory requirements and regulation, fulfilled the relevant approval procedures without illegal external guarantees, strict control and prevention on the business risk to protect the interest of stock public and the Company. In the period, all external guarantees were for the production and business, and rational capital utilization of the Company and its subsidiaries, and the guarantee procedures were legal and rational without harm to the interests of the Company and shareholders, especially the mid-small ones.

X. Registration form for receiving research, communication and interview in the report period.

Date	Place	Way	The received parties	Contents discussed and materials supplied
13 January 2010	Conference Room of the Company	Spot investigation	Everbright securities	Operation situation disclosed
21 January 2010	Conference Room of the Company	Spot investigation	Ruiyin Securities	Operation situation disclosed
23 Mar. 2010	Conference Room of the Company	Spot investigation	Guangfa Fund	Operation situation disclosed
25 Mar. 2010	Conference Room of the Company	Spot investigation	Shenyin&Wanguo	Operation situation disclosed
8 Apr.2010	Conference Room of the Company	Spot investigation	QFFI Investor ,Everest Capital	Operation situation disclosed
28 April. 2010	Conference Room of the Company	Spot investigation	Shenyin&Wanguo, Ruiyin International Fund and CITIC securities	Operation situation disclosed and the non-public offering scheme 2010
7 May 2010	Conference Room of the Company	Spot investigation	Everbright Securities and Haitong	Operation situation disclosed and the non-public offering scheme 2010

			securities	
21 May 2010	Conference Room of the Company	Spot investigation	Guotai Fund	Operation situation disclosed and the non-public offering scheme 2010
8 June. 2010	Conference Room of the Company	Spot investigation	Changsheng Fund and Guoyuan Securities	Operation situation disclosed and the non-public offering scheme 2010
18 June 2010	Conference Room of the Company	Spot investigation	Securities Times	Operation situation disclosed and the non-public offering scheme 2010

Section VII. Financial Report (Un-audited)

I. Financial Statement

(I) Consolidation and Balance Sheet of Parent Company

Prepared by Hefei Meiling Co., Ltd.

30 June 2010

Unit: RMB

Form-01

Assets	Note		Merger		Parent Company	
	Me rge r	Parent Comp any	Amount at period-end	Amount in year-begin	Amount at period-end	Amount in year-begin
Current assets:						
Monetary funds	1		503,480,177. 19	747,572,445. 88	373,124,414.9 6	579,447,940. 41
Settlement provisions			-	-	-	-
Capital lent			-	-	-	-
Transaction finance asset			-	-	-	-
Notes receivable	2		1,991,166,60 9.04	892,748,372. 08	1,845,783,387 .37	842,917,722. 71
Accounts receivable	3	1	590,080,988. 03	317,114,097. 62	309,465,553.7 3	201,332,264. 42
Accounts paid in advance	4		204,748,953. 43	109,721,377. 94	206,399,852.0 1	134,789,646. 12
Insurance receivable			-	-	-	-
Reinsurance receivables			-	-	-	-
Contract reserve of reinsurance receivable			-	-	-	-
Interest receivable			-	-	-	-
Dividend receivable			-	-	-	-
Other receivables	5	2	49,090,699.0 0	18,325,650.1 9	30,077,431.10	13,900,993.2 4
Purchase restituted finance asset			-	-	-	-
Inventories	6		1,255,457,98 8.28	1,052,702,14 0.26	862,734,573.8 4	806,388,957. 97
Non-current asset due within one year			-	-	-	-
Other current assets			-	-	-	-
Total current assets			4,594,025,41	3,138,184,08	3,627,585,213	2,578,777,52

			4.97	3.97	.01	4.87
Non-current assets:				-		-
Granted loans and advances			-	-	-	-
Finance asset available for sales	7		3,021,943.55	134,011,570.00	3,021,943.55	134,011,570.00
Held-to-maturity securities			-	-	-	-
Long-term account receivable			-	-	-	-
Long-term equity investment	8	3	37,589,372.97	37,028,371.63	555,446,230.13	557,185,228.79
Investment real estate	9		14,087,505.74	14,423,395.21	9,968,382.30	10,136,925.05
Fixed assets:	10		773,727,924.18	802,671,721.93	581,610,657.63	592,203,832.78
Construction in progress	11		17,097,671.61	8,930,438.02	28,854,519.95	19,652,067.31
Engineering material			-	-	-	-
Disposal of fixed asset	12		-	-	-	-
Productive biological asset			-	-	-	-
Oil and gas asset			-	-	-	-
Intangible assets	13		586,483,054.72	603,705,411.46	537,766,045.95	550,011,819.36
Expense on Research and Development	14		25,019,544.89	15,413,612.97	-	-
Goodwill			-	-	-	-
Long-term expenses to be apportioned	15		300,000.00	600,000.00	-	-
Deferred income tax asset	16		40,362,484.06	31,965,504.19	38,159,521.15	30,546,536.79
Other non-current asset			-	-	-	-
Total non-current asset			1,497,689,501.72	1,648,750,025.41	1,754,827,300.66	1,893,747,980.08
Total assets			6,091,714,911.72	4,786,934,105.41	5,382,412,513.66	4,472,525,500.08

			6.69	9.38	.67	4.95
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Legal representative: Zhao Yong

Person in Charge of Accounting Works:

Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

(II) Consolidation and Balance Sheet of Parent Company (Con.)

Prepared by Hefei Meiling Co., Ltd.

30 June 2010

Unit: RMB

Form-01

Liabilities and shareholder's equity	Note		Merger		Parent Company	
	Merger	Parent Company	Amount at period-end	Amount in year-begin	Amount at period-end	Amount in year-begin
Current liabilities:						
Short-term loans	18		218,590,000. 00	184,000,000. 00	218,590,000. 00	184,000,000. 00
Loan from central bank			-	-	-	-
Absorbing deposit and interbank deposit			-	-	-	-
Capital borrowed			-	-	-	-
Transaction financial liabilities			-	-	-	-
Notes payable	19		743,537,578. 54	404,691,072. 19	538,000,000. 00	362,864,725. 10
Accounts payable	20		1,716,535,83 2.24	1,157,326,85 8.96	1,236,075,91 7.86	963,182,987. 91
Accounts received in advance	21		806,709,974. 79	718,021,736. 69	768,213,435. 49	703,731,317. 30
Selling financial asset of repurchase			-	-	-	-
Commission charge and commission payable			-	-	-	-
Wage payable	22		54,072,481.3 0	70,861,486.0 7	47,920,338.8 0	58,091,040.1 9
Taxes payable	23		126,857,235. 77	65,662,600.3 5	126,428,862. 60	60,760,397.1 9
Interest payable			-	-	-	-
Dividend payable	24		906,201.72	1,217,175.42	906,201.72	1,217,175.42
Other accounts	25		743,709,730.	624,779,113.	788,768,591.	598,352,508.

payable			17	24	17	10
Reinsurance payables			-	-	-	-
Insurance contract reserve			-	-	-	-
Security trading of agency			-	-	-	-
Security sales of agency			-	-	-	-
Long-term liabilities due within 1 year	26		3,000,000.00	3,000,000.00	-	-
Other current liabilities	27		-	20,172,100.00	-	20,172,100.00
Total current liabilities			4,413,919,034.53	3,249,732,142.92	3,724,903,347.64	2,952,372,251.21
Non-current liabilities:				-		-
Long-term loans	28		15,247,300.00	15,247,300.00	15,247,300.00	15,247,300.00
Bonds payable			-	-	-	-
Long-term account payable			-	-	-	-
Special accounts payable	29		33,877,270.41	34,223,417.47	33,877,270.41	34,223,417.47
Projected liabilities	30		147,996,584.51	90,868,730.51	147,996,584.51	90,868,730.51
Deferred income tax liabilities	16		428,940.30	19,037,964.60	428,940.30	19,037,964.60
Other non-current liabilities	31		28,603,099.87	28,257,754.52	28,003,099.87	28,257,754.52
Total non-current liabilities			226,153,195.09	187,635,167.10	225,553,195.09	187,635,167.10
Total liabilities			4,640,072,229.62	3,437,367,310.02	3,950,456,542.73	3,140,007,418.31
shareholders' equity:				-		
Share capital	32		413,642,949.00	413,642,949.00	413,642,949.00	413,642,949.00
Capital public reserve	33		551,864,719.11	660,287,022.53	566,745,998.35	672,197,136.09

Less: Inventory shares			-	-	-	-
Surplus reserve	public	34	246,896,167.23	285,107,714.19	246,678,001.55	284,889,548.51
Provision of general risk			-	-	-	-
Retained profit		35	222,218,465.19	-34,609,778.15	204,889,022.04	-38,211,546.96
Balance difference of foreign currency translation			-	-	-	-
Total shareholders' equity attributable to parent company			1,434,622,300.53	1,324,427,907.57	1,431,955,970.94	1,332,518,086.64
Minority interests		36	17,020,386.54	25,138,891.79	-	-
Total shareholders' equity			1,451,642,687.07	1,349,566,799.36	1,431,955,970.94	1,332,518,086.64
Total liabilities and shareholders' equity			6,091,714,916.69	4,786,934,109.38	5,382,412,513.67	4,472,525,504.95

Legal representative: Zhao Yong
Yu Wanchun

Person in Charge of Accounting Works:

Person in Charge of Accounting Institution: Liu Bimin

(III) Consolidation and Profit Statement of Parent Company

Prepared by Hefei Meiling Co., Ltd.

30 June 2010

Unit: RMB

Form-02

Items	Note		Merger		Parent Company	
	Merger	Parent Company	Amount in this period	Amount at same period of last year	Amount in this period	Amount at same period of last year
Total operating income			4,575,759,806.96	3,393,249,805.15	3,744,656,537.81	2,608,376,...
Including: Operating income	37	4	4,575,759,806.96	3,393,249,805.15	3,744,656,537.81	2,608,376,...
Interest income			-	-	-	-
Insurance gained			-	-	-	-
Commission charge and commission income			-	-	-	-
Total operating cost			4,548,403,958.07	3,366,055,509.75	3,660,096,413.17	2,582,876,...

Including: Operating cost	37	4	3,448,098,730.82	2,555,248,647.49	2,722,248,263.61	1,893,612,
Interest expense			-	-	-	
Commission charge and commission expense			-	-	-	
Cash surrender value			-	-	-	
Net amount of expense of compensation			-	-	-	
Net amount of withdrawal of insurance contract reserve			-	-	-	
Bonus expense of guarantee slip			-	-	-	
Reinsurance expense			-	-	-	
Operating tax and extras	38		18,442,086.28	19,230,600.94	17,305,600.13	18,383,
Sales expenses	39		986,399,238.84	666,569,872.07	854,448,246.08	574,174,
Administration expenses	40		84,359,075.10	95,574,281.02	58,272,200.56	70,794,
Financial expenses	41		-4,425,042.15	12,158,103.88	-2,493,076.05	11,947,
Losses of devaluation of asset	42		15,529,869.18	17,274,004.35	10,315,178.84	13,964,
Add: Changing income of fair value(Loss is listed with "-")			-	-	-	
Investment income (Loss is listed with "-")	43	5	137,640,762.06	10,435,457.53	137,640,762.06	10,435,
Including: Investment income in affiliated company and joint venture			-1,738,998.66	146,972.66	-1,738,998.66	146,
Exchange income (Loss is listed with "-")			-	-	-	
III. Operating profit (Loss is listed with "-")			164,996,610.95	37,629,752.93	222,200,886.70	35,935,
Add: Non-operating income	44		94,773,177.51	5,924,218.63	21,510,732.53	4,736,
Less: Non-operating expense	45		528,567.96	291,997.78	485,236.58	116,
Including: Disposal loss of non-current asset			513,620.69	132,405.75	485,236.58	98,
IV. Total Profit (Loss is listed with "-")			259,241,220.50	43,261,973.78	243,226,382.65	40,555,
Less: Income tax	46		40,301,395.05	7,739,442.80	38,337,360.61	4,003,
Net profit (Net loss is listed with "-")			218,939,825.45	35,522,530.98	204,889,022.04	36,552,
Net profit attributable to owner's equity of parent company			218,616,696.38	36,255,089.84	204,889,022.04	36,552,

Minority shareholders' gains and losses			323,129.07	-732,558.86	-	
I. Earnings per share						
Basic earnings per share	47		0.5285	0.0876	0.4953	
Diluted earnings per share	47		0.5285	0.0876	0.4953	
II. Other consolidated income	48		-105,451,137.74	53,748,347.62	-105,451,137.74	53,748,347.62
III. Total consolidated income			113,488,687.71	89,270,878.60	99,437,884.30	90,301,137.74
Total consolidated income attributable to shareholders of parent company			113,165,558.64	90,003,437.46	99,437,884.30	90,301,137.74
Total consolidated income attributable to minority shareholders			323,129.07	-732,558.86	-	

Legal representative: Zhao Yong
Yu Wanchun

Person in Charge of Accounting Works:

Person in Charge of Accounting Institution: Liu Bimin

(IV) Consolidation and Cash Flow of Parent Company

Prepared by Hefei Meiling Co., Ltd.

30 June 2010

Unit: RMB

Form-03

Items	Note		Merger		Parent Company	
	Merger	Parent Company	Amount in this period	Amount at same period of last year	Amount in this period	Amount at same period of last year
I. Cash flows arising from operating activities:			-	-	-	-
Cash received from selling commodities and providing labor services			1,629,352,363.89	1,496,202,042.63	1,237,608,247.28	1,121,847,318.39
Net increase of			-	-	-	-

customer deposit and interbank deposit						
Net increase of loan from central bank			-	-	-	-
Net increase of capital borrowed from other financial institution			-	-	-	-
Cash received from original insurance contract fee			-	-	-	-
Net cash received from reinsurance business			-	-	-	-
Insured savings and net increase of investment			-	-	-	-
Net increase of disposal of transaction financial asset			-	-	-	-
Cash received from interest, commission charge and commission			-	-	-	-
Net increase of capital borrowed			-	-	-	-
Net increase of returned			-	-	-	-

business capital						
Write-back of tax received			6,229,079.97	8,435,065.23	3,147,453.85	82,579.91
Other cash received concerning operating activities	49		76,594,890.57	49,826,217.69	7,169,995.00	32,744,084.56
Subtotal of cash inflow arising from operating activities			1,712,176,334.43	1,554,463,325.55	1,247,925,696.13	1,154,673,982.86
Cash paid for purchasing commodities and receiving labor service			1,077,401,546.51	1,079,296,552.54	837,452,255.59	770,877,593.18
Net increase of customer loans and advances			-	-	-	-
Net increase of deposits in central bank and interbank			-	-	-	-
Cash paid for original insurance contract compensation			-	-	-	-
Cash paid for interest, commission charge and commission			-	-	-	-
Cash paid for bonus of guarantee slip			-	-	-	-
Cash paid to/for staff and workers			152,199,970.04	140,361,651.89	102,904,862.93	87,321,967.36
Taxes paid			144,078,717.64	131,741,182.84	131,106,069.75	124,219,453.85

Other cash paid concerning operating activities	49		502,487,322.25	243,209,764.64	387,019,503.17	205,844,913.11
Subtotal of cash outflow arising from operating activities			1,876,167,556.44	1,594,609,151.91	1,458,482,691.44	1,188,263,927.50
Net cash flows arising from operating activities			-163,991,222.01	-40,145,826.36	-210,556,995.31	-33,589,944.64
II. Cash flows arising from investing activities:			-	-	-	-
Cash received from recovering investment			6,929,464.41	-	6,929,464.41	-
Cash received from investment income			139,379,760.72	1,897,125.00	139,379,760.72	1,897,125.00
Net cash received from disposal of fixed, intangible and other long-term assets			57,596.00	8,143,321.61	34,196.00	57,803,796.33
Net cash received from disposal of subsidiaries and other units			-	-	-	-
Other cash received concerning investing activities	49		7,139,285.65	202,600,392.30	5,888,249.15	1,733,410.49
Subtotal of cash inflow from			153,506,106.78	212,640,838.91	152,231,670.28	61,434,331.82

investing activities						
Cash paid for purchasing fixed, intangible and other long-term assets			34,230,003.11	17,372,894.33	40,310,235.70	10,224,613.19
Cash paid for investment			227,722,800.00	-	213,200,000.00	45,000,000.00
Net increase of mortgaged loans			-	-	-	-
Net cash received from subsidiaries and other units			-	-	-	-
Other cash paid concerning investing activities	49			48,965,120.78		-
Subtotal of cash outflow from investing activities			261,952,803.11	66,338,015.11	253,510,235.70	55,224,613.19
Net cash flows arising from investing activities			-108,446,696.33	146,302,823.80	-101,278,565.42	6,209,718.63
III. Cash flows arising from financing activities						
Cash received from absorbing investment						
Including: Cash received from absorbing minority shareholders' investment by						

subsidiaries						
Cash received from loans			238,590,000.00	313,825,872.57	238,590,000.00	313,825,872.57
Cash received from issuing bonds			-	-	-	-
Other cash received concerning financing activities	49		-	-	89,000,000.00	-
Subtotal of cash inflow from financing activities			238,590,000.00	313,825,872.57	327,590,000.00	313,825,872.57
Cash paid for settling debts			204,000,000.00	253,682,493.90	204,000,000.00	253,682,493.90
Cash paid for dividend and profit distributing or interest paying			4,554,164.55	9,001,239.63	4,472,264.55	8,343,292.13
Including: Dividend and profit of minority shareholder paid by subsidiaries			-	-	-	-
Other cash paid concerning financing activities	49		-	-	11,500,000.00	-
Subtotal of cash outflow from financing activities			208,554,164.55	262,683,733.53	219,972,264.55	262,025,786.03
Net cash flows arising from financing activities			30,035,835.45	51,142,139.04	107,617,735.45	51,800,086.54
IV. Influence on cash due to			-1,690,185.80	-254,128.55	-2,105,700.17	-265,744.50

fluctuation in exchange rate						
V. Net increase of cash and cash equivalents			-244,092,268.69	157,045,007.93	-206,323,525.45	24,154,116.03
Add: Balance of cash and cash equivalents at the period -begin			747,572,445.88	409,853,966.49	579,447,940.41	306,127,639.14
VI. Balance of cash and cash equivalents at the period -end	49		503,480,177.19	566,898,974.42	373,124,414.96	330,281,755.17

Legal representative: Zhao Yong
Yu Wanchun

Person in Charge of Accounting Works:

Person in Charge of Accounting Institution: Liu Bimin

(V) Consolidated Statement on Changes of Owners' Equity

Prepared by Hefei Meiling Co., Ltd.

Jan.-Jun. 2010

Unit: RMB

Form-04

Items	Note	Amount in this period								Amount in last year									
		Owners' equity attributable to the parent company							Minority interests	Total owners' equity	Owners' equity attributable to the parent company							Minority interests	Total owners' equity
		Share capital	Capital reserves	Less : Treasury Stock	Surplus reserves	General risk provision	Retained profit	Share capital			Capital reserves	Less : Treasury Stock	Surplus reserves	General risk provision	Retained profit				
I. Balance at the end of the last year		413,642,949.00	660,287,022.53	-	285,107,714.19	-	-34,609,778.15	25,138,891.79	1,349,566,799.36	413,642,949.00	1,073,168,078.72	-	285,107,714.19	-	-335,808,091.35	25,161,154.20	1,461,271,804.76		
Add: Changes of accounting policy									-								-		
Error correction of the last period									-								-		

II. Balance at the beginning of this year	413,642,949.00	660,287,022.53	-	285,107,714.19	-	-34,609,778.15	25,138,891.79	1,349,566,799.36	413,642,949.00	1,073,168,078.72	-	285,107,714.19	-	-335,808,091.35	25,161,154.20	1,461,271,804.76
III. Increase/Decrease in this year (Decrease is listed with "-")	-	-108,422,303.42	-	-38,211,546.96	-	256,828,243.34	-8,118,505.25	102,075,887.71	-	-412,881,056.19	-	-	-	301,198,313.20	-22,262.41	-111,705,005.40
(I) Net profit						218,616,696.38	323,129.07	218,939,825.45						301,198,313.20	-22,262.41	301,176,050.79
(II) Other consolidated income	-	-105,451,137.74	-	-	-	-	-	-105,451,137.74	-	-16,796,200.66	-	-	-	-	-	-16,796,200.66
Subtotal of (I) and (II)	-	-105,451,137.74	-	-	-	218,616,696.38	323,129.07	113,488,687.71	-	-16,796,200.66	-	-	-	301,198,313.20	-22,262.41	284,379,850.13

(III) Owners' devoted and decreased capital	-	-2,971,1 65.68	-	-	-	-	-8,441, 634.32	-11,412, 800.00	-	-396,084 ,855.53	-	-	-	-	-	-396,084 ,855.53	
1. Owners' devoted capital(Meil ing's house property)																	-
2. Amount calculated into owners' equity paid in shares								-									-
3. Others		-2,971,1 65.68					-8,441, 634.32	-11,412, 800.00		-396,084 ,855.53						-	-396,084 ,855.53
(IV) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves								-									-
2. Withdrawal of general risk provisions								-									-

3.Distribution for owners (shareholders)																			-																-			
4.Others																																				-		
(V) Carrying forward internal owners' equity																																						
1.Capital reserves converted to capital (share capital)																																					-	
2. Surplus reserves converted to capital (share capital)																																					-	
3.Remedy in profit																																						-

surplus																	
4.Others									-								-
IV. Balance at the end of this year	413,6 42,94 9.00	551,864, 719.11	-	246,8 96,16 7.23	-	222,2 18,46 5.19	17,020, 386.54	1,451,64 2,687.07	413,642 ,949.00	660,287, 022.53	-	285,1 07,71 4.19	-	-34, 609, 778. 15	25,13 8,891. 79	1,349,56 6,799.36	

Legal representative: Zhao Yong
Accounting Institution: Liu Bimin

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of

(VI) Statement on Changes of Owners' Equity of Parent Company

Prepared by Hefei Meiling Co., Ltd.

Jan.-Jun. 2010

Unit: RMB

Form-04

Items	Note	Amount in this year							Amount in last year						
		Owners' equity attributable to the parent company							Owners' equity attributable to the parent company						
		Share capital	Capital reserves	Less: Treasury stock	Surplus reserves	General risk provision	Retained profit	Total owners' equity	Share capital	Capital reserves	Less: Treasury stock	Surplus reserves	General risk provision	Retained profit	Total owners' equity
I. Balance at the end of the last year		413,642,949.00	672,197,136.09	-	284,889,548.51	-	-38,211,546.96	1,332,518,086.64	413,642,949.00	701,168,751.59	-	284,889,548.51	-	-332,093,144.58	1,067,608,104.52
Add: Changes of accounting policy								-							-
Error correction of the last period								-							-

II. Balance at the beginning of this year	413,642,949.00	672,197,136.09	-	284,889,548.51	-	-38,211,546.96	1,332,518,086.64	413,642,949.00	701,168,751.59	-	284,889,548.51	-	-332,093,144.58	1,067,608,104.52
III. Increase/Decrease in this year (Decrease is listed with "-" -")	-	-105,451,137.74	-	-38,211,546.96	-	243,100,569.00	99,437,884.30	-	-28,971,615.50	-	-	-	293,881,597.62	264,909,982.12
(I) Net profit						204,889,022.04	204,889,022.04						293,881,597.62	293,881,597.62
(II) Other consolidated income	-	-105,451,137.74	-	-	-	-	-105,451,137.74	-	-16,796,200.66	-	-	-	-	-16,796,200.66
Total of (I) and (II)	-	-105,451,137.74	-	-	-	204,889,022.04	99,437,884.30	-	-16,796,200.66	-	-	-	293,881,597.62	277,085,396.96
(III) Owners' devoted and decreased capital	-	-	-	-	-	-	-	-	-12,175,414.84	-	-	-	-	-12,175,414.84
1. Owners' devoted capital														-
2. Amount calculated into owners' equity														-

paid in shares															
3. Others										-12,175,414.84					-12,175,414.84
(IV) Profit distribution			-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves						-									-
2. Withdrawal of general risk provisions							-								-
3. Distribution for shareholders															-
4. Others						-									-
(V) Carrying forward internal owners' equity						-38,211,546.96				38,211,546.96					-
1. Capital reserves converted to capital (share capital)															-
2. Surplus reserves converted to capital (share capital)															-
3. Remedying loss with profit						-38,211,546.96				38,211,546.96					-

surplus					6.96		46.96							
4.Others								-						-
IV. Balance at the end of this year	413,642,949.00	566,745,998.35	-	246,678,001.55	-	204,889,022.04	1,431,955,970.94	413,642,949.00	672,197,136.09	-	284,889,548.51	-	-38,211,546.96	1,332,518,086.64

Legal representative: Zhao Yong
Accounting Institution: Liu Bimin

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of

II. Notes to Financial Statement

(I) Basic information of the Company

1. Company Profile

Hefei Meiling Co., Ltd (hereinafter referred to as “this company”) is an incorporated company established and reorganized by Hefei Meiling Refrigerator General Factory and approved on June 12th 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30th 1993, through Anhui Provincial Government [Wanzhenmin (1993) No.166] and reexamination of China Securities Regulatory Commission, the company made first public issue for 3,000 A shares and the company was listed on Oct. 18th, 1993 in Shenzhen Stock Exchange. On August 13th, 1996, the company was approved to issue 10,000 B shares to investors abroad through [ZhengWeiFa(1996) No.26] issued by China Securities Regulatory Commission. The company went public in Shenzhen Stock Exchange on August 28th, 1996.

On May 18, 2006 and on January 11, 2007, Hefei Meiling Group Holdings Company Limited (hereinafter abbreviated as Meiling Group) signed “Ownership of Meiling Co., Ltd. (also called as Company) Transfer Agreement” and “Supplementary Agreement of Ownership Transfer of Meiling Co., Ltd.” respectively with Sichuan Changhong Electric Co. Ltd (Sichuan Changhong for short) and Sichuan Changhong Electronic Group Co., Ltd (Changhong Group for short), Meiling Group transferred its holding 37,852,683 shares in 82,852,683 state-owned shares of the Company to Changhong Group, other 45,000,000 shares to Sichuan Changhong. On March 27, 2007, State-owned Assets Supervision & Administration Commission of the State Council approved such transfers with Document Guozi Chanquan No.253 in 2007 Reply on Matters of Hefei Meiling Group Holdings Company Limited Transferring Partial State-owned Ownership. On Aug 15, 2007, the above ownerships were transferred in Shenzhen Branch of China Securities Journal Depository and Clearing Corporation Limited. After these ownerships transferred, Sichuan Changhong holds Meiling Group’s 45,000,000 shares (sponsor state shares), or 10.88% of total shares of the Company, is the Company’s first largest shareholder; Meiling Group holds Meiling Group’s 40,543,692 shares (sponsor state shares), or 9.80% of total shares of the Company, is the Company’s second largest shareholder; Changhong Group holds Meiling Group’s 37,852,683 shares (sponsor state corporate shares), or 9.15% of total shares of the Company, is the Company’s third largest shareholder. On May 18, 2006, Changhong Group issued Promise Letter, Changhong Group promises that the Company’s these shares will be consigned to be managed by Sichuan Changhong, and Sichuan Changhong will begin to exercise voting right of these shares since such voting right obtained. The promise period is from the signature of Promise Letter to the date any document in written re-issued by Changhong Group on such matter.

On July 31, 2007, State-owned Assets Supervision & Administration Commission of Anhui Provincial Government replied with Document Wan Guozi Chanquan Han No.309 in 2007

Reply on Related Matters of Share Merger Reform of Meiling Co., Ltd., agreed the Company's ownership split reform plan. After ownership split reform completed, the total shares are still 413,642,949, including: 34,359,384 state shares held by Meiling Group, or 8.31% of total shares; 32,078,846 state corporate shares held by Changhong Group, or 7.76% of total shares; agreed that Meiling Group made prepayment for other non-tradable share holders who fails to exercise stock reform consideration, and when any such non-tradable shares shareholder circulates its non-tradable shares, it must return the prepayment made by Meiling Group, or approved by Meiling Group in advance. On Aug. 27, 2007, according to Share Merger Reform plan approved by Shareholders' Meeting related to Share Merger Reform held on Aug 6, 2007, the Company made consideration that non-tradable share holders deliver 1.5 share to A share holders per 10 shares, and Meiling Group made prepayment 3,360,329 shares for some non-tradable share holders as consideration, and as registered in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited after Share Merger Reform plan implemented, the structure of Company's shareholders is following:

Before Share Merger Reform			After Share Merger Reform		
Share nature or holding enterprise	Shares	Proportion %	Shares	Proportion %	Note
1. Non-tradable shares	149,012,606	36.02	126,283,055	30.53	Conditional tradable shares
(1) Sichuan Changhong Electric Co., Ltd.	45,000,000	10.88	38,135,951	9.22	State shares
(2) Heifei Meiling (Group) Holding Co., Ltd.	40,543,692	9.80	30,999,055	7.49	State shares
(3) Sichuan Changhong Electric Group Co., Ltd.	37,852,683	9.15	32,078,846	7.76	State-owned corporate shares
(4) Other corporate	25,616,231	6.19	25,069,203	6.06	
2. Tradable shares	264,630,343	63.98	287,359,894	69.47	Unconditional tradable shares
(1) Domestically listed RMB common shares	151,530,343	36.63	174,259,894	42.13	A shares
(2) Domestically listed Foreign shares	113,100,000	27.34	113,100,000	27.34	B shares
Subtotal of shares	413,642,949	100.00	413,642,949	100.00	

After approved by State-owned Assets Supervision & Administration Commission of Anhui

Provincial Government replied with Document WGZCQHan (2007) No.309 Meiling Group made prepayment 3,360,329 shares as consideration for some non-tradable shareholders, and after the situations of the Company's structure of conditional tradable shares after consideration not prepaid and actually prepaid in Share Merger Reform as followings:

Shareholders of conditional tradable shares	After consideration not prepaid in Share Merger Reform		After consideration actually prepaid in Share Merger Reform		Difference	
	Shares	Proportion (%)	Shares	Proportion (%)	Shares	Proportion (%)
Sichuan Changhong Electric Co., Ltd.	38,135,951	9.22	38,135,951	9.22	-	-
Heifei Meiling (Group) Holding Co., Ltd.	34,359,384	8.31	30,999,055	7.49	-3,360,329.00	-0.81
Sichuan Changhong Electric Group Co., Ltd.	32,078,846	7.76	32,078,846	7.76	-	-
Other corporate	21,708,874	5.25	25,069,203	6.06	3,360,329.00	0.81
Total of restricted circulating shares	126,283,055	30.54	126,283,055	30.53	-	-

After the accomplishment of Share Merger Reform, Sichuan Changhong held 38,135,951.00 shares of the Company which accounted for 9.22% in total shares.

On May 29, 2008, Hefei State-owned Assets Supervision & Administration Commission [HGZCQuan (2008) No.59] issued Notice On Meiling Dianqi Equities Held by Meiling Group without Payment, in which 34,359,384 state-owned shares of Meiling Group held by the Company (including 3,360,329 state-owned shares paid instead by Meiling Group for other non-tradable shareholders in the Share Merger Reform) were transferred to Hefei Xingtai Holding Group Co., Ltd (hereinafter refers to Xingtai Holding Company) without payment.

On June 2, 2008, Meiling Group Company and Xingtai Holding Company signed Agreement on Equity Transfer Without Payment, in which Meiling Group Company agreed to transfer its holding 30,999,100 state-owned shares (accounting for 7.49% in total shares) to Xingtai Holding Company without payment; in the Share Merger Reform Scheme of the Company, the equities, which were formed from the share merger reform consideration paid by Meiling Group Company for other non-tradable shareholders, were also undertaken by Xingtai Holding Company. For the aforesaid event, State-owned Assets Supervision and Administration Commission of the State Council approved on August 7, 2008 with Reply to Related Matters on Transfer Shares Held by Part of State-owned Shareholders of Hefei Meiling Co., Ltd. Without Payment [GZCQuan (2007) No. 752].

The aforementioned transferred shares have been accomplished the procedure of transferring

ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On Oct. 28, 2008, 12,543,559.00 tradable shares, the first batch of the Company with conditional subscription, were released conditional subscription, the share structure after releasing the conditional conditions were as follows:

Before release			After release		
Types	Amount(share)	Proportion in total	Types	Amount(share)	Proportion in total
I. Tradable shares with conditional subscription	126,350,310	30.55	I. Tradable shares with conditional subscription	113,806,751	27.52
Shares held by state	32,078,846	7.76	Shares held by	32,078,846	7.76
State-owned legal person's shares	69,135,006	16.71	State-owned legal person's	72,382,652	17.50
Public legal person's shares	25,069,203	6.06	Public legal person's shares	9,277,998	2.24
Senior executives' shares	67,255	0.02	Senior executives'	67,255	0.02
Foreign legal person's shares	-	-	Foreign legal person's shares	-	-
II. Tradable shares with unconditional subscription	287,292,639	69.45	II. Tradable shares with unconditional	299,836,198	72.48
A Public shares	174,192,639	42.11	A Public shares	186,736,198	45.14
B shares	113,100,000	27.34	B shares	113,100,000	27.34
H shares and others	-	-	H shares and	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

On Oct. 29, 2008, Changhong Group signed Agreement on Equity Transfer of Hefei Meiling Co., Ltd with Sichuan Changhong, in which 32,078,846 tradable A-shares with conditional subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On Dec. 23, 2008, for the aforesaid event, State-owned Assets Supervision and Administration Commission of the State Council approved with Reply to Related

Matters on Transfer Shares Held by State-owned Shareholders of Hefei Meiling Co., Ltd. [GZCQuan (2008) No. 1413]. The aforesaid equity transfer have been accomplished the procedure of transferring the ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on January 21, 2009. So far, Sichuan Changhong—the Company’s first largest shareholder, holds 70,214,797 tradable condition shares which occupied 16.98% of the total share capital of the Company.

During 2008, Sichuan Changhong held 4,277,155 additional circulating A-share of the Company in aggregate through the trading system of Shenzhen Stock Exchange, and 5,888,405 additional B-share of the Company in aggregate through its whole-owned subsidiary Changhong (Hong Kong) Trade Co., Ltd.(hereinafter referred to as Hong Kong Changhong); during 2009, it held 6,287,486 additional B-share of the Company in aggregate through Hong Kong Changhong. As at 31 March 2010, Sichuan Changhong and Hong Kong Chang (person under the concert) totally held 91,642,767 shares of the Company, representing 22.06% of the total share capital, among which, Sichuan Changhong directly held 74,491,952 A-share of the Company and Hong Kong Changhong held 17,150,815 circulating B-share of the Company, representing 18.01% and 4.15% of the total share capital respectively.

The second batch of the considental shares of the Company amount to 74,074,020 shares were released on 4 January 2010. Share structure after releasing were as follows:

Types	Before trade in market		Data of changed	after trade in market	
	Amount of shares	proportion (%)		Amount of shares	proportion (%)
I. tradable shares with conditional subscription	113,806,751	27.51	-74,074,020	39,732,731	9.61
1.State-owned shares	-	-	-	-	-
2. State-owned legal person shares	104,461,498	25.25	-74,074,020	30,387,478	7.35
3. Domestically common legal person shares	9,277,998	2.24	-	9,277,998	2.24
4.Senior executives’ shares	67,255	0.02	-	67,255	0.02
Total of tradable shares with conditional	113,806,751	27.51	-74,074,020	39,732,731	9.61

Types	Before trade in market		Data of changed	after trade in market	
	Amount of shares	proportion (%)		Amount of shares	proportion (%)
subscription					
II. Un-restricted tradable shares	299,836,198	72.49	74,074,020	373,910,218	90.39
1. RMB common shares	186,736,198	45.15	74,074,020	260,810,218	63.05
2. Foreign shares of domestically listed	113,100,000	27.34	-	113,100,000	27.34
3. Foreign shares of listed overseas	-	-	-	-	-
4. Other	-	-	-	-	-
Total of un-restricted tradable shares	299,836,198	72.49	74,074,020	373,910,218	90.39
III. Total of shares	413,642,949	100.00	-	413,642,949	100.00

On 29 January 2010, 9 restricted circulating shareholders, including Hefei Machine Mould Factory, entrusted the Board of Hefei Meiling Co., Ltd. To apply for repayment of consideration paid in advance from Shenzhen Stock Exchange and China Securities Depository & Clearing Corp. Ltd. Shenzhen Branch, pursuant to which, totally 500,970 shares have been repaid to Hefei Meiling Group Holdings Co., Ltd. and Hefei Xingtai Holdings (Group) Co., Ltd.

Amount of shares held by the 9 restricted tradable shareholders after paying the consideration of share merger reform in Hefei Machinery Mould plant:

No.	Name of repayment party	tradable restricted shares held at implementation date of share merger reform		Payment of advancement shares	Released shares	
		Total shares (share)	Proportion of total share		Total shares (share)	Proportion of total share

			capital (%)			capital (%)
1	Hefei Machinery Mould Plant	170,775	0.04	26,049	144,726	0.04
2	Taizhou Shuangling Air Conditioner Pipe Manufacture Co., Ltd.	85,387	0.02	13,024	72,363	0.02
3	Anhui Children and Teenagers' Fund	85,387	0.02	13,024	72,363	0.02
4	Cixi Xianglong Mould Plastic Co., Ltd.	512,325	0.12	78,147	434,178	0.11
5	Shanghai Shenwan Commerce Consultant Co., Ltd.	170,775	0.04	26,049	144,726	0.04
6	Yuyao Electrical Apparatus Key Plant	509,220	0.12	77,674	431,546	0.10
7	Zhao Fugen	128,081	0.03	19,537	108,544	0.03
8	China Xinda Assets Management Company	1,536,975	0.37	234,442	1,302,533	0.31
		85,387	0.02	13,024	72,363	0.02
		3,284,312	0.79	500,970	2,783,342	0.67

The third batch of the restricted shares of the Company amount to 27,833,420,000 shares were released on 23 March 2010. Share structure after releasing were as follows:

Type of share	Before trade in market		Data of changed	After trade in market	
	Amount of shares	Proportion (%)		Amount of shares	Proportion (%)
I. Restricted tradable shares	39,732,731	9.61	-2,783,342	36,949,389	8.93
1.State-owned shares	-	-	-	-	-
2.State-owned legal person shares	30,654,006	7.41	-1,302,533	29,351,473	7.09
3. Domestically common legal person shares	8,902,926	2.15	-1,372,265	7,530,661	1.82
4. Senior executives shares	67,255	0.02	-	67,255	0.02
5. Other domestically nature person shares	108,544	0.03	-108,544	-	-
Total of restricted tradable shares	39,732,731	9.61	-2,783,342	36,949,389	8.93
II. Un-restricted tradable shares	373,910,218	90.39	2,783,342	376,693,560	91.07
1. RMB common share	260,810,218	63.05	2,783,342	263,593,560	63.73
2. Foreign shares of domestically listed	113,100,000	27.34	-	113,100,000	27.34
3. Foreign shares of listed overseas	-	-	-	-	-
4. Other	-	-	-	-	-
Total of un-restricted tradable shares	373,910,218	90.39	2,783,342	376,693,560	91.07
III. Total shares	413,642,949	100.00	-	413,642,949	100.00

As at 30 June 2010, the total share capital of the Company amounted to 413,642,949 shares, all of which were ordinary shares. Among these shares, 300,542,949 shares are A-share and 113,100,000 are B-share, representing 72.66% and 27.34% of the total shares respectively. Among the total share capital, 36,949,389, 263,593,560 and 113,100,000 shares respectively stand for restricted circulating shares, non-restricted A-share and non-restricted B-share. The business license No. of the Company is 340000400001278, with the address being No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei. Its legal representative is Zhao Yong, with the operation scope covering refrigerator appliances, air conditioner,

wash machine, computer-controlled injector, digital heater, plastic products, packing products and decoration products. It operates self-made products and is engaged in technical export business and import business in respect of raw affiliate materials, machine equipments, instruments and technical as required by the Company itself. In addition, it also deals with sales and transportation of daily-used products.

2. Business nature and main operations of the Company

Business nature	Main operations
Light manufacture industry	The Company and its subsidiary are mainly engaged in production and sales of refrigerators and freezers at present.

3. Name of the parent company and final actual controller of the group

The parent company of the Company is Sichun Chuanghong Electric Co., Ltd., ended 30 June 2010, the Sichuan Changhong and its action concert person totally hold 22.16% of the Company's shares and is the first largest shareholders. Chuanghong Group held 849,152,736 shares of Sichuan Changhong accounting for 29.82% and is the first largest shareholder of Sichuan Changhong. State-owned Assets Supervision & Administration Commission of Mianyang Municipality held 100% equities of Changhong Group and is the ultimated actual controller of the Company.

4. Basic organization structure of the Company

Board of the Meeting is a power institute of the Company. Approvel the company's strategy, financing , investment, profit distribution matters according to the law. The Board responsible for shareholers' General meeting. Management organized the Shareholders' General Meeting, the approvals in Board of Director's Meeting and host the management of enterprises' operation. The official management department consist of opearational management, sales, marketing, purchse, research, technology ,HR and Finance.

(II) Compilation basis of the Company's financial statements

The fianncail statement base on the continuously opration, according to the actual happen events and tansactions, comply with relecant regulation of Corporation Accounting Standard issue by Finance Burear, and the preparation method on Note4.

(III) Statement on compliance with Corporate Accounting Rules

Financial statements compiled by the Company are in compliance with Corporate Accounting Rules, and actually and completely reflect the Company's financial situation, operational effects, cash flow and other related information.

(IV) Major accounting policy, accounting estimation and the prepared method of consolidated financial statement

1. Fiscal term

The fiscal term of the Company adopt calendar year, one calendar year means period from 1 January to 31 December.

2. Accounting currency

RMB is the accounting currency of the Company.

3. Accounting basis and valuation principle

The accounting of the Company based on accrual basis. The valuation principle base on the historical cost(excluding transactional financial assets, financial assets available for sale which calculated by fair value).

4. Cash and cash equivalent

Cash in Cash Flow Statement of the Company refers to in-stock cash which are available for payment whenever needed. Cash equivalent in Cash Flow Statement refers to the investment held by the Company with no longer than three months, strong liquidity and low risk of value fluctuation that is easy to be converted into cash of known amount.

5. Translation of business and accounts in foreign currency

(1) Foreign currency business

Convert amount of foreign currency to amount of RMB according to the spot exchange rate on transaction occurring day regarding foreign currency transactions. On balance sheet day, convert foreign currency monetary item to RMB according to the spot exchange rate on balance sheet day, the raised conversion difference will be directly included in current gains and losses, while the exchange difference arising from borrowed reasonable foreign loan for constructing or producing assets which meet the terms of capitalization. Convert foreign currency non-monetary item measured by fair value to RMB according to the spot exchange rate on fair value confirmation day. The raised conversion difference will be directly included in current gains and losses in form of fair value. As for the foreign currency non-monetary items measured by historic cost, the spot exchange rate on transaction occurrence day will still be adopted, unchanging the amount of RMB.

(2) Translation of foreign currency financial statement

Items about assets and liabilities on foreign currency balance sheet will be converted by the spot exchange rate on balance sheet day; items about equity of owners will be converted by the spot exchange rate on the business occurrence time besides the undistributed profit; the items about income and expense in profit form will be converted by the spot exchange rate on transaction occurrence day. The conversion difference of foreign currency sheet arising from the above conversion will be singly listed under the item of owners' equity. Cash flow of foreign currency adopts the spot exchange rate on occurrence day of cash flow. The influence amount of cash made by change of exchange rate will be listed singly in cash flow sheet.

6. Financial assets and financial liabilities

(1) Financial assets

The Company divided its own financial assets according to investment goals and economic substance into four types. Concretely they are financial asset calculated by fair value and involving changes in current loss and gains, held-to-maturity investment, loans and accounts receivable as well as available-for-sale financial assets.

1) The financial asset which was calculated by fair value and involving changes in current gains and losses refer to those financial assets held mainly for short-term sales. It is listed in balance sheet in the name of trading financial assets.

2. The held-to-maturity investment refers to un-derived financial assets with fixed maturity, fixed or sure recovery cost. The supervisors hold held-to-maturity investment with specific intension and ability.

3. Loans and accounts receivable refer to un-derived financial assets with fixed or sure recovery cost which has no quote in active market.

4. The available-for-sale financial assets include available-for-sale un-derived financial assets which was promptly appointed at its initial recognition and unclassified financial assets.

Financial assets get initial recognition according to fair value. The produced related transaction fees from getting initial recognition of financial asset which was calculated by fair value and involving changes in current loss and gains are directly reckoned in current loss and gains. The produced related transaction fees from other financial assets are included in amounts of initial recognition. Stop recognizing this financial asset when its contract right of collecting cash flow is due or nearly all the risk and payment based on ownership of this financial asset have been transferred to transferee.

The financial asset which was calculated according to fair value and involving changes in current loss and gains and available-for-sale financial assets get measurement after recognition according to fair value; loans and accounts receivable as well as held-to-maturity investment are calculated according to effective interest method, listed in form of amortized cost.

The change of fair value of financial asset which was calculated according to fair value and involving changes in current loss and gains is reckoned in loss and gains of change of fair value; The interest and cash dividend got during holding period of assets are determined as investment income; when being dealt, the balance between its fair value and entered initial amount is recognized as loss and gains of investment, and the change of loss and gains of fair value should be adjusted.

Fair value changes of available-for-sale financial asset are included in stockholders' equity; interests calculated according to effective interest method during holding period are reckoned in investment income; cash dividends invested by available-for-sale equity instrument are included in investment income when invested unit declaims issuing equity; the difference between obtained price and book value after deducting accumulated fair value changes which are originally directly included in shareholders' equity is reckoned in investment loss and gains.

Besides of financial assets which are measured through fair value and containing its change in current loss and gains, the Company inspects book value of other financial assets on balance sheet day. If impairment of financial assets can be proved by objective evidence, no provision shall be made for public welfare biological assets. If the fair value of available-for-sale financial assets decline largely or un-temporarily, the accumulated loss resulting from decline of fair value is included in impairment loss. The accumulated loss is originally and directly reckoned in shareholders' equity.

(2) Financial liabilities

The financial liabilities of the Company are classified into financial assets which are measured by fair value and other financial liabilities. The former one contains its change in current losses and gains.

The financial liabilities, which are measured by fair value and whose change is reckoned in current gains and losses, comprise trading financial liabilities and financial liabilities which are appointed to be measured by fair value at its original confirmation and whose change is included in current gains and losses. They get measurement after recognition by fair value.

The gains or losses resulting from fair value change and equity and interest expense related to this financial liability are calculated in current gains and losses.

Other financial liabilities adopt effective interest method and get measurement after recognition according to amortized cost.

(3) The confirmation method of fair value of financial assets and liabilities

Financial instruments which enjoy their own active market adopt marketing price in active market for making sure its fair value. In active market, the financial assets the Company has been holding or financial liabilities the Company is planning to take over are used as fair value of corresponding assets or liabilities with current bid; the financial assets the Company is planning to purchase or financial liabilities the Company has taken over are used as fair value of corresponding assets or liabilities with current charge. For those financial assets or liabilities lacking current bid and charge, market price in recent transaction will be used to determine the fair value of this financial assets or liabilities on the condition that no large change takes place in economic environment.

Financial instruments which haven't enjoyed an active market adopt valuation technology to confirm its fair value. The valuation technology comprises the prices which refers to traders who are familiar with condition and voluntarily make deals and then is adopted in recent market transaction, current fair value which refers to other financial assets with same substance, discounted cash flow technique and option pricing model.

7.Receivables provision for bad debts

The Company regards the following situation as confirmation standard of receivable provision for bad debts: shutdown resulting from debt units' withdraw, bankruptcy, insolvency, large shortness of cash flow, occurrence of terrible nature disaster and so on lead being incapable in meeting liabilities in predicted time, or other evidence prove that possibility of reclaim is un-existed or little.

Contra method of accounting is aiming at possible receivables provision for bad debts. While in the end bad debt reserves will be accrued in bill age analysis method and the individual recognition method, and then will be included in current gains and losses. Those receivables which can't be reclaimed through true evidence's proving will be regarded as bad debts loss after the Company approve it by ruled procedure. And then they will be used to offset the accrued provision for bad debts.

The Company regards receivables whose single value is beyond RMB 20 million and other receivables whose single value is beyond RMB 1 million as important receivables. If there exists objective evidence proving the Company can't receive all the accounts back in accordance with original terms of receivables, the Company will take frequency of impairment test on these accounts singly according to the difference between current value of the future cash flow and the book value, thus accrue bad debts.

For those receivables with unimportant single amount, the Company will gather them and un-devalued receivables after single test and will divide them into a number of combinations according to credit risk. Based on the actual loss ratio of receivables combination with the same or similar credit risk trait as in previous years, combined with current situation, the Company confirms the proportion of every combination accruing

provision for bad debts in this year thus calculates the provision for bad debts which should be accrued in this year. The Company divides those accounts which were proved to be with no or little possibility of withdraw by true evidence into special assets combination, and take fully provision for bad debts of them.

The accrue proportion of provision for bad debt divided in account receivable age method is as follows:

Account receivable age	Accrue proportion (%)
Within 1 year	5%
1-2 years	15%
2-3 years	35%
3-4 years	55%
4-5 years	85%
Above 5 years	100%

Account receivable of associated parties belongs to settlement account of transaction between associated parties, its risk is under control and it can avoid accruing provision for bad debts; account receivable of employee which is paid instead, temporary loans of long-term equity investment won't form bad debts and can avoid accruing provision for bad debts because they will be gradually deducted from employees' salary or transferred to long-term equity investment.

7.Inventory

Inventory of the Company mainly includes raw material, finished goods, goods in process, self-manufactured goods, entrusted processing material, low value consumables, prepaid expenses of mould and so on.

Inventory implements perpetual inventory system, raw material, low value consumables and finished goods apply standard price to carry out daily calculation, difference of distributed price at end of month will be adjusted to cost of this month; material on road is included in account according to actual cost, low value consumables will be written off at one time when accepted.

Closing stock is valued according to the principle of choosing the lower value between inventory cost and net realizable value. The predicted uncollectible part of inventory will be extracted provision for obsolete stocks. Inventory becomes uncollectible due to suffering loss and damage or becoming out of date or suffering lower sales price than cost. Provision for obsolete stocks of finished goods and raw materials purchasing department will be extracted in accordance with the difference between higher cost of single inventory and its lower net realizable value; other quantities of raw material with lower single price will be accrued provision for obsolete stocks according to category.

Finished goods, goods in process and material for sales and other goods inventory directly for sale, the net realizable value of the above will be confirmed according to the amount after

estimated price of this inventory deducting estimated sales expense and related expense; while the amount after estimated price of the finished products deducting estimated possible cost till its completion, estimated sales expense and related taxes will determine the net realizable value of material inventories held for production.

7. Accounting method of mould charge is as follow: calculate prepaid expenses included actual cost when occurring; appoint them within a year according to units-of-production method when using. Implement according to units-of-production of actual amortization method for those shorter than a year, transfer th

9.Long-term equity investment

.The long-term stock investment is mainly composed of equity investment held by the Company for controll over , common controll over or significant influence to invested units or equity investment unable to be calculated reliably

.The common control is the common held control over the economic activities under contract.

.Significant influence is right to take part in the decision-making of invested units without controlling or commonly controlling the decision-making with the other party.

.Long-term stock investment received by consolidation of enterprises under the same control is taken as the initial investment cost according to share of the book value of the owners' equity of the consolidated party.

.In additin to the abovequity, the long-term stock investment received in cash is taken as the initial investment cost based on the actual purchase price.Long-term stock investment received by offering equity shares is taken as the initial investment cost. Long-term stock invnvestment by inventors is taken as the initial investment cost based on agreed valuation.Long-term sock investment by non-monetary asset exchange is taken as the initial investment stock according to the relevant accounting standards.

. The subsidiaries' investment is audited by cost , the joint or affiliated companny'investment equity.

. The cost auditory is calculated as the initial investment cost. The equity auditory as share of net equity in the invested party.

9.Investment property

Investment property of the Company comprises housing and building which have been rented. Investment property regards its cost as entry value, the cost of external investment real estate comprises purchase price, related taxes and other expenses which can belong to this assets directly; the cost of self-built investment property consist of necessary expense for building this asset before these assets reach the predicted usable situation.

The Company apply cost model to take measurement after recognition on investment property, and apply straight-line-method to accrue depreciation or implement stalls selling according to predicted service life along with net scrap value rate. Predicted service life and net scrap value rate along with **yearly depreciation** of investment property is as follow:

Category	Depreciation life (Year)	Estimated residual rate (%)	Yearly depreciation (%)
Housing building and	30-40 years	4%	3.20%-2.40%

When the usage of investment property becomes self-use, transfer this investment property to fixed or intangible assets since the change day. When the usage of self-use property becomes earning rent or capital valuation, transfer the fixed or intangible assets to investment property since change day. When transfer occurs, regard the book value before transfer as entry value after transfer.

When investment property is dealt with or it exits usage forever and predicted that it can't get economic interest from disposal, stop confirming this investment property. The amount of disposal income from sales, transfer, scrap or damage of investment property deducting its book value and related taxes will be reckoned in current gains and losses.

10.. Fixed assets

The fixed assets of the Company refer to tangible assets possessing the following traits at the same time, they are tangible assets with over RMB 2000 of unit value, over 1 year of service life. They are held for producing goods, offering labours, leasing or administration.

Fixed assets contain housing and building, machinery instrument, delivery equipment and other equipment. Fixed assets regard the cost spent on its obtaining as entry value, including, external fixed assets comprise purchase price and the import tariff and related taxes, along with other expense which can be directly included in this assets before enabling fixed assets to reach predicted usable situation; the cost of self-built fixed assets consist of necessary expense occurred before enabling fixed assets to reach predicted usable situation; as for fixed assets the investors invest, regard the value agreed on contract or term as entry value, but unfair value from contract or term is still be included in account in form of fair value; as for the leased fixed assets from financial leasing, choose the lower one between fair value of lease assets since the first leasing day and the lowest present lease payments as entry value.

Subsequent expenditure related to fixed assets includes overhaul, updating and restructuring expense and so on. Those conforming to confirmation terms of fixed assets will be included in cost of fixed assets while the replaced part will be stopped the confirmation on the book value; those un-conforming to confirmation terms of fixed assets will be included in current gains and losses.

The Company will accrue depreciation of all the fixed assets besides of fixed assets fully accrued but still being used and land singly charged and included account. Apply straight-line-method to accrue depreciation and respectively include in related assets or current expense according to application. **Depreciable life, estimated residual value rate, yearly depreciation of fixed assets of the Company are as follows:**

Order number	Category	Depreciable life (Year)	Estimated residual value rate (%)	Yearly depreciation (%)
1	House and building	30-40 years	4%	3.20%-2.40%
2	Machinery	10-14 years	4%	9.60%-6.86%

Order number	Category	Depreciable life (Year)	Estimated residual value rate (%)	Yearly depreciation (%)
	equipment			
3	Delivery equipment	5-12 years	4%	19.00%-8.00%
4	Other equipment	8-12 years	4%	12.00%-8.00%

At end of every year, the Company will re-audit the predicted service life, estimated residual rate and depreciation ways of fixed assets. If some change occurs, they will be dealt with as change of accounting estimation.

When fixed assets are dealt with or predicted that it can't get economic interest regardless of usage or disposal, stop confirming this fixed assets. The amount of disposal income from sales, transfer, scrap or damage of fixed assets deducting its book value and related taxes will be reckoned in current gains and losses.

11.. Project under construction

Project under construction will be calculated by actually occurred cost. Self-built construction work will be calculated according to direct material, direct salary, direct engineering cost and so on; a packet of building will be accounted by project accounts payable; project cost of installation project of instruments will be confirmed according to the value of installed instruments, installation expense, and occurred expense arising from project trial operation. Cost of project under construction also includes loans expense which should be capitalized and exchange gains and losses.

Since the project under construction reaches the predicted usable situation, transfer the fixed assets according to estimated value, in accordance with project budget, manufacturing cost or actual project cost, start accruing depreciation in next month, and adjust the original differences of fixed assets after final accounts of completed project.

12.Borrowing costs

Borrowing costs include borrowing interest rate, discount or amortization of premium, subsidiary costs and exchange balance arising from foreign loans etc. Borrowing costs of construction or production directly attributable to the assets which meet the conditions of capitalization begin its capitalization when assets expenditure has happened, borrowing costs has happened, and necessary construction or production activities for the assets reaching the state of being available-for-use and available-for-sale had already started; stop capitalization when the construction or production of assets which meet the conditions of capitalization reaches the state of being available-for-use and available-for-sale. The other borrowing costs will be recognized as expenses currently.

The interest income arising from deposited current actual interest charges of special loan deducted unused loans, or the temporary capital investment gains amounts to capitalization; after borrowing money from the average expenditure exceeds the special loan part of the assets of the weighted average expenditure by quite simply multiplying by the occupying the

loan rates and identify capitalization amount of money according to the general loan weighted average interest.

The assets meeting the condition of capitalization are in terms of fixed assets, investment real estate and inventory and other assets. They need a long time (usually longer than 1 year) of construction or production activities to attain the state of being available-for-use and available-for-sale.

If interruption takes place at the assets meeting the condition of capitalization, and suspending time lasts for over three months, suspend the capitalization of borrowing cost until the construction or production activities start again.

13.Intangible assets

The intangible assets of the Company include use power of land, patent technology and non-patent technology and so on. They are accounted according to the actual cost, including, the purchased intangible assets are accounted according to actual paid price and other expenses; confirm the actual cost of intangible asset investors invested according to the value agreed by contract or agreement, but the agreed value of contract or agreement if not fair, determine the actual cost according to fair value.

Leasing land from the start date, according to the transfer of sales average out age limit; patented technology and non-patent technology and other intangible assets to use and projected age limit the contract from age limit and the law effectively age limit three of the shortest of the average selling out in stages. The offset amount of benefits related to the object into the current costs and gains.

On the use of the intangible assets have limited life span of life and is expected to play in every year check, such as a change in accounting estimate, as amended. the uncertainty of life of the intangible assets is expected to be life for check, as there are evidences to prove the intangible assets have limited service life, the estimated of its service life and life is in the market.

14.Research and development

The company's research and development expenditures based on the nature and development activities in the form of intangible assets is with great uncertainty, divided into the study phase the expenditure on research and development stages. phase expenditure, on the stage of development gains; shall be spending, at the same time satisfy the following conditions, as the intangible assets:

- (1) There is feasibility in technical of finishing this intangible assets to make it reach the state of being available-for-use and available-for-sale;
- (2) Possessing intension of finishing this intangible assets and making it reach the state of being available-for-use and available-for-sale;
- (3) There exists market for production produced by this intangible assets or the intangible asset has its own market;

(4) Having enough technological, financial resources and other resources to support to complete the development of the intangible asset, and having the ability to make it reach the state of being available-for-use and available-for-sale;

(5) Expenditure attributable to this development phase of intangible assets can be measured reliably.

Not satisfy these conditions the development phase expenditure, there shall be in when the profit and loss. The gains have been included in the development of expenditure during the period is no longer believed to be assets. The development phase capitalization expenditure in the balance sheet for the expenses listed in the development, since the project is scheduled to use the state the date by the intangible assets

15. impairment of long-term non-financial assets

The company undertakes inspection on the items of long-term equity investment, fixed assets, construction in process and the intangible assets with limited use life at each balance sheet date, where practical evidence showing that impairment might occur with them, impairment testing will provided. Concerning the intangible assets of un-certain use life, impairment testing will undertake every year no matter what exist evidence of impairment on them. Concerning the difficulties in testing the recoverable amount on single assets, based on the assets group or assets combination that it belongs to for testing.

After testing, if the book value of the assets is exceeding its recoverable amounts, the difference recognized as impairment losses. The impairment losses will not be restored in later accounting period while losses have been recognized. Recoverable amount of assets refers to the higher ones, which is the amount of fair value of assets less net amount after disposal and the current amount of predicted future cash flows of the assets.

Impairment evidence as follow:

- (1) dramatically down price of eth current assets' market price, the down range higher than the predicted range under the normal usage;
- (2) significant changes of the economic environment, technology or laws happened recently or to be happen, which caused a unbeneficial influence of the company;
- (3) the market rate or other market investment return has been growth in current period, influenced the conversion rate of future cash flow on predicted assets calculated by the Company, a dramatically down on the amount recoverable;
- (4) evidence showing that the assets are old or have damaged on real body;
- (5) assets have been in idle used or plan to be idle use, termination of use or plans to disposal in advance;

(6) evidence from internal report showing that the assts' economy interest have lower or will lower than prediction. That is net cash flow contributed from assets or operation profits (or loss) much lower (or higher) than predicted amount;

(7) other evidence of showing the assets have indication of impairment.

16. Goodwill

Goodwill connected with the subsidiaries will list in the consolidated financial statements individually. Goodwill connected with the affiliated enterprise and joint ventures are included in the book value of long-term equity investment.

17. long-term amortized expenses

the long-term amortized expenses refers to the expense that have been paid, but the expenses should amortized in the following term over 1 year(excluded 1year), this kind of expenses will amortized in the beneficial term. If the long-term amortized expenses could not benefit in the following accounting period, than the amortized value of un-amortized parts will accounted into current gains and losses.

18. wages payables

the employees providing service in the Company's accounting period, the wages payable recognized as liabilities. And according to the benefit objects from the employees' service, accounted the item of benefit into the relevant assets cost and expenses. The compensation paid for labour forces determination, reckoned into current gains and losses.

Wages welfare mainly including the salary, bonus, subsidy, welfare, social insurance fee and residential public reserves, labour union and educational expenses of employees and the relevant expenses for service provided from employees. .

If terminated the contract before the expiry date of the labour contract, or the suggestion of compensation for voluntaries resignation. If the Company make out a official labor termination plan or suggest the voluntary resignation, and take into effect. At the same time, the Company was unable to take-back the termination of labor relationship or voluntaries resignation, the compensation from termination of labor relationship will accounted as projected liabilities reckoned into current gains and losses.

19. Shares payment

Shares payment refers to the transaction, that meets the followings (1) bestowed equity instrument with the purpose of gaining the service from staff or other providers and (2) burden the liabilities recognized based on the equity instrument. Shares payment consisted of share payment based on the equity settlement and based on the cash settlement.

Share payment for exchange the service provided from staff with equity settlement, will measure by the fair value at bestowed date of equity instrument bestowed to staff. The amount of fair value accomplished the service in waiting period, under the condition of accomplishing meets the regular performances, base on the best value of equity instrument of accomplish abilities in waiting period, calculated into relevant cost or expensed on direct line method, and increase the capital reserve accordingly.

Share payment settlement on cash, measured under the fair value recognized based on the burden shares of the Group or other equity instrument. If put into effect after bestowing, the fair value of burden liabilities at bestowed dated will reckoned into relevant cost or expense, and increase the liabilities accordingly; if put into effect after finished regulated performance in waiting period, at each waiting balance sheet date, base on the best estimation of accomplish ability, the amount of fair value of burden liabilities from the Group, reckoned the service gaining in the period into cost or expense, adjust the liabilities accordingly.

At the settlement date or each balance sheet date before relevant liabilities settlement, re-measured the fair value of liabilities, reckoned into current gains and losses.

20. projected liabilities

if the external guarantee, business acceptance bill discount, un-judge lawsuit or arbitration, quality of the products or relevant business of contingency meets the follow condition, the Company recognized it as liabilities: a liability was a current liabilities burden by the Company; a liability that results in the out-flow of benefits; a liability could measure stability.

Projected liabilities will initial measured according to the best valuation of expenses that accomplished the current liabilities. And take consolidated consideration of risk related to contingency, un-certain and currency time value. If the currency time value has a major influence, make out a best valuation after the conversion of relevant future cash value. Re-examination the book value of projected liabilities at each balance sheet date, if there have changes, adjusted the book value for a best valuation.

21. principle of income recognition

the business income including incomes from selling products, incomes from service providing, assets use rights transfer. The principle of recognition as follows:

the main risk and reward on the products have been transfer to purchaser. The Company have no the continually management right on hand, and no the actual control of goods have been sold, the income can be measure stable, relevant economy benefit probably

in-flow in the Company, relevant occurred or will happen in futures' cost can measured stable, recognized the income of products selling.。

recognized the service income while receiving the account evidence after service providing.。

Economy benefits probably in-flow into the Company, the amount can measure stable, recognized the assets use right income of transferring.

22.government subsidy

Government subsidy recognized while the Company meets the condition of government subsidy and received in the Company. If the government subsidy belongs to a monetary asset, calculation based on the actually received amount. The subsidy with fixed amount will calculated on the actual received amount. If the government subsidy is a non-monetary assts, calculated based on the fair value, if the fair value could not stable received, measured based on the nominal amount (RMB1).

Government subsidy related to assets are recognized as deferred income, and distributed into current gains and losses in the relevant use life of the assets. Government subsidy related to income, if the income was compensated the relevant expenses or losses in following period, recognized as deferred income and accounted into current gains and losses in the period of recognition; if the income was compensated the expense and losses that have been happened, reckoned into current gains and losses directly.

23.deferred income tax and deferred income tax liabilities

the difference between the book value and taxable basis of assets and liabilities items, and provisional differences occurred between the book value and taxable value which are not recognized as assets and liabilities, but may be recognized for taxable basis according to the law, area recognized as deferred income tax assts and deferred income tax liabilities on liability basis of the balance sheet.

24. rent

the rent including financing rent and operational rent in the date of renting.

financing rent refers to rental that have been transfer the risk and reward related toe the ownership of the assets materially. The Company is a leaser, at the lease date, the lower amount between the fair value of lease date and the minimum cash amount, consider as the book value of fixed assets from financing. The difference between the two aboved mentioned amount recognized as financing expenses

operational renting refers to the other rental other than the financing rental. The rent in rental period of the Company will be accounted into relevant assets cost or current gains and loss based on the directly line method as a lessor. The rent in rental period of the Company will be accounted into income based on directly line method as a lessee.

25. calculation of income tax

the income tax calculated as the method of income tax liabilities. Income tax expenses consist of the current income tax and deferred income tax. Besides the current deferred income tax and income tax related to the shareholders' equity and the book value of goodwill of the deferred income tax adjustment from enterprise merger, other current income tax and deferred income tax expenses or incomes are accounted into current gains and losses.

26. Division information

Business division refers to a component which is diacritical and can offer individual event or a group of related products or labors. This component undertakes risk and payment different from other components. Geographic segment refers to a component which is distinguishable and can offer products or labors in a specific economic environment. This component undertakes risk and payment different from other components.

The Company takes business division as main reporting form and geographic division as minor reporting form.

The transferring price among divisions is confirmed according to the market price, the expense related to assets used by every division will be distributed among different divisions according to income proportion.

27. Discontinuing operation

Discontinuing operation refers to components which have been disposed or divided in component where they are for sale and they can be distinguished singly when they are operating or compiling financial sheet. The integrity or part of this component will be dealt with according to the plan of the Company.

The component of the Company will be included in being for sale if it meets the following terms: The Company has made decision for disposing this component, the Company has signed irrevocable agreement for assignment with the transferee and the assignment will be completed in a year.

28. Accounting method of transferring financial assets and securitization business of non-financial assets

Transferred financial assets should be judged according to the transferring condition of all the risk and payment from ownership of related financial assets; stop confirmation of related financial assets if the financial assets have been fully transferred; do not stop confirmation if the financial assets have not been transferred and retain all the risk and payment from ownership of related financial assets; if the financial assets have not been transferred and also didn't retain all the risk and payment from ownership of related financial asset, decide whether stop it or not according to the involving degree of control on this financial asset; stop confirming this financial asset if the control on it has been given up; confirm this financial and its related liabilities according to the involving degree of control on this financial asset if the control on it has not been given up. Include the difference between

received consideration arising from transferring and book value in current gains and losses if the financial asset meets the integrity final confirmation, and the amount of accumulated change of fair value which was previously directly included in owners' equity will be also included in current gains and losses; if the financial asset meets partial final confirmation, allocate the integrity book value of financial assets concerning transferring between final confirmation part and non-final confirmation part according to relative fair value. Make disposal comparing the fully transferred with the partially transferred based on the book value after allocation. If the financial asset does not meet the final confirmation, regard the received consideration as a kind of financial liabilities.

29. merger of enterprises

As for the consolidation of enterprises under the same control, Balance of the consolidator's assets less consolidation cost received in the consolidation and then less the identifiable net asset of the consolidated party at fair value is identified as the business fame. The balance is minus, which is calculated into the current gain and loss.

30. Method of preparation of consolidated statements

(1) Principle of consolidation scope

Subsidiaries of actual controlling right and subjects for special purpose

(2) Accounting Method of the Preparation

Pursuant to relevant regulations of Enterprise Accounting Standard, all substantive internal transactions and dealings were set off.

(V) Changes to accounting policy, accounting estimation and correction on previously accounting errors.

1.Changes and influence of accounting policy: Nil

2.Contents and reasons of accounting estimation: Nil

3.Correction and influence of previously accounting errors: Nil

(VI) Taxation

Major tax and tax rate

Tax category	Taxation basis	Tax rate
VAT	Production sale revenue and processing revenue	17%
Business tax	Income from rent and commission charge	5%
City construction and maintenance tax	Payable turnover tax	5% or 7%
Extra charges for education	Payable turnover tax	3%
Local extra charges for	Payable turnover tax	1%

Tax category	Taxation basis	Tax rate
education		
Enterprise income tax	Income taxable	15% or 25%

Tax preference and approvals

(II) Corporate income tax

The Company and its subsidiaries--Zhongke Meiling and Zhongshan Changhong were designated as the provincial high and new technology enterprises, which enjoyed provincial preferential 15% income tax of the state income tax of high and new enterprises in three years.

(VII) Enterprise merger and consolidated financial statements

1. Subsidiaries

Name	Type	Registered place	Business nature	Register capital(RM B'000 0)	Business scope	Investment capital at period-end (RMB'0 000)	Other projects balance composed of the Company 's net investment in subsidiaries	Holding proportion (%)	Voting proportion (%)	Consolidated statement encompassing (Yes/ /No)	Interests of minority shareholders	Minority shareholders' interest for reduction of loss of Minority shareholders' equity	Balance of parent company owners' equity for loss in Period more than minority shareholders' equity in Period-b eginning Long-term stock investment
Subsidiaries invested directly for setting up													

Zhongke Meiling Cryogenic Technology Company LTD(1)	Li mit ed Co mp any	Hefe i	Man ufac turing and sale	6,000. 00	Cryogenic and cooler equipment, research and develop, manufacture and after-sael service of the aboveed products, self-business and agent various products ,import of technology and business export-inport.	4,200.00	-	70. 00	70.0 0	Y es	17,134,511.7 9	-
Jiangxi Meiling Refrigeration Co., Ltd.(2)*	Li mit ed Co mp any	Jingd e Tow n	Man ufac tur and sale	4,000. 00	R&D, manufacturing and selling of cooling apparatus and the parts	4,500.00	-	97. 00	97.0 0	Y es	6,961.27	-
Mianyang Meiling Refrigeration Co., Ltd.(3)	Li mit ed Co mp any	Mian yang	Man ufac tur and sale	5,000. 00	R&D, manufacturing and selling of cooling apparatus and the parts	4,500.00	-	97. 00	97.0 0	Y es	121,473.04	-
Hefei	Li	Hefe	sale	1,000.	R&D, manufacturing	990.00	-	99.	99.9	Y		-

Meiling Electric Marketing Co., Ltd. (4)	limited Company	i		00	and selling of cooling apparatus and the parts and other sales			97	7	es	386.52		
Subsidiaries of merger under the common control													
Sichuan Changhong Air Conditioner Co.,Ltd. (5)	limited Company	Mianyang	Manufactur and sale	20,000.00	Manufacture and development of air-conditioner and after-sale service. Fittings process external and sale of metal(excluded silver and golde)	30,560.00	-	100.00	100.00	Yes	-		-
Zhongshan Changhong Air Conditioner Co.,Ltd. (6)	limited Company	Zhongshan	Manufactur and sale	8,000.00	Production , process, sale of air conditioner, TV, DVD, Speaker, and Computer and its fittings.	7,625.00	-	100.00	100.00	Yes	-		-

(1) Zhongke Meiling Cryogenic Technology Company LTD (hereinafter called “Zhongke Meiling Company”) was established on Oct 29th of 2002 by the Company and CAS’s Physical & Chemical Technology Research, whose registered capital was RMB 60,000,000. The Company poured RMB 42,000,000.00 yuan for this investment, including material contribution of RMB 35,573,719.70 yuan and cash contribution of RMB 6,426,280.30 yuan which totally accounted for 70% of the registered capital. CAS’s Physical & Chemical Technology Research made investment by its intangible asset-new mixed throttle refrigeration technology and its application research in low-temperated storage box. The estimated value for the license of this technology was RMB 18,000,000 yuan accounting for 30% of registered capital.

(2) Jiangxi Meiling Refrigeration Co., Ltd. (Jiangxi Meiling Company for short) was established under the joint investment from the Company and Zhongke Meiling Cryogenic Technology Company LTD on 6 November 2007. Register capital was RMB 20 million including RMB 18 million contributed by the Company, accounts 90% of the total register capital while Zhongke Meiling Cryogenic Technology Company LTD accounts 10% of the register capital with RMB 2 million contribution. On 10 December 2008, Jiangxi Meiling Company increased the capital and shares. The register capital and paid-up capital changed to RMB 40 million after capital increased. In which the Company contributed RMB 45 million in cash, consisting register capital of RMB 36 million which accounts 90% of the register capital. The reset RMB 9 million accounted into the capital reserve under the name of Jiangxi Meiling Company; Zhongke Meiling contributed RMB 5 million in cash with registered capotal of RMB 4 million which accounts 10% of the registered capital, and rest of RMB 1 million accounted into the capital reserve under the name of Jiangxi Meiling Company. The aforementioned increased capital have been complished the changed procedure in the Industry and Commerce Administration Bureau in 2008.

(3) Mianyang Meiling Refrigeration Co., Ltd. (Mianyang Meiling Company for short) was a limited liability company that established under the joint investment from the Company and Zhongke Meiling Cryogenic Technology Company LTD on 6 March 2009. The registered capital and paid-up capital was RMB50 million with RMB45 million contributed from the Company that accounts 90% of the register capital while RMB 5 million contributed by Zhongke Meiling Cryogenic Technology Company LTD, accounts 10% of the register capital. The paid-up capital have been

verified by Sichuan Xinrui CPA with Capital Verification Report No.008[2009] Chuan XinKuaiYan.

(4) Heifei Meiling Electric Marketing Co., Ltd. (Meiling Marketing Company for short) was a limited liability company that established under the joint investment from the Company and Mianyang Meiling Company on 21 October 2009. Register capital and paid-up capital was RMB 10 million. Including RMB9.9 million contributed by the Company which accounts 99% of the register capital; Mianyang Meiling Company contributed RMB 0.1 million accounts 1% of the register capital. The paid-up capital have been verified by Anhui Anlianxinda CPA with Capital Verification Report No.074[2009] Wan ALXD Yanzi.

(5) Sichuan Changhong Air Conditioner Co., Ltd. (Changhong Air Conditioner for short) was a limited liability company that established under the joint investment from the Sichuan Changhong and Changhong Chuangtou on 28 November 2008. Register capital was RMB200 million. Including RMB298 million contributed from Sichuan Changhong (monetary capital RMB 210,088,900 and real assets capital RMB87,911,100) that converted shares of RMB198 million, accounts 99% of the register capital; Chuanghong Chuangtou contributed RMB3 million as monetary capital, converted shares of RMB 2 million accounts 1% of the register capital. Changhong Air Conditioner, Sichuan Changhong and Changhong Group entered into a tripartite agreement in March 2009 for 100% equity assignment of Hunan Changhong Air Conditioner Sale Co., Ltd. (Hunan Air Conditioner for short) with RMB 2.00 (RMB 1.00 for Sichuan Changhong and Changhong Group each), and the changed procedure have been registered on 16 April 2009 in the Industry and Commerce Administration Bureau. Chuanghong Air Conditioner merger Hunan Air Conditioner on 25 June 2009. In December 2009, the Company obtained 100% equity of Chuanghong Air Conditioner through merging under the same controlled. The business scope of Chuanghong Air Conditioner have no changed after merger, its business scope is: engaged in the reserache, manufacture and saling of air conditioner and spare parts and after-sale service, the external processing service of spare parts, sales of metal materials (Gold and silver excluded).

(6) Zhongshan Changhong Electric Co., Ltd. (Zhongshan Changhong for short)—the original Guangdong Changhong Electric Co., Ltd. was a limited liability company that established under the joint investment from the Sichuan Changhong and China Minmetals Corporation on 22 May 2010. The register capital was RMB 80

million, Sichuan Changhong accounts 90% of the register capital with totally RMB72 million including RMB 69.3 million of the movable and immovable property from the former Zhongshan Sanrong Air Conditioner Plant Co., Ltd. that obtained from auctioning and RMB 2.7 million of the right to the use of patent. China Minmetals Corporation contributed monetary capital of RMB 8 million which accounts 10% of the register capital.

Current name of the Company changed from Guangdong Changhong Electric in July 2003. The Company obtained 90% equity of Zhongshan Changhong through merger under the same control in December 2009. The principle business of Zhongshan Changhong have no changed after merged, its business scope mainly engaged in the manufacture, process and sale of air conditioner, television, DVD, stereo equipment and computers and the spare parts of the aforementioned products. Sichuan Changhong Air Conditioner Co., Ltd. (Sichuan Changhong Air Conditioner for short) and China Minmetals Corporation (China Minmetals for short) are entered into a contract of property exchange on 2 March 2010 with a agreement of transferring 10% equity of the Company to Sichuan Changhong Air Conditioner held by China Minmetals. Relevant transferred accounts have been paid at the end of March 2010 and handled the changed procedure in the Industry and Commerce Administration Bureau on 14 May 2010.

The main body with special purpose and controller management body formed by entrust operation or lease etc.: Nil

2. Change of consolidated scope in consolidated financial statements in this year

(1) Profile of the company cooptation in consolidated scope in this year: Nil

(2) Profile of the company without in consolidated scope in this year: Nil

3. Enterprises merger occurred in this year: Nil

4. Conversion of foreign currency statement: Nil

(VIII) Notes to major items of consolidated financial statement

Concerning the financial data disclosed as followed, except for further notes, the following data means: “Year-begin” refers to 1 January 2010, “Period-end” refers to 30 June 2010, “This period” refers to 1 January 2010 to 30 June 2010, “Same period of last year” refers to 1 January 2009 to 30 June 2009, the currency unit was RMB.

1. Monetary fund

Items	Amount at period-end	Amount in year-begin
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	Original currency	Conversion exchange rate	Converted into RMB	Original currency	Conversion exchange rate	Converted into RMB
Cash on hand	182,525.20	-	182,525.20	109,910.06	-	109,910.06
RMB	182,525.20	1.00000	182,525.20	109,910.06	1.0000	109,910.06
Bank deposit	-	-	266,126,100.63	-	-	590,487,924.37
RMB	232,810,614.28	1.00000	232,810,614.28	578,401,640.58	1.0000	578,401,640.58
USD	4,593,526.16	6.79090	31,194,176.80	1,743,498.87	6.8282	11,904,958.98
EUR	256,448.83	8.27100	2,121,088.27	16,807.28	9.7971	164,662.60
GBP	21.65	10.21350	221.12	21.63	10.9780	237.45
JPY	2.00	0.076686	0.15	211,215.00	0.0738	15,587.67
AUD	-	5.87888	-	-	-	-
HKD	-	0.87239	-	950.71	0.8805	837.09
Other monetary fund	-	-	237,171,551.36	-	-	156,974,611.45
RMB	209,770,250.28	1.00000	209,770,250.28	125,248,411.02	1.0000	125,248,411.02
USD	2,054,920.75	6.79090	13,954,761.32	3,669,437.82	6.8282	25,055,651.65
EUR	1,625,391.00	8.27100	13,443,608.96	680,559.01	9.7971	6,667,504.63
GBP	-	10.21350	-	-	-	-
AUD	498.53	5.87888	2,930.80	496.65	6.1294	3,044.15
Total	-	-	503,480,177.19	-	-	747,572,445.88

Amount of monetary fund in period-end has decreased RMB244,092,268.69 compared with that of year-begin with decrease of 32.65%. In which, the amount of bank deposit in period-end has decreased RMB324,361,823.74 compared with that of year-begin with decrease of 54.93% caused mainly by the acquisition amounts of 10% equity of Zhongshan Changhong paid to China Minmetals Coporation, the acquisition amounts of 100% equity of Meiling Group paid to Hefei Xintai Holding Co., Ltd. and the RMB 100 milion of equity amounts of Air Conditioner paid to Sichuan Changhong. Besides, the Company controlled remain scale of monetary funds moderately according to actual operation conditions.

Other monetary funds mainly refers to margin of bank acceptance and to-be-verified accounts of foreign exchange savings (due to the new foreign currency policy from Foreign Exchange Bureau, all of the foreign exchange accounts must be in the to-be-verified accounts for verification. Restricted the use of these accounts temporary before verificat.)

Except for the margins, there has no accounts that limited the liquidation of mortgage, freeze in monetary funds, and has no accounts that saving aboard or accounts with potential recovery risk.

2. Notes receivable

(1) types of notes receivables

types	Amount at period-end	Amount in year-begin
Bank acceptance bill	1,991,166,609.04	891,395,483.60
Commercial acceptance bill	-	1,352,888.48
Total	1,991,166,609.04	892,748,372.08

Amount of notes receivable in period-end increased RMB1,098,418,236.96 compared with that of year-begin with increase of 123.04%. Mainly due to the enlarged sale scale, increased sales recovery notes and decreased notes discounted endorsement.

(2) No discount of note receivables used in this period-end.

(3) Note receivables for pledge in this period

Type	Amount in period-end	Amount in year-begin
Bank acceptance bill	40,106,053.19	-
Commercial acceptance bill	-	-
Total	40,106,053.19	-

Notes pledge mainly due to the decrease of margin while issuing notes, in order to saving capital cost, RMB 40,000,000 bank acceptance bill have been issued in China CITIC Bank with notes pledge. The pledge will be release before the end of this year.

(4) Notes that have been endorsement at period-end but have not due(top 5)

Type	Issuer	Date of issue	Date of due	Amount	Note
Bank acceptance bill	Sichuan Changhong Electric Co., Ltd.	20 10-5-27	2010-11-26	10,000,000.00	CB0102639245
		2010-5-27	2010-11-26	10,000,000.00	CB0102639233
		2010-5-27	2010-11-26	10,000,000.00	CB0102639232
		2010-5-27	2010-11-26	10,000,000.00	CB0102639231
		2010-6-23	2010-12-22	10,000,000.00	CB0102639647
Total				50,000,000.00	

3. accounts receivable

(1) Account receivable disclosed according to types

items	Amount in period-end				Amount in year-begin		
	Balance at book		Bad debt provision		Balance at book		Bad debt pro
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount
Classification 1	285,844,850.24	45.78%	11,682,489.60	34.06%	148,225,080.34	42.99%	3,838,838.77
Classification 2	1,944,169.89	0.31%	291,625.48	0.85%	-	0.00%	-
Classification 3	336,588,852.56	53.91%	22,322,769.58	65.09%	196,561,315.25	57.01%	23,833,459.20
Total	624,377,872.69	100.00%	34,296,884.66	100.00%	344,786,395.59	100.00%	27,672,297.97
Net value	590,080,988.03				317,		

The book balance of account receivable at period-end increased RMB 279,591,477.10 compared with that of year-beign, up 81.09%. Mainly due to the major dispatchment in busy season, and the increase of accounts receivable due not-yet.

Classification 1: single major accounts receivable refers to the account receivables above RMB 20,000,000 at period-end balance.

Classification 2: refers to the single minor accouts recevables but with major risk after combination of credit risk characteristics.。

Classification 3: refers to other minor accounts receivable.

(2) account receivables of single item with major amount at period-end, or with minor amount but having impairment testing individually.

Neme of the company	Balance of book	Amount of bad debt	Accruing proporti on	Reasons
Sichuan Changhong Electric Co., Ltd.	101,479,396.19	-	-	related parties un-withdrawal
Suning Electric Co., Ltd. Nanjing Purchasing Center	131,728,646.28	6,586,432.31	5%	Withdrawal based on age
Electrolux (China) Electric Co.,Ltd.	30,688,877.96	1,534,443.90	5%	Withdrawal based on age
Jiangsu Five Star Electronic Co.,	21,947,929.81	1,097,396.49	5%	Withdrawal

Ltd.				based on age
Total	285,844,850.24	9,218,272.70		

(3) account receivable that actually verified at this report period:

Name of the company	Nature of account receivable	Verification amount	Verification reasons	Whether caused by related transaction or not
28 companies with detail account receivables	Loan	3,938,609.75	Cancelled for debtor bankrupt	Not

(4) Recovery of the verified account receivable of previously period in this period: Nil

(5) Arrears held by shareholders with over 5%(5% included) voting rights of the Company:

Name of the company	Amount at period-end		Amount at year-begin	
	Arrears	Amount of bad debt provision	Arrears	Amount of bad debt provision
Sichuan Changhong Electric Co., Ltd.	101,479,396.19	-	71,448,305.06	-

(6) accounts receivable in top 5 companies

Name	Relationship	Amount	Age	Proportion to the account receivables
Suning Electronic Co., Ltd. Nanjing	Non-related party	131,728,646.28	Within 1year	21.10%
Sichuan Changhong Electric Co., Ltd.	Parent company	101,479,396.19	Within 1year	16.25%
Electrolux (China) Electric Co., Ltd.	Non-related	30,688,877.96	Within	4.92%

	party		1 year	
Jiangsu Five Stat Electric Co., Ltd.	Non-related party	21,947,929.81	Within 1 year	3.52%
PT.CHANGHONG ELECTRIC IND	Related party	17,767,690.65	Within 1 year	2.85%
Toal		303,612,540.89		48.63%

(7) account receivable of related parties

Name	Relationship	Amount	Proportion to the account receivables
Sichuan Changhong Electric Co., Ltd.	Parent company	101,479,396.19	16.25%
CHANGHONG ELECTRIC(AUSTRA	Other enterprises	1,737,477.21	0.28%
Chengdu Lejiayi Commerce Co., Ltd.	under the same	136,857.35	0.02%
Kunming Yijiahong Commerce Co.,Ltd.	controller of	36,511.77	0.01%
Chongqing HongLife Commerce Co., Ltd.	parent company	60,980.21	0.01%
Tianjin Lejiayi Commerce Co., Ltd.	and ultimated	29,104.92	0.00%
Jinan Lejiayi Commerce Co., Ltd.	controller	24,007.60	0.00%
Taiyuan Lejiayi Commerce Chain Co., Ltd.		23,534.05	0.00%
Fuzhou Lejiayi Commerce Co., Ltd.		11,025.65	0.00%
Sichuan Changhong Mould& Plastic Technology Co., Ltd.		1,933,290.17	0.31%
PT.CHANGHONG ELECTRIC IND		17,767,690.65	2.85%
Sichuan Changhong Minsheng Logistic Limited Liability Company		216,033.28	0.03%
Sichuan ChanghongXinrui Technology Co.,Ltd.		1,480,861.05	0.24%
Sichuan Changhong International Hotel Limited Liability Company		25,800.00	0.00%
Sichuan Hongou Display Co., Ltd.		3,755,850.00	0.60%
Sichuan Hongshi Display Technology Co.,Ltd.		3,078,687.20	0.49%
Jiangxi Changhong Electric Technology Developmetn Co., Ltd.		267,550.00	0.04%
Hefei Changhong Industry Co., Ltd.		68,500.00	0.01%

Huayi Compressor Holding Co., Ltd.	8,550.50	0.00%
Changhong Network Technology (China) Marketing Co., Ltd. Beijing District	4,470.00	0.00%
Sichuan Kuaiyidian Electric Service ChainCo., Ltd.	4,400.20	0.00%
Total	132,150,578.00	21.17%

(8) foreign currency balance of account receivables

Name	Amount in period-end			Amount in year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
USD	11,949,612.01	6.7909	81,148,620.20	4,205,809.36	6.8282	28,718,107.47
EUR	486,589.73	8.271	4,024,583.66	328,721.23	9.7971	3,220,514.76
JPY	-	0.076686	-	-	0.0738	-
Total			85,173,203.86	4,534,530.59		31,938,622.23

4. Account paid in advance

(1) age of the account paid in advance

Items	Amount in period-end		Amount in year-begin	
	Amount	Proportion	Amount	Proportion
Within 1 year	201,569,990.93	98.45%	101,230,842.68	92.26%
1-2years	3,178,962.50	1.55%	5,311,572.76	4.84%
2-3years	-	0.00%	-	0.00%
Over 3years	-	0.00%	3,178,962.50	2.90%
Toal	204,748,953.43	100.00%	109,721,377.94	100.00%

The amount of account paid in advance at period-end increase RMB 95,027,575.49 compared with that of year-begin, up 86.61%. Mainly because the Meiling Group and its subsidiaries purchasing have not been transferred, the purchase amount paid in advance have not been transferred into capital .

(2) top 5 companies in amount of account paid in advance

Name	Relationship	Amount	Age	Reason for un-settlement
Hefei Xintai Holding Co., Ltd.	Shareholder	113,200,000.00	Within 1 year	Account of purchasing of Meiling Group have not been transferred in

				account.
Anhui Baogang Steel Delivery Co., Ltd.	Supplier	30,258,813.39	Within 1 year	Un-settlement
Angang Shares Co., Ltd.	Supplier	27,161,185.82	Within 1 year	Un-settlement
BASF China Limited	Supplier	11,133,096.00	Within 1 year	Un-settlement
Sichuan First Construction Co., Ltd.	Supplier	7,103,000.00	v	Un-settlement
Total		188,856,095.21		

(3) Arrears held by shareholders with over 5%(5% included) voting rights of the Company in accounts paid in advance at period-end:

Name	Relationship	Amount	Age	Reason for un-settlement
Hefei Xintai Holding Co., Ltd.	Shareholder	113,200,000.00	Within 1 year	Account of purchasing of Meiling Group have not been transferred in account.

(4) balance of foreign currency in account paid in advance

Name	Amount in period-end			Amount in year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
USD	3,406,742.60	6.7909	23,134,848.32	545,863.65	6.8282	3,727,266.18
EUR	282,078.77	8.271	2,333,073.51	31,165.69	9.7971	305,333.37
Total			25,467,921.83			4,032,599.55

5. Other receivables

(1) classified according to types

Item	Amount in period-end				Amount in year-begin			
	Book balance		Provision for bad debt		Book balance		Provision for bad debt	
	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)
Classification 1	18,867,077.62	35.45%	240,463.59	5.81%	2,073,076.93	8.64%	2,073,076.93	36.5%

Classification 2	2,712,070.45	5.10%	2,524,998.16	61.02%	2,632,579.45	10.97%	2,348,984.23	41.4
Classification 3	31,649,559.68	59.46%	1,372,547.00	33.17%	19,288,877.31	80.39%	1,246,822.34	21.9
Total	53,228,707.75	100.00%	4,138,008.75	100.00%	23,994,533.69	100.00%	5,668,883.50	100
Net value	49,090,699.00			18,325,650				

The book balance of other receivables at period-end increased RMB 29,234,174.06 compared with that of year-begin, up 121.84%. Mainly because the account of refund tax for exporting have not been received and the sales branch's reserves fund increased.

Classification 1: single major accounts receivable refers to the account receivables above RMB 1,000,000 or with minor amounts but having impairment testing individually;

Classification2: refers to the single minor accounts receivables but with major risk after combination of credit risk characteristics;

Classification3: other minor accounts receivable.

Classification 1: single major accounts receivable or with minor amounts but having impairment testing individually at period-end:

Name	Amount	Amount of bad debt	Withdrawal proportion	Withdrawal reasons
Zhongshan State Taxation Bureau Nantou Sub-bureau	14,057,805.88	-	-	amount of export drawback exist no risk
Provincial Power Hefei Power Supply Co.,	3,532,431.74	176,621.59	5%	withdrawal based on age
Advertisement Center of Anhui TV	1,276,840.00	63,842.00	5%	withdrawal based on age
Total	18,867,077.62	240,463.59		

Classification2: single minor accounts receivables but with major risk after combination of credit risk characteristics

items	amount at report period-end			amount in year-begin		
	Amount	Proportion	Bad debt	Amount	Proportion	Bad debt

			provision		provision	
Within 1 year		0.00%			0.00%	
1-2years		0.00%			0.00%	
2-3years		0.00%			0.00%	
3-4years	220,879.33	8.14%	121,483.63	285,990.00	10.86%	36,294.50
4-5years	584,510.62	21.55%	496,834.03	225,998.12	8.58%	192,098.40
Over 5 years	1,906,680.50	70.30%	1,906,680.50	2,120,591.33	80.55%	2,120,591.33
Total	2,712,070.45	100.00%	2,524,998.16	2,632,579.45	100.00%	2,348,984.23

(2) Reversal amount of bad debt provision: Nil

(3) Other account receivable actually verified in this report period

Name	nature of account receivable	Verified amount	Verified reason	Whether caused by related transactions
Jiangxi Kesheng Industry&Trade Co., Ltd.	Loan	2,073,076.93	cancelled for bankrupt of debtor	Not

The Jiangxi Kesheng Industry&Trade Co., Ltd. have bankrupt , the account was difficult to recover and last over 5 years. All amount have been accounted into bad bedt provision and approved by 23 rd Meeting of 6th Board of Directors' for canceling..

(4) No arrears held by shareholders with over 5%(5% included) voting rights of the Company in other account receivable at period-end :

(5) Other accounts receivable in top 5 companies

Name	Amount	Age	Proportion to total other account receivables	Nature and content
Zhongshan State Taxation Bureau Nantou Sub-bureau	14,057,805.88	Within 1 year	26.41%	Export tax rebate
Provincial Power Hefei Power Supply Co.,	3,532,431.74	Within 1 year	6.64%	Utilities paid in advance

Name	Amount	Age	Proportion to total other account receivables	Nature and content
Advertisement Center of Anhui TV	1,276,840.00	Within 1 year	2.40%	AD fee paid in advance
Beijing Branch reserve fund	941,284.44	Within 1 year	1.77%	Beijing Branch reserve fund
investment account of joint venture paid in advance	800,000.00	Within 1 year	1.50%	registration procedure of joint venture have been accomplished
Total	20,608,362.06		38.72%	

6. Inventory

(1) Classified

items	amount in period-end			Amount in year-begin		
	Book balance	Depreciation provision	Bool value	Book balance	Devalue provision	Bool value
Raw material	144,021,394.37	5,149,148.00	138,872,246.37	121,717,700.47	1,059,300.55	120,658,399.92
Inventory merchandise	906,514,083.72	62,228,826.81	844,285,256.91	728,277,821.44	62,122,441.19	666,155,380.25
Low value consumable articles	3,179,426.49	-	3,179,426.49	2,944,921.07	-	2,944,921.07
Goods in transit	210,824,589.22	-	210,824,589.22	189,767,136.17	-	189,767,136.17
Goods-in-process	40,860,400.25	461,032.19	40,399,368.06	59,535,475.82	376,628.57	59,158,847.25
Should expense be apportioned	17,897,101.23	-	17,897,101.23	14,017,455.60	-	14,017,455.60
Total	1,323,296,995.28	67,839,007.00	1,255,457,988.28	1,116,260,510.57	63,558,370.31	1,052,702,140.14

The book balance of inventory at period-end increase RMB 207,036,484.71 compared with that of year-begin, up 18.55%, in which the book balance of inventory merchandise at period-end increase RMB 178,236,262.28 compared with that of year-begin, up 24.47%.

(2) Provision for inventory depreciation

Item	amount in year-begin	Increase this period	Decreased this period		amount in period-end
			Switch-back	Other	
Raw material	1,059,300.55	4,089,847.45	-	-	5,149,148.00
Goods-in-process	376,628.57	228,237.49	-	143,833.87	461,032.19
Inventory merchandise	62,122,441.19	106,385.62	-	-	62,228,826.81
Total	63,558,370.31	4,424,470.56	-	143,833.87	67,839,007.00

(3) withdrawal of provision for inventory depreciation

Item	Withdrawal base	Reason of switch-back this year	Proportion of amount of switch-back to the inventory amount at period-end
Raw material	Compared the book cost of inventory with its net relizable value based on category, withdrawal or swith-back the provision of inventory depreciation based on the difference between net relizable value and its book cost.	-	-
Goods-in-process		-	-
Inventory merchandise		-	-

7. Financial assets available for sale

(1) category of financial assets available for sale

item	Fair value at period-end	Fair value at year-begin
1.Bond available for sale	-	-
2.Equity instrument available for sale	3,021,943.55	134,011,570.00
3.Others	-	-
Total	3,021,943.55	134,011,570.00

There are legal shares of 3,703,000 shares under the name of Anhui Kefaxunfei Information Technology Co., Ltd. (short form: KDXF, stock code: 002260) held by the Company at year-begin, share cost was RMB7,091,806.06. in the year of

2010, the Company totally sales 3,618,233 shares in the bidding trade system in Shenzheng Securities Exchange, with RMB39.17 per share. As at the end of 30 June, 2010, the Company held 84,767 shares of the Anhui Kefaxunfei Information Technology Co., Ltd., the close price was RMB35.65 per shaer, fair value was RMB3,021,943.55. including RM accounted into capital reserve, and the relevant income tax influence will adjusted into capital reservce and deferred income tax liabilities.

8. Long-term equity investments

(1) category of Long-term equity investments

Item	amount at period-end	Amount at year-begin
Long-term equity investment calculated based on cost method	10,900,000.00	10,260,000.00
Long-term equity investment calculated based on quity method	26,689,372.97	28,428,371.63
total of Long-term equity investment	37,589,372.97	38,688,371.63
Less: impairment provision of Long-term equity investment	-	1,660,000.00
vale of Long-term equity investment	37,589,372.97	37,028,371.63

(2) Long-term equity investment calculated based on cost method and equity method

Invested company	Proportion of share holding (%)	Proportion of voting rights (%)	Initial amount	Amount at year-begin	Increase in this period	Decrease in this period	Amount at period-end	Ca divid this
on method								
ng Co.,	1.15	1.15	5,000,000.00	5,000,000.00	-	-	5,000,000.00	4,360,
g								
nce d	20.00	20.00	1,660,000.00	1,660,000.00	-	1,660,000.00	-	

u g c ting d.	20.00	20.00	1,000,000.00	1,000,000.00	-	-	1,000,000.00
g g c ting d.	20.00	20.00	1,000,000.00	1,000,000.00	-	-	1,000,000.00
ou g c ting d.	20.00	20.00	800,000.00	800,000.00	-	-	800,000.00
yuan g c ting d.	20.00	20.00	800,000.00	800,000.00	-	-	800,000.00
zhou g c ting d.	20.00	20.00	600,000.00	-	600,000.00	-	600,000.00
xi g nold nces ting d.	20.00	20.00	1,000,000.00	-	1,000,000.00	-	1,000,000.00
ng c	20.00	20.00	700,000.00	-	700,000.00	-	700,000.00

ing d.								
al			12,560,000.00	10,260,000.00	2,300,000.00	1,660,000.00	10,900,000.00	
on								
d								
ology ty Co.,	28.57	28.57	1,000,000.00	2,588,783.96	-	764,088.90	1,824,695.06	
g g Co.,	48.28	48.28	25,055,600.00	25,839,587.67	-	974,909.76	24,864,677.91	
al			26,055,600.00	28,428,371.63	-	1,738,998.66	26,689,372.97	
tal			38,615,600.00	38,688,371.63	561,001.34	1,660,000.00	37,589,372.97	

(3) Investmetn in affiliated enterprises

Invested company	Type of company	Register place	Legal person	Business nature	Register capital	Proportion of share holding (%)	Proportion of voting right (%)
1. Hefei Meiling Packing Co., Ltd.	Limited company	Hefei	Sun qingfeng	Manufacture and sale	RMB18,400,000	48.28	48.28
2. Anhui United Technology Property Trade Co., Ltd.	Limited company	Hefei	Chen Hua	Property transaction	RMB5,000,000.5	28.57	28.57

(Con't)

Invested company	total assets at period-end	total liabilities at period-end	total net assets at period-end	Total operating income in this period	net profit in this period
1. Hefei Meiling Packing Co., Ltd.	159,672,115.38	108,171,125.50	51,500,989.88	63,425,141.06	-3,899.83
2. Anhui United Technology Property Trade Co., Ltd.	8,237,235.76	1,850,483.71	6,386,752.05	-	-770,010.29

(4) impairment provision of long-term equity investment

Invested company	amount at year-begin	Increase this period	Decrease this period	Amount at period-end	Reasons for decrease
Hefei Meiling Sigma Appliance Co., Ltd	1,660,000.00	-	1,660,000.00	-	Cancellation of business license. Verified

The Meiling Sigma Appliance Co., Ltd. have cancelled the business license. On 21 April 2010, the 33rd Meeting of 6th Board of Directors have approved the verification.

9. Investment real estate

(1) Investment real estate calculated based on cost method

Item	Amount in year-begin	Increased amount in this period	Decreased amount in this period	Amount at period-end
Original price	18,858,648.21	-	-	18,858,648.21
Including: House and buildings	17,941,956.83	-	-	17,941,956.83
Land Use Right	916,691.38	-	-	916,691.38
accumulative depreciation or	4,435,253.00	335,889.47	-	4,771,142.47

accumulative amortization				
Including: House and buildings	4,249,034.87	316,705.19	-	4,565,740.06
Land Use Right	186,218.13	19,184.28	-	205,402.41
Accumulative amount of impairment provision	-	-	-	-
Including: House and buildings	-	-	-	-
Land Use Right	-	-	-	-
book value	14,423,395.21			14,087,505.74
Including: House and buildings	13,692,921.96			13,376,216.77
Land Use Right	730,473.25			711,288.97

(2) Investment real estate without property certificate

Items	Reasons for not holding property certificate	predicted time for obtaining the property certificate
House of sheet-metal plant	Procedure of fire protection acceptance still in process	Year of 2010
House of injection molded plant	Procedure of fire protection acceptance still in process	Year of 2010

(3) As at the end of this report period, investment real estate for pledge:

Name of intangible assets	Certificate of land	Property area	Net value of book	Note
Nantou village, Nantou Town, Zhongshan	Yue Property Zi No.C1628036	5,153.32	3,407,834.47	China Merchants Bank, Foshan Branch
Nantou village, Nantou Town, Zhongshan	Zhong Fu Guo Yong(2003) No. 020642	845	711,288.97	China Merchants Bank, Foshan Branch
Total		5,998.32	4,119,123.44	

10, Fixed assets

(1) Fixed assets classified according to items

items	Amount in year-begin	Increased in this period	Decreased in this period	Amount in period-end
Original price	1,267,747,876.12	26,228,222.70	14,600,088.65	1,279,376,010.17

items	Amount in year-begin	Increased in this period	Decreased in this period	Amount in peiod-end
House and buildings	376,730,987.50	1,269,989.97	-	378,000,977.47
Specific equipment	802,434,002.04	21,757,025.89	12,867,778.99	811,323,248.94
Transportation equipment	25,511,879.29	2,369,152.49	937,900.40	26,943,131.38
others	63,071,007.29	832,054.35	794,409.26	63,108,652.38
accumulative depreciation	445,929,541.36	54,746,384.46	7,176,808.03	493,499,117.79
House and buildings	44,581,912.50	6,347,424.53	148,162.44	50,781,174.59
Specific equipment	372,987,216.71	42,322,284.85	6,132,907.35	409,176,594.21
Transportation equipment	13,553,535.25	1,504,100.93	684,396.71	14,373,239.47
others	14,806,876.90	4,572,574.15	211,341.53	19,168,109.52
impairment provision	19,146,612.83		7,122,144.63	12,148,968.20
House and buildings	950,000.00	-	-	950,000.00
Specific equipment	15,817,245.24	124,500.00	6,997,672.87	8,944,072.37
Transportation equipment	596,067.96	-	-	596,067.96
others	1,783,299.63	-	124,471.76	1,658,827.87
Book value	802,671,721.93			773,727,924.18
House and buildings	331,199,075.00			326,269,802.88
Specific equipment	413,629,540.09			393,202,582.36
Transportation equipment	11,362,276.08			11,973,823.95
others	46,480,830.76			42,281,714.99

Concerning the fixed assts increased in this year, RMB 1,744,742.78 from construction in progress; the accumulative depreciation increased in this year have been accounted as withdrawal in the year. Concerning the fixed assets decreased in this year, the original value decreased RMB 14,600,088.65 in this year.

(2) Temporary idle fixed assets: Nil

(3) Fixed assets rented by leasing operating

Name	Original	Net value	Lessee
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	value		
Rolling plate cutting machine	459,000.00	22,950.00	Guangdong Xiongfeng Electric Co., Ltd.
Four-leg oil press machine	324,200.00	16,210.00	Guangdong Xiongfeng Electric Co., Ltd.
Open fixed press machine	313,768.00	15,688.40	Guangdong Xiongfeng Electric Co., Ltd.
Auto spray production line	297,900.00	14,895.00	Guangdong Xiongfeng Electric Co., Ltd.
Suspension delivery line	220,500.00	11,025.00	Guangdong Xiongfeng Electric Co., Ltd.
Powerder spray equipment	155,000.00	7,750.00	Guangdong Xiongfeng Electric Co., Ltd.
Welding machine, open fixed press machine etc.	627,109.00	60,456.45	Guangdong Xiongfeng Electric Co., Ltd.
Total	2,397,477.00	148,974.85	

(4) As at the end of this period, fixed assets used in pledge:

Name	No.	Original value	Net value	Bank for pledge
Economic development zone	HeJingKaiYong (2007) No.076	170,916,716.00	155,218,343.16	Bank of Import&Export
Substation	Proerty(FD)No.028277	12,055.47	7,561.77	Hefei Municipal Bureau of Finance
Workshop plant	Proerty(FD)No.028283	2,796,137.00	2,376,959.27	Hefei Municipal Bureau of Finance
Air compressor plant	Proerty(FD)No.028282	231,928.00	9,277.12	Hefei Municipal Bureau of Finance
Distribution substation	Proerty(FD)No.028278	88,970.00	82,485.06	Hefei Municipal Bureau of Finance
Crusher chamber	Proerty(FD)No.028284	242,232.00	212,658.80	Hefei Municipal Bureau of Finance
Central warehouse	Proerty(FD)No.028285	22,228,826.09	14,011,462.57	Huishang Bank, Da Dongmen Sub-branch

Name	No.	Original value	Net value	Bank for pledge
Office building		860,810.06	204,671.50	China Merchants Bank, Foshan branch
Office building (decoration)	Yue Property Zi No.C1628036 Zhong Fu Guo Yong No. (2003)020642	1,309,613.63	876,000.54	China Merchants Bank, Foshan branch
Office building (decoration) 2		3,332,464.76	2,229,085.67	China Merchants Bank, Foshan branch
2/F 1# plant 2/F 2# plant		4,461,822.45	2,376,844.25	China Merchants Bank, Foshan branch
1/F 1# plant	Yue Property Zi No.C1628035 Zhong Fu Guo Yong No. (2003)020643	2,230,911.23	1,188,421.91	China Merchants Bank, Foshan branch
1/F 2# plant		2,230,911.23	1,188,421.91	China Merchants Bank, Foshan branch
3# plant		10,510,553.63	5,827,792.82	China Merchants Bank, Foshan branch
3# plant 2	Yue Property Zi No. C 1628037 Zhong Fu Guo Yong No. (2003)020641	961,963.73	533,380.59	China Merchants Bank, Foshan branch
Warehouse		1,897,142.05	1,051,909.47	China Merchants Bank, Foshan branch
4# plant 2	Yue Property Zi No.C 1628020 Zhong Fu Guo Yong No. (2003)020640	1,212,957.95	672,549.50	China Merchants Bank, Foshan branch
5# plant	Zhong Fu Guo Yong No. (2003)020639	6,580,091.13	5,043,378.58	China Merchants Bank, Foshan

Name	No.	Original value	Net value	Bank for pledge
				branch
5# plant 2		408,822.23	313,346.00	China Merchants Bank, Foshan branch
6# warehouse for stock temporary		382,020.00	160,236.15	China Merchants Bank, Foshan branch
Dormitory of 1#, 2# and 3#	Yue Property Zi No.C 1652755、 No.C1652821、	4,910,007.80	2,717,645.81	China Merchants Bank, Foshan branch
4# dormitory	No.C1652754、 No.C1628038 Zhong Fu Guo YongNo. (2003)020644	1,519,062.18	840,787.38	China Merchants Bank, Foshan branch
Canteen	Yue Property Zi No.C1652823 Zhong Fu Guo Yong No.(2003)020644	1,178,632.00	653,516.67	China Merchants Bank, Foshan branch
Total		240,504,650.62	197,796,736.50	

(5) Fixed assts without property certificate

Items	Reasons for not holding property certificate	predicted time for obtaining the property certificate
Cantee	Procedure of fire protection acceptance still in process	Year of 2010
1#Doemitory	Procedure of fire protection acceptance still in process	Year of 2010
2# Doemitory	Procedure of fire protection acceptance still in process	Year of 2010
Station of of distribution air compressor	Procedure of fire protection acceptance still in process	Year of 2010
Chemical warehouse	Procedure of fire protection	Year of 2010

	acceptance still in process	
2# main plant	Procedure of fire protection acceptance still in process	Year of 2010
2# products house	Procedure of fire protection acceptance still in process	Year of 2010
Plant of pressing suction plastic	Procedure of fire protection acceptance still in process	Year of 2010
warehouse of raw material	Procedure of fire protection acceptance still in process	Year of 2010
Waste station	Procedure of fire protection acceptance still in process	Year of 2010
R&D center	Procedure of fire protection acceptance still in process	Year of 2010
Administrative center	Procedure of fire protection acceptance still in process	Year of 2010
Marketing center	Procedure of fire protection acceptance still in process	Year of 2010
Multi-functional centre	Procedure of fire protection acceptance still in process	Year of 2010
6# Plant	Procedure of fire protection acceptance still in process	Year of 2010
1# Key Doemitory	Procedure of fire protection acceptance still in process	Year of 2010
5#Plant	procedure of application have not being handling	
2#Key Doemitory	Procedure of fire protection acceptance still in process	Year of 2010

11. Construction in process

(1) details of construction in process

Item	Amount at period-end			Amount at year-begin		
	Balance of book	Impairment provision	Vale of book	Balance of book	Impairment provision	Vale of book
Changhong Meiling Industry Garden	2,809,247.06	-	2,809,247.06	1,976,901.20	-	1,976,901.20

PhaseII						
construction of South Zone in Industry garden	6,133,516.22	-	6,133,516.22	522.00	-	522.00
Equipment ready for setting up	4,826,921.07	-	4,826,921.07	5,939,138.73	124,500.00	675,217.04
Other odd projects	3,327,987.26	-	3,327,987.26	1,138,376.09	-	16,705,413.35
Total	17,097,671.61	-	17,097,671.61	9,054,938.02	124,500.00	8,930,438.02

(2) impairment provision of construction in process

item	Amount at year-begin	Increased in this period	Decreased in this period	Amount at period-end	Reasons of withdrawal
Equipment ready for setting up (pipe bender)	124,500.00		124,500.00	-	The technology relatively backward

12、 Disposal of fixed assets

item	Amount at year-begin	Increased in this year	Decreased in this year	Amount at period-end
Disposal of fixed assets	-	2,733,628.10	2,733,628.10	-

13、 Intangible assets

(1) Intangible assts classified according to items

Items	Amount at year-begin	Increased in this period	Decreased in this period	Amount at period-end
Original price	693,859,336.10	-	-	693,859,336.10
land use right	593,889,312.37	-	-	593,889,312.37
Exclusive right of trademark	73,711,036.84	-	-	73,711,036.84
extra-low temperture cooler technology with new mex refrigerant	9,000,000.00	-	-	9,000,000.00
Non-patent technology	17,258,986.89	-	-	17,258,986.89
accumulative amortizing	90,153,924.64	17,222,356.74	-	107,376,281.38
land use right	37,834,496.10	6,326,432.22	-	44,160,928.32

Exclusive right of trademark	39,023,490.09	6,503,915.02	-	45,527,405.11
extra-low temperture cooler technology with new mex refrigerant	6,750,000.00	1,125,000.00	-	7,875,000.00
Non-patent technology	6,545,938.45	3,267,009.50	-	9,812,947.95
impairment provision	-	-	-	-
land use right	-	-	-	-
Exclusive right of trademark	-	-	-	-
extra-low temperture cooler technology with new mex refrigerant	-	-	-	-
Non-patent technology	-	-	-	-
Book value	603,705,411.46			586,483,054.72
land use right	556,054,816.27			549,728,384.05
Exclusive right of trademark	34,687,546.75			28,183,631.73
extra-low temperture cooler technology with new mex refrigerant	2,250,000.00			1,125,000.00
Non-patent technology	10,713,048.44			7,446,038.94

(2) Constitution of land use

① Land use right at Year- beginning was exchanged from land in the Meiling Group development district in the form of account receivable.

② Land use right was paid off by Meiling Group, Meiling Air Conditioner for the Company's debt on 31 Nov.2005.

③ Jiangxi Meiling bid for the bankruptcy asset in Jingde Huayi Parent Company Air Conditioner Branch on 24 Nov.2009.

(3) Paten of trademark was received by transfer from Meiling Group i n 2002.

(4) Intangible assets of "New Mixed Material J-T Cooling Technology and Application Research in Ultra-low Temperature Storage Cuber" was evaluated RMB 1800000 accounting for 30% shareholding of Zhongke Meiling.

(5) As at the end of this period, the intangible assets for pledge as follow:

Name	Land certificate	Property area (M ²)	Net value of book	Note
A zone Meiling Industry	Dong Guo Yong2002	10,560.00	4,000,352.70	Bank of

Name	Land certificate	Property area (M ²)	Net value of book	Note
Garden Longgang Industry Zone	Zi No. 0257			Communicatio, Hefei Branch
A zone Meiling Industry Garden Longgang Industry Zone	Dong Guo Yong 2002 Zi No. 0259	5,015.00		Bank of Communicatio, Hefei Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong No. (2003) 020639	14,834.30	10,432,954.78	ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong No. (2003) 020640	5,375.90		ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong No. (2003) 020641	16,198.20		ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong No. (2003) 020642	12,394.10		ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong No. (2003) 020643	15,381.40		ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong Zhong Fu Guo Yong (2003) 020644	14,451.10		ChinaMerchantsBank Foshan Branch
Nantou village Nantou Town Zhongshan	Zhong Fu Guo Yong Zhong Fu Guo Yong (2003) 021955	21,713.00		ChinaMerchantsBank Foshan Branch
Total		115,923.00		14,433,307.48

14、development expenditure

items	Amount of year-beginn	Increased in this year	Decreased in this year		Amount at period-end
			Reckoned into current gains/losses	Intangible assets recognition	
Zhongshan Changhong New surface patent design	137,665.98	-	137,665.98	-	-
Technology development of Changhong Air	15,275,946.99	13,624,490.94	3,880,893.04		25,019,544.89

Conditioner					
Toal	15,413,61	13,624,49	4,018,559.02	-	25,019,54
	2.97	0.94			4.89

15、long-term prepaid expenses

Item	Amount at year-begin	Increase in this year	Prepaid in this year	other decreased in this year	amount at year-end	Other decreased reasons
R3 information system	600,000.00	-	300,000.00	-	300,000.00	

16、Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities that recognized

Item	Amount at period-end	Amount at year-begin
Deferred income tax assets		
impairment provision of assets	18,007,878.17	18,128,370.33
Projected liabilities	22,199,487.68	13,630,309.58
difference of converted terms	155,118.21	206,824.28
Toal	40,362,484.06	31,965,504.19
Deferred income tax liabilities		
estimation value of transactional financial instrument and derivative financial instrument	-	-
change of the fair value of financial assets available for sale reckoned into capital reserve	428,940.30	19,037,964.60
Toal	428,940.30	19,037,964.60

(2) items of deferred income tax assets without recognition

Item	Amount at period-end	Amount at year-begin
temporary difference deductible	1,391,556.81	1,383,379.73
deductable losses	4,049,101.56	5,522,300.23
Total	5,440,658.37	6,905,679.96

(3) relevant temporary difference of assets or liabilities caused the difference

Item	amount of difference
deferred income tax assets	

Item	amount of difference
bad debt provision of account receivable	34,289,631.09
bad debt provision of other account receivable	4,277,964.95
depreciation provision of inventory	67,683,351.26
depreciation provision of long-term equity investment	-
depreciation provision of construction in process	124,500.00
depreciation provision of fixed assets	12,024,468.20
difference of converted terms	1,034,121.40
projected liabilities	147,996,584.51
Total	267,430,621.41
deferred income tax liabilities	
change of fair value of financial assets available for sale	2,859,601.90
Total	2,859,601.90

17、 details of impairment provision of assets

items	Amount at year-begin	Increased in this period	Decreased in this period		Amount at period-end
			Written-back	other	
Bad debt provision	33,341,181.47	11,262,934.10	157,535.48	6,011,686.68	38,434,893.41
depreciation provision of inventory	63,558,370.31	4,424,470.56	-	143,833.87	67,839,007.00
depreciation provision of financial assets available for sale	-	-	-	-	-
depreciation provision of investment	-	-	-	-	-

items	Amount at year-begin	Increased in this period	Decreased in this period		Amount at period-end
			Written-back	other	
held with due-maturity					
depreciation provision of long-term equity investment	1,660,000.00	-	-	1,660,000.00	-
depreciation provision of investment real estate	-	-	-	-	-
depreciation provision of fixed assets	19,146,612.83	124,500.00	-	7,122,144.63	12,148,968.20
depreciation provision of engineering materials	-	-	-	-	-
depreciation provision of construction in process	124,500.00	-	124,500.00	-	-
depreciation provision of productive biological assets	-	-	-	-	-
incl: depreciation provision of marutiry productive	-	-	-	-	-

items	Amount at year-begin	Increased in this period	Decreased in this period		Amount at period-end
			Written-back	other	
biological assets					
depreciation provision of oil and petrol assets	-	-	-	-	-
depreciation provision of intangible assets	-	-	-	-	-
depreciation provision of goodwill	-	-	-	-	-
Other	-	-	-	-	-
Total	117,830,664.61	15,811,904.66	282,035.48	14,937,665.18	118,422,868.61

18、short-term loans

Type	Amoun at period-end	Amount at year-begin
Mortgage loan	-	-
Pledge loan	79,730,000.00	9,000,000.00
Guarantee loan	60,000,000.00	175,000,000.00
Credit loan	78,860,000.00	
Total	218,590,000.00	184,000,000.00

19、Notes payable

(1) classified according to type

Type	Amount at period-end	Amount at year-begin
Bank acceptance bill	743,537,578.54	404,691,072.19
Commerce acceptance bill	-	-
Total	743,537,578.54	404,691,072.19

(2) Major bank acceptance bill (top 5)

Bank of issuer	Beneficiary	Date of issuer	Due date	Amount
Huishang Bank Dongdamen Branch	Wuhu Oubao Electro-mechanical Co., Ltd.	2010.02.24	2010.08.24	15,100,000.00
Huishang Bank Dongdamen Branch	Guangzhou Wanbao Group Compressor Co., Ltd.	2010.01.21	2010.07.21	13,200,000.00
China CITIC bank Shengli Road branch	Hangzhou Qianjiang Presser Co., Ltd.	2010.04.27	2010.10.27	11,900,000.00
China CITIC bank Shengli Road branch	Huayi Presser Holding Co., Ltd.	2010.05.21	2010.11.21	11,210,000.00
China Merchants Bank Hefei Branch Business Department	Wuhu Oubao Electro-mechanical Co., Ltd.	2010.01.18	2010.07.18	11,000,000.00
Total			-	62,410,000.00

20、accounts payable

(1) accounts payable

Item	Amount at period-end	Amount at year-begin
Total	1,716,535,832.24	1,157,326,858.96
Incl: over 1 year	8,374,777.49	4,856,442.30

Amount of account payable at period-end increased RMB 559,208,973.28 compared with that of at year-begin, up 48.32%. Mainly due to the busy season, the purchase materials increased and accounts that have not been in due.

(2) account payables of shareholders with 5%(5% included) voting rights of the Company

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd.	16,196,975.92	5,769,505.99

(3) foreign currency balance in account payables

Name	Amount at period-end			Amount at year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
USD	1,077,193.63	6.7909	7,315,114.22	101933.53	6.8282	696,022.54
JPY	4,435,872.84	0.076686	340,169.34	40,324,770.27	0.0738	2,975,242.20
Total			7,655,283.57	40,426,703.80		3,671,264.74

(4) Age over 1 year account in account payable this period was RMB8,374,777.49 without settlement.

21、account received in advance

(1) account received in advance

Item	Amount at period-end	Amount at year-begin
Total	806,709,974.79	718,021,736.69
Incl: over 1 year	42,628,719.22	40,337,297.60

The amount of account received in advance at period-end increase RMB88,688,238.10 compared with that of at year-begin, up 12.35%. mainly because the increased saling in rural , the dealer increased the account paid in advance.

(2)account received in advance of shareholders with 5%(5% included) voting rights of the Company

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd.	4,549,925.81	4,681,218.92

(3) balance of foreign currency in accout received in advance

Name	Amount at period-end			Amount at year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
EUR	1,732.56	8.271	14,330.00	18,884.62	9.7971	185,014.51
USD	4,661,856.90	6.7909	31,658,204.02	4,320,142.04	6.8282	29,498,793.88
Total			31,672,534.03	4,339,026.66		29,683,808.39

(4) The account with over 1 year in accounts received in advance at period-end mainly caused by the commcer accounts paid by dealer but not withdrw the goods in time.

22、Wage payable

(1) classified according to items

Item	Amount at year-begin	Increase in this period	Decrease in this period	Amount at period-end
Salary, bonus, allowance and subsidy	22,316,079.72	141,090,802.69	156,028,813.84	7,378,068.57
Welfare for workers and staff	21,000.00	7,614,264.25	7,536,735.43	98,528.82
Social insurance	6,044,357.38	24,340,195.59	28,245,879.49	2,138,673.48
Including:				
Medical insurance	173,223.66	4,810,126.87	4,170,236.06	813,114.47
Basic endowment insurance	5,697,235.60	17,608,862.23	22,304,133.15	1,001,964.68
Unemployment insurance	147,624.79	1,146,397.74	1,000,156.57	293,865.96
Work injury insurance	15,325.62	406,445.94	404,430.64	17,340.92
Maternity insurance	10,947.71	368,362.81	366,923.07	12,387.45
Housing accumulation fund	4,633,058.85	11,242,424.63	11,051,806.75	4,823,676.73
Labor union expenditure and personnel education expense	471,546.63	127,013.68	149,331.88	449,228.43
Non-monetary welfare	-	-	-	-
Discharge welfare *	36,353,487.94	5,473,061.00	3,669,246.54	38,157,302.40
Others	1,021,955.55	14,833.93	9,786.61	1,027,002.87
Including: cash-settled share-based payment	-	-	-	-
Total	70,861,486.07	189,902,595.77	206,691,600.54	54,072,481.30

*according to the internal retirement regulated in the Company and the Resolution of 29th Meeting of 5th Board of Directors on 28 January 2008, the female worker with over 45 ages and male workers with over 48 ages will voluntary for retirement before hand while centent with the Company. The withdrawal salary and social insurance welfare in first half year was RMB 5,473,06.

(2) the wage payable at period-end mainly caused by the withdrawal of performance reward in first half year of 2010. and there are no arear s in the account this year.

23、Tax payable

Item	Amount at period-end	Amount at year-begin
Value-added tax	19,254,669.89	7,659,079.78
Business tax	84,802.33	108,452.68
Enterprise income tax	92,857,405.14	50,364,171.13
Individual income tax	1,463,987.46	1,948,106.37
Urban maintenance and construction tax	5,061,566.42	1,767,330.82
House property tax	913,694.25	854,921.87
Land-use right tax	2,492,394.64	531,328.86
Educational surtax	3,122,747.61	1,006,341.02
Stamp tax	474,290.50	329,088.92
Construction fund of Water Conservancy Projects	527,661.20	682,917.39
Fund for coarse adjustment	171,283.95	156,037.62
Flood-control fund embankment fee	412,732.38	238,436.77
	20,000.00	16,387.12
Total	126,857,235.77	65,662,600.35

。 The payable tax at period-end increase RMB61,194,635.42 compared with that of year-begin, up 93.20%, mainly caused by the delay payment of payable VAT and enterprise income tax.

24、Dividends payable

Name	Amount at period-end	Amount at year-begin	Reasons for delay payment over 1 day
Hefei Meiling Group (Holdings) Co., Ltd	167,506.42	167,506.42	No receiving procedure from opposite
International Business Department of Industry and Commercial Bank of China of Anhui Branch	153,697.50	153,697.50	No receiving procedure from opposite
Provincial Technic Import and Export Company	-	153,697.50	
Communication Bank of			No receiving procedure

Hefei Branch	153,697.50	153,697.50	from opposite
Other 20 piecemeal units	431,300.30	588,576.50	No receiving procedure from opposite
Total	906,201.72	1,217,175.42	

25、Other payable

(1) Other payable

Item	Amount at period-end	Amount at year-begin
Total	743,709,730.17	624,779,113.24
incl: Over 1 year	69,240,509.30	42,859,491.14

Other payable at period-end increase RMB118,930,616.93 compared with that of year-beign, up 19.04%, mainly caused by the pre-withdwal of sales expenses that haven been occurred but have not been reinburement. The account with over 1year mainly from the payable margin to dealers.

(2) Account paid to the shareholder unit which holds above 5% of the shares of the Company in the balance of other payable at the year-end:

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd	193,928,843.19	286,242,599.05
Total	193,928,843.19	286,242,599.05

(3) other payables with major amount at period-end

Item	A mount	Age	Nature& content
Sichuan Changhong Electric Co., Ltd	193,928,843.19	Within 1year	Purchase account of Air conditioner and wages account of Changhong Air Condition from Sichuan Changhong
sales expenditure pre-withdraw	476,068,371.20	Within 1year	Sales expenditure pre-withdraw without reimbursment yet
Total	669,997,214.39		

26、Non-current liabilities due within one year

(1) classified according to items

Item	Amount at period-end	Amount at year-begin
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long-term borrowings due within one year	3,000,000.00	3,000,000.00
bond payable due within one year	-	-
long-term payables due within one year	-	-
Total	3,000,000.00	3,000,000.00

(2) Long-term loans due within one year

Type	Amount at period-end	Amount at year-begin
pledge loan	-	-
Mortgage loan	-	-
Guarantee loan	3,000,000.00	3,000,000.00
Credit loan	-	-
Total	3,000,000.00	3,000,000.00

(3) top 5 Long-term loans due within one year at period-end

company	Amount	term	Annual rate%
Huishang Bank Hefei Chenghuangmiao Branch	3,000,000.00	2008.08.18-2010.08.18	6.30
Total	3,000,000.00		

27 other current-liabilities

Item	Amount at period-end	Amount at year-begin
reward capital received in advacen from government	-	20,172,100.00

According to the Notice of No. (2009)43 ‘Reward of promoting the industry economysteady development ‘from the Heifei Economy Committee and Hefei Finance Burear, with purpose of encourage the production and more selling, the exceed part of the total industry production volum and main business income of 2009 compared with that of 2008, will give reward after deducting growth rate of basic increasing. The Company received a reward of RMB20,172,100.00 in April

2009. The amount was recognized as liabilities in 2009 .RMB15,247,000 of 2009 from the increase production reward have been settled in first half year of 2010, the exceeded RMB4,925,000 have been refund.

28 Long-tern loans

(1) classification of long-tern loans

Type	Amount at period-end	Amount at year-begin
pledge loan	-	-
Mortgage loan	7,040,000.00	7,040,000.00
Guarantee loan	-	-
Credit loan	8,207,300.00	8,207,300.00
Total	15,247,300.00	15,247,300.00

(2) top 5 Long-tern loans r at period-end

Company	loans	loans	Currency	rate (%)	Amount at period-end		Amount at year-b	
	Start from(date)	End at(date)			Foreign currency amount	Local currency amount	Foreign currency amount	Loc curre amou
Principal Bureau of Finance of Hefei (1)	2006-11-09	2021-11-08	RMB	4.44	-	7,040,000.00	-	7,040,000.00
Principal Bureau of Finance of Hefei (2)	2002-11-21	2017-11-20	RMB	2.82	-	5,207,300.00	-	5,207,300.00
Principal Bureau of Finance of Hefei (3)	2004-12-10	2019-12-10	RMB	2.82	-	3,000,000.00	-	3,000,000.00
Total	-	-	-	-	-	15,247,300.00	-	15,247,300.00

(1) in August 2006, the Company signed a Assets Pledge Agreement with Hefei Finance Bureau. The amount of RMB7040000 of 15 years capital from state debt with the industry plant of area of 2,322.98 square meters in Cresser Plant as pledge. The transfer capital will calculated the interest from the date of withdrwal the capial from Finance Bureau。 The compensation interest of first half year will be RMB.

(2) On Nov. 1st of 2002, the Company signed Agreement on Implementing Construction Program Using On-lending National Debts with finance bureau of Hefei. The agreement indicates that finance bureau of Hefei transfers to the Company worthy of RMB 7.16 million of national debts for technology reform item of NM preservation board of the Company. The loan tenure was 15 years. Interest accrual

over on-lending capital was calculated since Hefei Finance Bureau made the fund appropriation (Nov. 21st, 2002), the Company should pay for this debt to Hefei Finance Bureau in average way by year within loan period. The previous 4 years was grace period, and the yearly interest of on-leading capital was calculated in floating rate. (The yearly interest of every group national debts on-leading capital was confirmed according to one-year deposit interest issued by People's Bank of China dating from the value date of that year, plus 0.3%) (3) on 10 December 2004, the Company received a state-debt special capital from Hefei Finance Bureau fro the reformation of enterprises' information system.

29 reasonable account payable

Item	amount at year-begin	Increased in this period	Decreased in this period	Amount at period-end
compensation of governmental moving	34,223,417.47	-	346,147.06	33,877,270.41

In September 2006, the Company and Hefei Land Reserve Center(short for Reserve Center) sign an agreement of re-back of the land use right of state-owned lands. The Reserve center recovered the land use right of No.33 and No.48 land in Hefei Wuhu Road, total as area of 119,400 square meters. According to the agreement, the reback compension fee (including moving , distalltion and settlement As agreed in the Agreement, the Finance Department of Hefei will pay land compensation fees (including dismantlement, removal and settlement etc.) to the Company within six months upon trading of the lands. The detailed compensation fees are calculated at 65% of the total trading amount less taxes of deed and bank interests on the loan from pledge of the land (including appraisal fees). In June 2009, the above two state-owned lands originally held by the Company were trade. According to the Supplemental Agreement of Recovery of the State-owned Land Use Rights signed by the Company and the Bureau of Finance of Hefei, State-owned Assets Supervision and Administration Sub-Commission of Hefei, the Economic Committee of Hefei and the Land Reserve Center of Hefei on Dec. 10, 2009, as jointly negotiated by all parties, the agreed land compensation fees (including dismantlement, removal and settlement etc.) payable to the Company by the Bureau of Finance of Hefei was RMB 422.5112 million. The Company received RMB 422.5112 million of the above land compensation fees on Dec. 15, 2009. The special payables decreased by RMB 388,287,782.53 in 2009, which was mainly the expenditures of dismantlement, removal and settlement in the initial stage of cancellation.

Specific payable in this period decreased RMB 3.4,617,406 million, mainly due to spending on finished apartment building and facilities for staffs' settlement. It has been transferred into fixed assets and used since specific payable was transferred into

deferred income. Till 6th of 2010, the balance of specific payable was RMB 338.7,727,041 million.

30、Projected liabilities

Item	amount at year-begin	Increased in this period	Carry-forward this period	Amount at period-end
external guarantee	-	-	-	-
un-judge lawsuit	-	-	-	-
quality guarantee of products	90,868,730.51	57,127,854.00	-	147,996,584.51
restructuring liabilities	-	-	-	-
losses contract ready for implement	-	-	-	-
Other	-	-	-	-
Total	90,868,730.51	57,127,854.00	-	147,996,584.51

The Product quality bond predicted at first half year was RMB 57,127,854.00, mainly caused by the commitment of the Company for a ten-year guarantee for the household electrical appliance products going into rural families.

31 Other non-current liabilities

Item	amount at year-begin	Increased in this period	Decrease in this period	Amount at period-end
deferred income	28,257,754.52	906,147.06	560,801.71	28,603,099.87

1) The Company obtained land compensation expense from government due to removal, including original value of dormitory matching facilities for allocating employee amounted to RMB 306,147.06 recognized as deferred income, according to depreciation period of the aforesaid buildings and matching facilities, amortization was taken since the withdrawal month of depreciation of fixed assets, the amortized amount in this report period RMB560,801.71 was transferred from deferred income into non-operating income.

2) Subsidiary Sichuan Changhong Air-conditioner Company obtained government support amounting to RMB0.6 million for 2009 applicable technological research and development project, recognizing as deferred income, including: i. MCJ No. [2009]134 stated supporting fund amounting to RMB0.1 million for 180-degree

direct-current variable frequency energy conservation air-conditioner and industrialization project; ii. MCJ No. [2009]140 stated the fund amounting to RMB0.5 million for curved centrifugal fan of energy conservation air-conditioner project.

32、Share capital

Name /type	amount at year-begin		Changed in this year	Amount at period-end	
	Amount	proportion (%)	Other	Amount	proportion (%)
restricted shares	113,806,751.00	27.52	-76,857,362.00	36,949,389.00	8.93
State-owned shares	-	-	-	-	-
State-owned legal person's shares	104,461,498.00	25.26	-75,110,025.00	29,351,473.00	7.09
Other domestic shares	9,277,998.00	2.24	-1,747,337.00	7,530,661.00	1.82
Including: Domestic legal person	9,149,917.00	2.21	-1,619,256.00	7,530,661.00	1.82
Domestic natural person's shares	128,081.00	0.03	-128,081.00	-	-
Foreign shares	-	-	-	-	-
Including: Foreign legal person's shares	-	-	-	-	-
Foreign natural person's	-	-	-	-	-

shares					
senior executive share	67,255.00	0.02	-	67,255.00	0.02
unrestricted shares	299,836,198.00	72.48	76,857,362.00	376,693,560.00	91.07
RMB common share	186,736,198.00	45.14	76,857,362.00	263,593,560.00	63.73
Domestically listed foreign shares	113,100,000.00	27.34	-	113,100,000.00	27.34
Overseas listed foreign shares	-	-	-	-	-
Others	-	-	-	-	-
Total shares	413,642,949.00	100.00	-	413,642,949.00	100.00

33、Capital reserve

Item	Amount at year-begin	Increased this period	Decreased this period	Amount at peirod-end
Share premium	504,324,664.36	-	2,971,165.68	501,353,498.68
Other capital reserve	155,962,358.17	8,444,563.00	113,895,700.74	50,511,220.43
Total	660,287,022.53	8,444,563.00	116,866,866.42	551,864,719.11

share premium decreased RMB 2,971,165.6 in this period, mainly caused by the difference between the consideration and the book net assets of Zhongshan at the end of purchased date while purchase 10% equity of Zhongshan.

Other capital reserve decreased RMB105,451,137.74, according to “expert views on implementation issues of accounting standards for business enterprise” promulgated on 21 Jan 2008, the enterprises, holding restricted equity of listed companies and had no control, joint control or major influences on listed companies, should conform to accounting standards for business enterprise No.22---financial instruments confirmation and measurement, and the Company took its holding restricted equity into financial assets available for sales. The Company confirmed its holding restricted equity of iFLYTEK as financial assets available for sales based on its fair value. The

balance between fair value and cost of original book value, that was gains from changes of fair value, directly was reckoned into other capital reserve. After changes of financial assets available for sales deducting influences of deferred income tax liabilities in this report period, capital reserve had an increase of RMB8,444,563.00. Capital reserve was transferred out from sales of financial assets was RMB109,373,267.54 in this report period. After changes of fair values from financial assets available for sales deducting influences of deferred income tax liabilities, capital reserve has a decrease of RMB4,522,433.20, and totally capital reserve had a decrease of RMB113,895,700.74 in the report period.

34、 Surplus reserves

Item	Amount at year-begin	Increased this period	Decreased this period	Amount at peirod-end
Statutory surplus reserve	131,288,465.07	-	-	131,288,465.07
Free surplus reserve	153,819,249.12	-	38,211,546.96	115,607,702.16
Total	285,107,714.19	-	38,211,546.96	246,896,167.23

the surplus reserves of this period decreased RMB 38,211,546.96. According to the relevant regulation of the developemt of the Company and accounting policies, the remedy losses with surplus reserves was RMB38,211,546.96, that have been approved by the 30th Meeting of 6th Board of Directors.

35、 Undistributed profit

Item	Amount	proportion of withdrawal or distribution
amount at period-end of last year	-34,609,778.15	
Plus: adjustment undistributed profit at year-begin		
incl: Changed of accounting policies		
important previously error correction		
consolidated changed under the same control		
other adjustment factors		
amount at year-begin of this year	-34,609,778.15	
Plus: Net profit distributable to shareholder of parent company this year	218,616,696.38	

Plus: remedy losses of surplus reserves	38,211,546.96
Less: withdrawal of Statutory surplus reserve	
withdrawal of Free surplus reserve	
withdrawal of general risk provision	
common share dividen payable	
common shaer dividen converted to share capital	
Amount at period-end this year	222,218,465.19

36、Minority shareholder's equity

Name of subsidiaries	proportion of minority shares	Amoun tat period-end	Amount at year-begin
Zhongke Meiling Low-TemperatureTechnology Co., Ltd.	30%	17,134,511.79	16,829,423.24
Mianyang Meiling Refrigerating Co., Ltd	3%	-121,473.04	-128,369.89
Jiangxi Meiling Refrigerating Co., Ltd	3%	6,961.27	-35,074.81
Hefei Meiling Electric MarketingCo., Ltd.	0.03%	386.52	-22.24
Zhongshan Changhong Electric Co., Ltd.	10%		8,472,935.49
Total		17,020,386.54	25,138,891.79

Zhongshan Changhong Electric Co., Ltd.(Zhongshan Changhong), its former name was Guangdong Changhong Electric Co., Ltd., jointly started as company limited by Sichuan Changhong and China Minmetals Corporation on 22 May 2001. The company's registration capital was RMB80 million of which Sichuan Changhong funded RMB72 million accounting for 90 percent and China Minmetals Corporation funded RMB8 million accounting for 10 percent. The company changed its former name in July 2003. In Dec 2009, the Company acquired 90 percent equity of Zhongshan Changhong from Sichuan Changhong via common control. On March 2, 2010, Sichuan Changhong Air-conditioner Co., Ltd.(Sichuan Changhong Air-conditioner) signed equity transaction agreement with China Minmetals Corporation, in which 10 percent equity of the Company held by China Minmetals

Corporation was transferred to Sichuan Changhong Air-conditioner. The agreement payment was accomplished at the end of March 2010 and registration change was handled on 14 May 2010. Sichuan Changhong Air-conditioner Co., Ltd. was the wholly-owned subsidiary of the Company. Therefore, after the aforesaid transaction, minority shareholders' interests belonged to the Company.

37、operating income and operating cost

(1) operating income and operating cost

Item	amount in this period	Amount at same period of last year
Main business income	4,289,072,025.85	3,259,002,551.73
Other business income	286,687,781.11	134,247,253.42
Total	4,575,759,806.96	3,393,249,805.15
Main business cost	3,201,834,567.45	2,430,798,328.90
Other business cost	246,264,163.37	124,450,318.59
Total	3,448,098,730.82	2,555,248,647.49

(2) main business classified according to industry

Industry	Amount at this period		Amount at same period of last year	
	Main business income	Main business cost	Main business income	Main business cost
household appliance	4,289,072,025.85	3,201,834,567.45	3,259,002,551.73	2,430,798,328.90
Total	4,289,072,025.85	3,201,834,567.45	3,259,002,551.73	2,430,798,328.90

(3) main business classified according to products

Name	Amount at this period		Amount at same period of last year	
	Main business income	Main business cost	Main business income	Main business cost
Refrigerator freezer	3,273,223,447.00	2,265,448,780.85	2,426,257,410.05	1,711,464,315.37
Air conditioner	1,015,848,578.85	936,385,786.60	832,745,141.68	719,334,013.53
Total	4,289,072,025.85	3,201,834,567.45	3,259,002,551.73	2,430,798,328.90

(4) main business classified according to areas

Item	Amount at this period	Amount at same period of last year
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	Main business income	Main business cost	Main business income	Main business cost
domestic	3,894,283,359.62	2,835,012,783.88	2,937,776,023.90	2,145,482,628.55
abroad	394,788,666.23	366,821,783.57	321,226,527.83	285,315,700.35
Total	4,289,072,025.85	3,201,834,567.45	3,259,002,551.73	2,430,798,328.90

(5) top 5 sale income from clients this year

Name	Main business income	Proportion to total business income 例(%)
Sichuan Changhong Electric Co., Ltd.	577,433,958.87	12.62%
Suning Electric Holding Co., Ltd. Nanjing Purchasing Center	358,428,521.39	7.83%
Electrolux (China) Electric Co., Ltd.	47,079,473.50	1.03%
Jiangsu Five Star Electric Co., Ltd.	43,464,120.94	0.95%
Anhui Baida Electric Chain Co., Ltd.	43,274,964.25	0.95%
Total	492,247,080.08	10.76%

38、 Business tax and extra charges

Item	Amount of this period	Amount of the same period of last year
Business tax	120,876.52	76,156.11
City construction tax	11,505,185.55	12,169,595.45
Extra charge for education	6,816,024.21	6,984,448.69
Total	18,442,086.28	19,230,600.94

39、 Operation expense

Item	Amount of this period	Amount of the same period of last year
market supporting fee	317,792,258.09	311,706,554.74
wage and surcharge	131,115,249.44	85,869,265.61
transportation fee	167,445,489.95	78,337,628.13
maintainance fee, loss of three guarantee etc.(including 10 years free manitainence fee)	112,240,158.06	80,865,438.10
AD fee	90,095,738.32	16,843,492.32
Exhibition fee	40,162,599.21	13,033,903.11

warehouse leasing fee	24,572,457.05	14,094,399.95
setting up fee of air conditioner	35,410,966.66	20,002,507.56
Business fee	11,911,126.51	10,741,273.45
Business activities fee	11,867,997.44	11,851,484.86
organization fee	9,967,074.67	2,999,394.51
communication fee	3,677,065.32	3,969,928.64
rental	4,427,552.38	3,708,724.18
social insurance	3,787,319.55	3,262,997.69
vehicle consumption	3,548,840.18	2,975,089.55
office fee	2,207,881.28	1,948,808.27
house public reserve	1,383,945.35	300,490.91
depreciation fee	1,605,377.60	1,258,110.53
consumption of materials	2,271,675.23	544,877.58
Other fees	10,908,466.55	2,255,502.38
Total	986,399,238.84	666,569,872.07

销售费用本期发生额较上年同期发生额增加 319,829,366.77 元，上升 47.98%，主要是由于公司增强营销力度，加大宣传力度，致使市场支持费、广告费，会展费、人工费、物流仓储费等费用增加及预计家电下乡冰箱“十年免费保修”费所致。

40、Administration expense

Item	Amount of this period	Amount of the same period of last year
amortized of intangible assets	17,241,541.02	16,791,025.23
wages and surcharge	21,572,285.54	21,965,539.48
assignment welfare	5,473,061.00	21,630,950.94
Taxes	7,667,470.25	6,389,516.32
R&D fee	4,953,844.93	2,797,287.52
depreciation fee	4,443,207.51	6,637,384.17
social insurance and house public reserve	9,656,324.18	6,801,144.87
office fee	828,747.62	553,687.97
assets insurance fee	1,321,035.32	127,173.21
forcing subsidiary	837,156.04	628,193.70
examination fee	1,268,710.76	1,757,753.46

software usage fee	879,780.19	569,605.00
operating fee of Board	577,241.10	806,233.10
Business activities fee	770,211.49	605,046.05
fee of business trip domestically	1,315,021.21	673,824.40
Fee of lawsuit	333,566.50	84,609.99
transportation fee of buses	739,784.89	774,451.77
Labor Union fees	366,080.30	188,283.68
Other	4,114,005.25	5,792,570.16
Total	84,359,075.10	95,574,281.02

Administration fee this year decreased RMB 11,215,205.92 compared with that of last year, down 11.73%. mainly caused by the decrease of retire internally, and the decrease of assignment welfare withdrawl.

41、Financial expense

Item	Amount of this period	Amount of the same period of last year
Interest expenditure	4,422,220.94	12,785,631.90
Less: Interest income	3,392,394.20	2,939,446.95
Plus: Foreign exchange losses	4,716,418.74	554,328.80
Plus: commission expenditure	1,870,212.49	1,502,109.00
Plus: discount expenditure	-11,511,174.36	573,901.30
Plus: other expenditure	-530,325.76	-318,420.17
Total	-4,425,042.15	12,158,103.88

Financial expenses decrease RMB 16,583,146.03 this period compared with that of last year, mainly caused by the decrease of interest expenditure and increased of the partial supplier's discount paid in advance.

42、Assets depreciation reserves

Item	Amount of this period	Amount of the same period of last year
provision for bad debts	11,105,398.62	16,707,052.72
Provision for falling price of inventory	4,424,470.56	566,951.63
Provision for devaluation of financial	-	-

Item	Amount of this period	Amount of the same period of last year
asset available for sales		
Provision for devaluation of held-to-maturity investment	-	-
Provision for devaluation of long-term equity investment	-	-
Provision for devaluation of investing property	-	-
provision for devaluation of fixed assets	124,500.00	-
Provision for devaluation of engineering materials	-	-
Provision for devaluation of construction in progress	-124,500.00	-
Provision for devaluation of productive biological asset	-	-
Provision for devaluation of oil asset	-	-
Provision for devaluation of intangible asset	-	-
Provision for devaluation of goodwill	-	-
Total	15,529,869.18	17,274,004.35

43、Investment gains

(1) source of investment gains

Item	Amount of this period	Amount of the same period of last year
gains of long-term equity investment calculated based on cost method	4,360,593.46	-
gains of long-term equity investment calculated based on equity method	-1,738,998.66	146,972.66
investment gains arising from disposal of long-term equity investment	-	-
investment gains obtained in the period of transactional fiancail assets held	-	-

investment gains obtained in the period of investment with held-maturity	-	-
investment gains obtained in the period of holding financial assets available for sale	210,000.00	1,897,125.00
income from disposal of transactional financial assets	-	-
income from disposal of investment held-to-maturity	-	-
income from disposal of financial assets available for sale	134,809,167.26	8,391,359.87
Total	137,640,762.06	10,435,457.53

(2) gains of long-term equity investment calculated based on equity method

Item	Amount of this period	Amount of the same period of last year	notes
Total	-1,738,998.66	146,972.66	-
Including:			-
Anhui United Technology Property Trade Co., Ltd.	-764,088.90	127,291.99	-
Hefei Meiling Packing Co., Ltd.	-974,909.76	19,680.67	-

(3) investment income arising from disposal of financial assets available for sale

The gains from sale of equity instrument could be found in No.7 under Note 8—relevant notes of financial assets available for sale.

44、Non-operation revenue

(1) detail of Non-operation revenue

Item	Amount of this period	Amount of the same period of last year
Gains from disposal of non-current assets	2,550,725.51	157,459.91
Incl.: gains from disposal of fixed assets	2,550,725.51	157,459.91
gains from disposal of Intangible assets	-	-
Gains from debt restructuring	-	-
Gains from exchange non monetary capital	-	-
Gains from donation	-	-

Item	Amount of this period	Amount of the same period of last year
Government subsidy	91,039,565.49	5,048,205.45
amortized of deferred income	560,801.71	-
income of penalty	157,530.61	75,698.15
Others	464,554.19	642,855.12
Total	94,773,177.51	5,924,218.63

(2) Government subsidy(including amortized of deferred income)

Item	Amount of this period	Amount of the same period of last year	Source and basis
Reward of innovation research	16,047,100.00		“reward policy of promoting the steadily development of industry economy”
post subsidy of difficulty enterprises	1,561,500.00	1,892,700.00	“Notice of release the burden for stable the employment situation”
subsidy of fixed assets		472,560.00	”notice of concent the recording ofPhase II of Meiling Hi-tec Industry Garden of Hefei Meiling Co., Ltd.”
subsidy of loan interest		111,400.00	
amortize of deferred income	560,801.71		Depreciation and amortize of Group welfare utility of moving compensation
finance subsidy capital after-disaster	1,125,600.00		”Notice of distribution of 2009 onafter-shock from governemmmm subsidy for reconstruction”
post subsidy of difficulty enterprises	88,200.00		“Notice of release the burden for stable the employment situation”(No. LSMD [2009]2)

subsidy of measure equipment	90,900.00		“Notice of reasonable capial plan for enviornmetnal 2009(2 nd)” (No.HH [2009]157)
subsidy of self-research projects	400,000.00		Self-innovation and absorption of re-innovation capital
Returen of VAT	665,204.93	442,129.45	
export tax refund of 3 rd quarter of 2009	64,629.00	-	Exportaion income of 3 rd quarter of 2009
Air conditioner energy-saving subsidy	68,950,000.00	-	Finance Burearu, State FGWNo. [CJ (2009) 213]; Finance Burearu, State FGWNo.5 [2009] and No.6 [2009]
Other spare government subsidy	2,046,431.56	2,129,416.00	Brand reward, environmental spesificsubsidy fund, technology advancement reward and Further development reward
Total	91,600,367.20	5,048,205.45	

45、 non-operating expenditure

Item	Amount at this period	Amount at same period of last year
disposal gains/losses of non-current assts	513,620.69	153,672.66
Inc: disposal gains/losses of fixed assts	513,620.69	153,672.66
gains/losses of disposing of intangible assts	-	-
losses from debt reconstructing	-	-
exchanged losses of non-monetry assets	-	-
Donation	14,947.27	-
penalty and fine	-	18,605.62
Other	-	119,719.50
Total	528,567.96	291,997.78

46、 income tax expense

Item	Amount at this period	Amount at same period of last year
current yerar’s income tax	48,698,374.92	10,550,397.85

deferred income tax	-8,396,979.87	-2,810,955.05
Total	40,301,395.05	7,739,442.80

47、basic earnings per share and diluted earnings per share

Item	No.	Amount at this period	Amount at same period of last year
net profit attributable to shareholders of parent company	1	218,616,696.38	36,255,089.84
current gains/losses -attributable to shareholders of parent company	2	135,723,223.84	11,803,953.92
net profit attributable to shareholders of parent company after deducting non-recurring gains/losses	3=1-2	82,893,472.54	24,451,135.92
total shares at year-begin	4	413,642,949.00	413,642,949.00
Share increase from Public reserve transfer to capital or share distribution (I)	5	-	
Issuing new shares or transferred to shaes from liabilities (II)	6	-	
accumulative months from the second month of increase shares to the end of year	7	-	
decreased shaes due to re-purchased	8	-	
accumulative months from the second month of decrease sahes to the end of year	9	-	
decrease shaers due to share holding decrease	10	-	

Item	No.	Amount at this period	Amount at same period of last year
total month in report period	11	6	6
weighted average of common share issuing external	$12=4+5+6\times7\div11-8\times9\div11-10$	413,642,949.00	413,642,949.00
basic earnings per share (I)	$13=1\div12$	0.5285	0.0876
Basic earnings per share (II)	$14=3\div12$	0.2004	0.0591
interest of potential shares of dilued recognized expenses	15	-	-
Transfer expenses	16	-	-
rate of income tax	17	15%	15%
increased common weighted average of warrant, options and transferable bonds	18	-	-
Diluted earningsper share (I)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.5285	0.0876
Diluted earningsper share (II)	$20=[3+(15-16)\times(1-17)]\div(12+18)$	0.2004	0.0591

48、 other consolidated income

Item	Amount at this period	Amount at same period of last year
1. Amount of gains(losses) from Financial assets available for sales	-45,774.18	69,138,938.31
Less:income tax influence amount from Financial assets available for sales	-6,866.13	10,370,840.75
Amount which was reckoned into other consolidated income in front period but transferred into current profit	105,412,229.69	5,019,749.94
Subtotal	-105,451,137.74	53,748,347.62
2. Shares enjoyed in other consolidated income of investeed unit based on euity method	-	-

Item	Amount at this period	Amount at same period of last year
Less: impact on income tax arising from Shares enjoyed in other consolidated income of investeed unit based on euity method	-	-
Amount which was reckoned into other consolidated income in front period but transferred into current profit	-	-
Subtotal	-	-
3. Amoun of gain/loss from hedging insturmetn of cash flow	-	-
Less: impact on income tax arising from hedging insturmetn of cash flow	-	-
Amount which was reckoned into other consolidated income in front period but transferred into current profit	-	-
Adjusted amount that transfer as the initial amount of hedging items	-	-
Subtotal	-	-
4. Conversion difference of foreign currency financial statemtn	-	-
Less: net amount of disposal of external business reckoned into current gains/losses	-	-
Subtotal	-	-
5. Other	-	-
Less: Impact on income tax reckoned into other consolidated income	-	-
Amount which was reckoned into other consolidated income in front period but transferred into current profit	-	-
Subtotal	-	-
Total	-105,451,137.74	53,748,347.62

49、cash flow

(1) cash received and paid related the operating activities/investment financing

1)

cash received from other operating activities

Item	Amount at this period
------	-----------------------

subsidy of energy saving	68,950,000.00
Insurance and deposit received	4,999,272.16
Insurance compensation received	846,525.52
loan of reserve fund from employees	585,522.22
other government subsidy income	5,167,140.00
Account received in priously ready for recognition another	-3,953,569.33
Total	76,594,890.57

2) cash paid for other operating activities

3)

Item	Amount at this period
market supporting fee	140,064,645.64
AD fee	72,350,639.71
Transportation fee	64,253,397.26
exhibition fee	39,162,000.00
maintainance fee, three gararantee fees	38,652,896.76
setting up fee of air conditioner	35,410,966.66
utilities fee	34,605,826.45
loan of employee's reserve fund	15,503,653.18
Fee of business trip	13,598,462.84
Business activities fee	12,662,892.74
refund insurance and deposit	4,348,716.91
Fee of communication	3,716,390.42
Office fee	3,078,560.73
Fee of vehiles	2,890,850.00
Spare processing fees	1,834,916.00
Assets insurance fee	1,680,672.72
Medical fee	1,032,023.32
Handling charge of bank	962,446.39
Other	16,677,364.52
Total	502,487,322.25

4) cash received from other investmetn activities

5)

Item	Amount at this period
bank deposit and interest income	3,494,285.65
Guarantee capital from project bidding	3,045,000.00
Account of R&D	600,000.00
Total	7,139,285.65

- 6) cash paid for other investmetn activities: Nil
7) cash received from other financing activities : Nil
cash paid for other financing activities: Nil

(2) supplementay of consolidated cash flow statement

Item	Amount at this period	Amount at same period of last year
1.adjusted the net profit to cahs flow of operation activities:		
Net profit	218,939,825.45	35,522,530.98
Plus: impairment provision of assets	15,529,869.18	17,274,004.35
Depreciation of fixed assets, consumption of oil and gas dn depreciation of productive biological assets	61,524,991.55	43,964,504.29
amortize of intangible assts	16,152,537.26	16,791,025.23
amortizing of long-term amortized expenses	300,000.00	300,000.00
Loss of disposal of fixed assesa, intangible assts and otherlong-tern assts (income is listed with"-")	-1,704,426.03	17,357.35
Losss of fixed assets for disposal(income is listed with"-")	-	34,258.30
Gains/loss of change of fair value (income is listed with"-")	-	-
Financial expenses (income is listed with"-")	1,268,294.65	10,028,315.68
Investment losses(income is listed with"-")	-137,640,762.06	-10,435,457.53
Decrease of deferred income tax assets (increased is listed with"-")	-8,396,979.87	-2,810,955.05
Increase of deferred income tax liabilities (decreased is listed with"-")	-18,609,024.30	9,485,002.51
Decrease of inventory (increased is listed with"-")	-207,036,484.71	414,920.88
Decrease of recurring gains/losses (increased is listed	-1,483,491,254.32	-1,027,519,628.00

with”-“)		
Increase of recurring gains/losses (decreased is listed with”-“)	1,379,172,191.19	866,788,294.65
Other		
Net cash flow from operating activities	-163,991,222.01	-40,145,826.36
2. major investment and financi		
capital from liabilities		-
Company bond available for transfer due within 1 year		
Rental fixed assets for financing		
3. net change of cash and cash equivalent t:		
Cahs at period-end	503,480,177.19	566,898,974.42
Less: Cahs at period-begin	747,572,445.88	409,853,966.49
Plus: amount of cash and cash equivalent at period-end	-	-
Less: amount of cash and cash equivalent at period-begin	-	-
Net increase amount o f cash and cash equivalent	-244,092,268.69	157,045,007.93

(3) cash and cash equivalent

Item	Amount at this period	Amount at same period of last year
Cash	503,480,177.19	566,898,974.42
Inc: Inventory cash	182,525.20	140,692.17
Bank deposit available for payment while need	236,348,632.63	351,854,473.63
Other monetary fund available for payment while need	266,949,019.36	214,903,808.62
Account in central bank for payment		
accont in counterbank		
account in lend		
Cash equivalent		
Inc: bond investment due within 3 months		
Balance of csh snd ccsH equivalent at period-end 期	503,480,177.19	566,898,974.42
Inc:cash and cash equivalent with limited in the parent company and subsidiaries	237,171,551.36	

(IX) related party and relate transaction

1、relationship of related party

(1) parent company and finacl controller

I parent company and finacl controller

parent company and finacl controller	Type	Register place	nature	Legal person	Code
Sichuan Changhong Electric Co.,Ltd.	Limited company	Mianyang	Manufacture sale	Zhao Yong	20541230-8
Sichuan Changhong Electric Group Co.,Ltd.	Limited company	Mianyang	Manufacture sale	Zhao Yong	72081866-0

II register capital of parent company and its changes

Parent company	Amount at period-begin	Increase this period	Decreased this year	Amount at-period-end
Sichuan Changhong Electric Co.,Ltd.	1,898,211,418.00	949,105,709.00	-	2,847,317,127.00

III shares or equity held by parent company and its changes

Parent company	Amount of share held		Proportion of share held (%)	
	Amount at-period-end	Amount at year-begin	Proportion at period-end	Proportion at year-begin
Sichuan Changhong Electric Co.,Ltd.	91,663,277.50	91,663,277.50	22.16	22.16

the shares and equity shares held by the Parent Company this period are 22.16% respectively.

(2) Subsidiaries

I Subsidiaries

Subsidiaries	Type	Register place	nature	Legal person	Organization code
Zhongke Meiling Hypothermia Technology Co., Ltd.	Limited company	Hefei	Householde manufacture 家电制造	Wang Yong	74309835-2
Jiangxi Meiling Cooling Co., Ltd.	Limited company	Jingdezheng	Householde manufacture	Wang Yong	66748284-5

Mianyang Meiling Cooling Co., Ltd.	Limited company	Mianyang	Household manufacture	李代江	68610561-5
Hefei Meiling Electric Commerce Co., Ltd.	Limited company	Hefei	Household manufacture	Wang Yong	69573778-8
Sichuan Changahong Air Conditioner CO., Ltd.	Limited company	Mianyang	Household manufacture	Li Jin	68236997-1
Zhongshan Changahong Electric Co., Ltd.	Limited company	Zhongshan	v	Li Jin	728773292

II register capital of subsidiaries and its changes

Name	Amount at year-begin	Increase this period	Decreased this period	Amount at-period-end
Zhongke Meiling Hypothermia Technology Co., Ltd.	60,000,000.00	-	-	60,000,000.00
Jiangxi Meiling Cooling Co., Ltd.	40,000,000.00	-	-	40,000,000.00
Mianyang Meiling Cooling Co., Ltd.	50,000,000.00	-	-	50,000,000.00
Hefei Meiling Electric Commerce CO., Ltd.	10,000,000.00	-	-	10,000,000.00
Sichuan Changahong Air Conditioner CO., Ltd.	200,000,000.00	-	-	200,000,000.00
Zhongshan Changahong Electric Co., Ltd.	80,000,000.00	-	-	80,000,000.00

III proportion of share hold and equity and its changes

Name	Amount of share held		Proportion of share hold (%)	
	Amount at-period-end	Amount at year-begin	Proportion at-period-end	Proportion at year-begin
Zhongke Meiling Hypothermia Technology Co., Ltd.	42,000,000.00	42,000,000.00	70.00%	70.00%

Jiangxi Meiling CoolingCo., Ltd.	38,800,000.00	38,800,000.00	97.00%	97.00%
Mianyang Meiling CoolingCo., Ltd.	48,500,000.00	48,500,000.00	97.00%	97.00%
Hefei Meiling Electriv Commerce Co., Ltd.	9,970,000.00	9,970,000.00	99.97%	99.97%
Sichuan Changhong AirCondition Co., Ltd.	200,000,000.00	200,000,000.00	100.00%	100.00%
Zhongshan Changhong Electric Co., Ltd.	80,000,000.00	72,000,000.00	100.00%	90.00%

(3) joint venture and affiliated enterprise

Invested company	Type	Register place	nature	Legal person	Register capital	Proportion of share held	Organization code
joint venture (nil)							
affiliated enterprise							
Anhui United Technology Property Trade CO., Ltd.	Limited company	Hefei	Property transaction	Chen Hua	RMB 5000000	28.57%	73003846-5
Hefei Meiling PackingCo., Ltd	Limited company	Hefei	Production and sale	Sun Qingfeng	RMB 18400000	48.28%	61030893-4
Chaohu Meiling Electric Commerce Co., Ltd	Limited company	Chaohu	Puechse	Li Jinrong	RMB 1000000	20.00%	69739029-8

Jiujiang Meiling Electric Commerce Co., Ltd	Limited company	Jiujiang	Puechse	Zhang Jianyong	RMB 1000000	20.00%	69609608-9
Haozhou Meiling Electric Commerce Co., Ltd	Limited company	Haozhou	Puechse	Wang Guanghua	RMB 800000	20.00%	69896652-7
c Meiling Electric Commerce Co., Ltd	Limited company	Haozhou	Puechse	Zhou Xianxin	RMB 800000	20.00%	69915460-0
Changzhou Meiling Electric Commerce Co., Ltd	Limited company	Changzhou	Puechse	Xie Hong	RMB 600000	20.00%	55026803-6
Guangxi Meiling Electric Commerce Co., Ltd	Limited company	Guangxi	Puechse	Qing Tanzong	RMB 1000000	20.00%	55225094-8
Xinxiang Meiling Electric Commerce Co., Ltd	Limited company	Xinxiang	Puechse	Yue Zhaoyang	RMB700000	20.00%	55572305-0

(4) other related parties

Type of related	Name	Content	Code
other enterprise under same parent company final controller			
	PT.CHANGHONG ELECTRIC INDONESIA	Sale	--

Type of related	Name	Content	Code
	Chengdu Lejiayi Commerce Co.,Ltd.	Sale	79782546-3
	Fuzhou Lejiayi Commerce Co.,Ltd.	Sale	67652028-4
	Guangdong Changhong Electronic CO., Ltd.	Sale	78940429-8
	Guangdong Changhong DigitaoTechnology CO., Ltd.	Utilities supplier	78940429-8
	Guiyang Lejiayi Commerce Co.,Ltd.	Sale	67071455-5
	Hefei Changhong Industy CO., Ltd.	Sale	66621592-1
	Huayi COMpressor Holding Co.,Ltd	purchase	70562223-x
	Jinan Lejiayi Commerce Co.,Ltd.	Sale	67227469-6
	Jiangxi Changhong Elctronic Co.,	Sale	667483178
	Kunming Yijiahong Commerce Co., Ltd.	Sale	67656328-4
	Lejiayi Chain Management CO.,Ltd.	Sale	66535156-9
	Mianyang Hongfa Mode DesignCo., L t d .	purchase	79582077-3
	Mianyang Lejiayi Commerce Chain Co., L t d	Sale	665391552
	Sichuan Hongou Display Co., ltd	Sale	66275681-9
	Sichuan Hongrui Electrician Co.,ltd	purchase	68237616-X
	S ichuan Hongshi Display Co., ltd	Sale	66968647-0
	Sichuan Hongxin Software CO.mltd	purchase	671440445
	Sichuan Changhong Packing	purchase	79399834-0

Type of related	Name	Content	Code
	Co.,Ltd		
	Sichuan Changhong Power Limited liability Co.,	purchase	--
	Sichuan Changhong Electronic System CO., Ltd	purchase	779839036
	Sichuan Changhong DOngyuan Fine Equipmetm co., ltd.	purchase	--
	Sichuaan ChanghongInternationalHotel Co., Ltd	Sale	720818652
	Sichuaan Changhong Jijia Fine Co., Lrd	purchase	793998375
	Sichuaan ChanghongFine Technology CO., Ltd.	purchase	79399836-7
	Sichuan Changhong Minsheng Logistic Co., ltd.	purchase、transportation	79785892-7
	Sichuan Changhong Mold&Palstic Tech. Co., Ltd	采 purchase	782291526
	Sichuan Changhong Ewuipment Technology CO., Ltd	purchase	793998359
	Sichuan Changhong Xinrui Technology Co., L t d	purchase	66276762-2
	Sichuan ChanghongNew EnergytechnologyCo, Ltd	purchase	79399394-5
	Taiyuan Lejiayi Commerce ChainCo., Ltd.	Sale	779841582
	Sale	Sale	67371694-3
	Changhong (HK) Trade CO.,Lrd.	Sale	--
	Changhong Elctric (Austrilia) Co.,Ltd.	Sale	--
	Zhongshan Guangjong Mould-Plastic Co., Ltd.	purchase	69226840
	Chongqing Hong Life	Sale	69226840

Type of related	Name	Content	Code
	CommerceCo., Ltd.		
affiliated enterprise of controlling shareholders and actual controller			
	Changzhi Guangdian (Sichuan) CO., Ltd.	purchase	69226840-2
	Sichuan Jinghong Packing CO., Lrd	purchase	--
	Sichuan Changhe Technology CO., Ltd	purchase	777909555
	Sichuan Changxin Cool CO., Ltd.	purchase	779841582

2、related transaction

The transaction between the Company and related enterprises are in the market operational principle, and considered the same business transaction with other enterprises. The price provided to related parties from purchasing and providing labor service based on the price setting by nation if applicable or based on the market price. Setting the price based on the actual cost and reasonable expenses between two parties while there are no market price. Concerning the special service not fitting the principle of "Cost and expenses", the price will be decided by two parties through negotiation.

(1) commodities purchasing

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
parent company and final controller				
Incl: Sichuan Changhong Electric Co., Ltd.	3,665.57	0.94%	43,356.35	15.83%
Joint venture and affiliated enterprise				
Incl: Hefei Meiling Packing Co., Ltd.	2,477.94	0.64%	1,620.66	0.59%
other enterprise under the control of same parent company and final controller				
Incl: Sichuan Changhong Minsheng	2,859.19	0.74%	918.76	0.34%

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
Logistic Co., ltd.				
Huayi Compressor Co., Ltd.	20,457.92	5.27%	13,664.01	4.99%
Sichuan Changhong Mold&Palstic Tech. Co., Ltd	11,292.04	2.91%	2,697.28	0.98%
Changhong Jijia Precise Machine Co., Ltd.	8,973.03	2.31%	2,243.27	0.82%
Sichuan Hongxin Software Co., Ltd.	70.00	0.02%	108.38	0.04%
Mianyang Hongfa Mode Design Co., ltd.	10.59	0.00%		
Sichuan Changhong Packing Printing Co., Ltd	1,618.73	0.42%	639.87	0.23%
Sichuan Changhong Power supply Limited Liabilities Company	0.39	0.00%		
Sichuan Changhong Dongyuan Fine Equipmetn Co., Ltd.	1,886.66	0.49%	227.77	0.08%
Sichuan Changhong Fine Electronic Technology Co., ltd.	119.53	0.03%	24.30	0.01%
Sichuan ChanghongEquipmetn Technology Co., ltd.	1,083.60	0.28%	406.74	0.15%
Sichuan Changhong New Energy Technology Co., Ltd.	30.14	0.01%	13.33	0.00%
Sichuan Liyuan Electicial Co., Ltd.	375.08	0.10%		
Mianyang Hongrun Eelctrical Co., Ltd.				
Guangdong Changhong Electicial Co., ltd.	1.05	0.00%	7.09	0.00%
Zhongshan Guanghong Mould-Plastic technology Co., Ltd.	10.70	0.00%	37.71	0.01%
affiliated enterprise of shaeholdersand actual controller :				
Sichuan CHanghe Technology Co., Ltd.	79.40	0.02%		
Sichuang Changxin Cooling Parts Co., ltd.	238.83	0.06%		

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
Sichuang Jinghong packing Co., Ltd.	413.61	0.11%		
Sichuang Hongyu Metal Manufacture Limited Liability Company	35.25	0.01%		
Toal	55,699.25	14.34%	65,965.52	24.08%

(2) sales of products

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
parent company and final controller				
Incl: Sichuan Changhong Electric Co., Ltd.	57,743.39	12.62%	44,341.78	13.07%
Joint venture and affiliated enterprise				0.00%
Incl: Chaohu Meiling Marketing Co., Ltd.	2,423.07	0.53%		0.00%
Jiujiang Meiling Marketing Co., Ltd.	1,716.17	0.38%		0.00%
Haozhou Meiling Marketing Co., Ltd.	1,671.99	0.37%		0.00%
Guangyuan Meiling Marketing Co., Ltd.	1,386.35	0.30%		0.00%
Guangxi Meiling Marketing Co., Ltd.	939.60	0.21%		0.00%
Changzhou Meiling Marketing Co., Ltd.	636.63	0.14%		0.00%
other enterprise under the control of same parent compay and final controller				0.00%
Incl: PT.CHANGHONG ELECTRIC IND	3,043.97	0.67%	3,697.00	1.09%
Sichuang Changhong JijiaFine Co., Ltd.	2,152.78	0.47%	1,333.37	0.39%
Sichuang Changhong Mould-PlaseticTechnology Co., Ltd.	4,013.21	0.88%	1,418.18	0.42%
Sichuang Hongshi Display TechnologyCo., Ltd.				0.00%
Mianyang Lejiayi Commer Chain Co.,	95.35	0.02%	178.17	0.05%

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
Ltd.				
Jiangxi Changhong Electronic Technology Developmetn Co., Ltd.	6.76	0.00%		0.00%
Sichuang Changhong Fine Electric Technology Co., Ltd.	125.87	0.03%		0.00%
Hong Kong(Changhong) Trade Co., Ltd.			31.38	0.01%
Sichuan Changhong Xinrui TechnologyCo., Ltd.	62.61	0.01%	98.40	0.03%
Chengdu Lejiayi Commerce Co., Ltd.			5.30	0.00%
Sichuang Changhong International HotelLimited Liability Company	0.39	0.00%	41.54	0.01%
Chongqing Hong Life Commerce Co., Ltd.	25.25	0.01%	21.84	0.01%
Tianjing Lejiayi Commerce Co., Ltd.				0.00%
Huayi Compressor Co., Ltd.				0.00%
Sichuan Changhong Equipmetn Technology Co., Ltd.	13.33	0.00%	4.70	0.00%
Kunming Yijiahong Commerce Co., Ltd.	5.93	0.00%		0.00%
Sichuan Changhong Electronic SystemCo., Ltd.	3.09	0.00%	2.05	0.00%
Fuzhou Lejiayi Commerce Co., Ltd.	-1.05	0.00%	3.29	0.00%
Tianjing Lejiayi Commerce Co., Ltd				0.00%
Jinan Lejiayi Commerce Co., Ltd.				0.00%
Sichuan Hongrui Electician Limited Liability Company				0.00%
Sichuan Hongou Display Equipment Co.,Ltd.	458.59	0.10%	1.46	0.00%
Sichuan Changhong New Energy Technology Co., Ltd.				0.00%
Guangdong Changhong Electronic Co., Ltd.	47.60	0.01%	0.75	0.00%

Type of related parties and name	Amount at this period		Amount at same period of last year	
	Amount(RMB'000)	proportion	Amount(RMB'000)	proportion
Guangdong Changhong Digital technology Co., Ltd.	3.92	0.00%		0.00%
Taiyuan Lejiayi Commerce Chain Co., Ltd.			0.77	0.00%
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.	0.44	0.00%	0.16	0.00%
Lejiayi Chain Management Co., Ltd.				0.00%
Changhong Electric(Australian) Co., Ltd.	221.03	0.05%	1.59	0.00%
Zhongshan Guanghong Mold Technology Co.,Ltd.	10.00	0.00%	22.63	0.01%
Sichuan Changhong packing Co., Ltd.	10.95	0.00%		0.00%
Sichuan Changhong Minsheng Logistic Co., Ltd.	18.46	0.00%		0.00%
Sichuan Kuaiyidian Electric ServiceChain CO., Ltd.	0.38	0.00%		0.00%
affiliated enterprise of shareholders and actual controller :				0.00%
Sichuan Changxin Cooling Co, Ltd				0.00%
Toal	76,836.06	16.79%	51,204.36	15.09%

(3) rental of related parties

Lessor	lessee	Rental assets	Amount of reental	
			Original value	Net value
Hefei Meiling Holding Co.,Ltd.	Sichuan Changhong Mould-Plastic Technology Co., Ltd.	Injected plant of area of 6885square meters, big steel house with 4590square meter	3,146,929.72	2,994,111.66
Hefei Meiling Holding Co.,Ltd.	Sichuan Changhong JijiaFine Co., Ltd.	Plot plant area of 3240 square metter	2,648,088.00	2,543,856.72

Sichuan Changhong Minsheng Logistic Limited	Mianyang Meiling Cooling Co., Ltd.	620#621#622#house, total 51615 square meter	26,668,025.28	23,606,439.29
Sichuan Changhong Electric Holding Co., Ltd.	Sichuan Changhong Air Conditioner Co., Ltd.	Area of rental 71926.8 square meter	82,303,007.65	59,894,881.56
Zhongshan Changhong Electric Co., Ltd.	Guangdong Changhong Electric Co., Ltd.	Flame of 6/F, total floor area of 10704.52 square meter rented 4096.37 square meter	6,582,644.93	4,119,123.44
Zhongshan Changhong Electric Co., Ltd.	Guangdong Changhong Digital Technology Co., Ltd.	Flame of 6/F, total floor area of 10704.52 square meter rented 939.51 square meter	6,582,644.93	4,119,123.44
Zhongshan Changhong Electric Co., Ltd.	Sichuan Changhong Minsheng Logistic Co., Ltd. Zhongshans Branch	Flame of 6/F, total floor area of 10704.52 square meter, rented 117.44 square meter	6,582,644.93	4,119,123.44

(con't)

rental begging date	End of rental	Rental income (charge)	Recognition base	Influence to the Company
2010-1-1	2010-6-30	523,260.00	plant rental contract	Minor amount with no influence
2010-1-1	2010-6-30	174,960.00	plant rental contract	Minor amount with no influence
2010-1-1	2010-6-30	2,415,582.00	Assigned contract: RMB7.8/M2 /Month	Minor amount with no influence
2010-1-1	2010-12-31	5,885,219.04	Base on the contract, note of rental settlement	Minor amount with no influence
2010-1-1	2010-6-30	320,197.30	10.96/ M2	Minor amount with no influence
2010-1-1	2010-6-30	61,112.63	10.96/ M2	Minor amount with

				no influence
2010-1-1	2010-6-30	7,723.00	10.96/ M2	Minor amount with no influence

(4) trusteeship of related parties

Nil

(5) related guarantee

guarantee(provider)	guarantee(receiver)	Maximum guarantee amount	Date of guarantee	Expiray date	Accomplished the guarantee or not
Hefei Meiling Holding Co.,Ltd.	Zhongke Meiling Cryogenic Technology Limited Company	RMB3000000	2008-8-18	2010-8-18	not
Hefei Meiling Holding Co.,Ltd.	Zhongke Meiling Cryogenic Technology Limited Company	RMB 8000000	2009-5-15	2010-5-15	yes
Hefei Meiling Holding Co.,Ltd.	Zhongke Meiling Cryogenic Technology Limited Company	RMB 20000000	2008-3-3	2010-3-3	yes
Hefei Meiling Holding Co.,Ltd.	Zhongke Meiling Cryogenic Technology Limited Company	RMB 12000000	2009-4-18	2012-4-18	not
Hefei Meiling Holding Co.,Ltd.	Zhongke Meiling Cryogenic Technology Limited Company	RMB 10000000	2010-6-1	2011-5-30	not
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 150000000	2009-6-1	2010-6-1	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 250000000	2009-5-1	2012-5-1	not
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 110000000	2009-4-1	2010-4-1	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 120000000	2009-6-30	2010-6-30	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 150000000	2009-1-1	2010-1-1	yes

Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 120000000	2009-3-1	2010-3-1	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 500000000	2009-4-1	2010-4-1	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 500000000	2009-5-1	2010-5-1	yes
Sichuan Changhong Electric Co., Ltd.	Hefei Meiling Holding Co.,Ltd.	RMB 100000000	2010-5-27	2011-5-26	not
Guangdong Changhong Electric Co., Ltd.	Zhongshan Changhong Electric Co., Ltd.*	RMB 550000000	2009-8-24	2010-8-24	not
Zhongshan Changhong Electric Co., Ltd.*	Guangdong Changhong Electric CO., ltd	RMB 100000000	2009-4-10	2010-4-10	yes
Hefei Meiling Holding Co.,Ltd.	Sichuan Changhong Electric Co., Ltd.	RMB 80000000	2010-4-27	2011-4-27	not

* On 5 February 2010, Sichuan Changhong--controlling subsidiary is renamed as Hefei Meiling. Guangdong Changhong may not use the guarantee by Zhongshan Changhong ,and the latter one will not take affiliated responsibility for the guarantee.

(6) purchase of fixed assets

name of seller	Amount at period	Amount at same period of last yera
Sichuan Changhong Elctric Co., Ltd.	9,712,803.15	643,989.55
Sichuan Hongxin Software CO., Ltd.	4,230,000.00	
Toal	13,942,803.15	643,989.55

(7) receiveing labor

Supplier of labor	Amount at period	Amount at same period of last yera
Sichuan Hongxin Software CO., Ltd.	1,580,000.00	
Sichuan Kuaiyidian Electri Service Chain Co., L t d .	12,076,661.19	
Sichuan Jiahong Industry Co., L t d		

Sichuan Changhong Minsheng Logistic Limited	22,038,865.74
Toal	35,695,526.93

(8) utilities supplier and other paymen in advance

Related name(receiver)	Amount at period	Amount at same period of last yera
Guangdong Changhong Electric Co., Ltd.	607,549.24	638,946.87
Guangdong Changhong Digital Technology CO.,Ltd.	53,345.44	53,298.48
Leyijia Chain Management Co., Ltd.		2,646.13
Sichuan Changhong Minsheng Logistic Limited	8,850.33	5,357.56
Zhongshan Guanghong Mould-Plastic Technology Co., Ltd.	14,469.86	
Sichuan Kuaiyidian Service Chain CO.,Ltd.	2,224.13	2,066.40
Sichuan Changhong Electric Co., Ltd.	16,550.16	
Toal	702,989.16	702,315.44

As the business between the Zhongshan Changhong and the related party transaction, the Company has regulated the above business according to the relevant regulatory rules upon the transfer of Zhongshan Changhong's stock in December 2009

3、 current amount between related parties**(1) account receivable of related party**

Related (item)	Amount at period-end	Amoun tat -year-begin
pareant company and final controller		
Include:Sichuan Changhong Electriv Co., ltd.	101,479,396.19	71,448,305.06
joint venture and affiliated enterprise		
incluHefei Meiling Packing Products Co., Ltd		61,654.64
other enterprise under the same parent company and finacl controller		
Incl: Sichuan Hongshi Display	3,078,687.20	3,078,687.20

Related (item)	Amount at period-end	Amount at –year-begin
TechnologyCO., Ltd.		
Sichuan Changhong Mould-Plastic Co., Ltd.	1,933,290.17	1,509,399.13
Sichuan Changhong Jijia Fine Co., Ltd.		
Changhong Elctrci (Australian)Co., Ltd.	1,737,477.21	1,089,035.55
Jiangxi Changhong Electric Technology Co.,Ltd.	267,550.00	1,038,560.00
Sichuan Changhong Xinrui Technology Co.,Ltd.	1,480,861.05	748,345.00
Changhong (HK) Trade Co., Ltd.		727,782.00
PT.CHANGHONG ELECTRIC IND	17,767,690.65	499,524.13
Mianyang Lejiayi Commerce Co.,Ltd		224,364.82
Chengdu Lejiayi Commerce Co.,Ltd	136,857.35	139,628.95
Hefei Changhong Industry CO., Ltd.	68,500.00	68,500.00
Huayi Compressor Holding Co.,Ltd.	8,550.50	59,853.50
Guangdong Changhong Digital TechnologyCo., Ltd.		52,462.49
Sichuan Changhong Electronic System Co.,Ltd		
Sichuan Changanhong DONGYUAN Fine Ewuipment Co., Ltd		
Sichuan Changhong International Hotel Limited Liability CO.,	25,800.00	41,580.00
Sichuan Changhong Minsheng Logistic Limited	216,033.28	
Sichuan Changhong Equipment TechnologyCO., L t d		
Tianjing Lejiayi Commerce CO., Ltd.	29,104.92	26,333.32
Jinan Lejiayi Commerce CO., Ltd.	24,007.60	24,007.60
Fuzhou Lejiayi Commerce CO., Ltd.	11,025.65	23,267.70
Sichuan Hongruui Electrician Limited liability CO.,		18,400.00
Kunming YijiaHong Commerce CO., Ltd	36,511.77	14,729.77
Guangdong Changhong Electronic CO., L t		9,172.80

Related (item)	Amount at period-end	Amount at year-begin
d .		
Taiyuan Lejiayi Commerce CO., Ltd.	23,534.05	4,402.05
Chongqing Hong Life Commerce Co., Ltd.	60,980.21	1,386.00
Sichuan Changhong Fine Technology Co., Ltd.		
Changhong Network Technology (China) Marketing Beijing sub-district	4,470.00	
Sichuan Hongou Display Co., Ltd.	3,755,850.00	
Sichuan Kuaiyidian Electric Service ChainCo., Ltd.	4,400.20	
Zhongshan Guanghong Mould-Plastic Technology Co., Ltd.		
affiliated enterprise of controller shareholders and actual controller		
Changzhi Guangdian (Sichuan) CO., ltd		34,278.93
Total	132,150,578.00	80,943,660.64

(2) account receivable in advance of related party

Related parties(item)	Amount at period-end	Amount at year-begin
parent company and final controller		
Include:Sichuan Changhong Electric Co., Ltd.	4,549,925.81	4,681,218.92
joint venture and affiliated enterprise		
Include: Chaohu Meiling Electric Marketing Co.,Ltd.	9,668,693.66	1,500,000.00
Jiujian g Meiling Electric Marketing Co.,Ltd.	3,832,898.20	600,000.00
Guangyuan Meiling Electric Marketing Co.,Ltd.	2,770,146.63	860,000.00
Haozhou Meiling Electric Marketing Co.,Ltd.	3,169,327.67	
Guangxi Meiling Electric Marketing	8,072,911.64	

Co.,Ltd.		
Changzhou Meiling Electric Marketing Co.,Ltd.	2,730,122.22	
Xinxiang Meiling Electric Marketing Co.,Ltd.	7,078,639.00	
other enterprise under the same parent company and finacl controller		
Include: Chengdu Lejiayi Commerce Co., Ltd.		77,938.07
Changhong (HK) Commerce Co., Ltd.	27,207.44	2,628.21
Mianyang Lejiayi Commerce Chain Co., Ltd.	210,070.96	
Sichuan Changhong Minsheng Logistic Limited		
Sichuan Changhong Electric System Co., Ltd.	1.98	1.99
Sichuan Kuaiyidian Electric Service ChainCo., Ltd.	4,574.16	
Total	42,114,519.37	7,721,787.19

(3) accounts payable of related parties

Related parties(item)	Amount at –period-end	Amount at year-begin
parant company and financl controller		
Include: Sichuan Changhong	16,196,975.92	5,769,505.99
joint venture and affiliated		
inclu: Hefei Meiling Packing Products Co., Ltd	17,375,810.21	8,862,117.70
other enterprise under the same parent company and finacl controller		
inclu Sichuan Changhong Mold&Palstic Tech. Co., Ltd	58,409,641.29	20,958,816.80
Huayi Compressor Co., Ltd.	118,076,255.04	20,108,781.52
Changhong Jijia Precise Machine Co., Ltd.	67,370,744.71	14,210,937.69
Sichuan Changhong Minsheng Logistic Limited	20,530,430.12	9,408,488.07
Sichuan Changhong Packing Printing Co., Ltd.	9,423,440.37	5,240,438.83

Related parties(item)	Amount at –period-end	Amount at year-begin
Sichuan Changhong Equipment Co., L t d	7,782,955.10	3,821,685.56
Mianyan Hongrui Electriv Co., Ltd.		946,241.24
Sichuan Changhong DONGYUAN FINE Equipment Co., ltd,	10,975,589.13	530,482.70
Sichuan Changhong Fine Technology Co., ltd	492,540.62	306,904.21
Sichuan Liyuan Electric CO,m ltd	1,387,904.58	255,573.34
Mianyang Hongfa Mode Design Co., L t d .	123,886.60	138,078.40
Sichuan CHanghog Energy Co., ltd.	207,736.07	85,205.84
Guangdong Changhong Elctric Co.m ltd	12,813.73	26,819.44
Sichuan Hongxin Softwar CO., ltd.	1,397.25	17,250.00
Sichuan Changhong Electic Limited Liability Co.,	17,766.98	13,818.02
Zhongshan Guanghong Mould-Plastic Co.,Ltd.	28,768.42	
affiliated of controlling shareholders and actual controller		
Sichuan CHangxin Cooling Co., L t d .	20,735,956.85	9,491,061.15
Sichuan Jinghong Packing Co., L t d .	3,146,014.39	2,590,038.30
Sichuan Changhe Technology Co., Ltd.	574,936.45	216,173.53
Sichuan Hongyu Metal Co., L t d		
Toal	352,871,563.83	102,998,418.33

(4) accounts paid in advance of related parties

Related parties (item)	Amount at period-edn	Amount at year-begin
other enterprise under the same parent company and finacl controller		
Sichuan Changhong Minsheng LogisticCo. Ltd.	404,023.72	

Toal	404,023.72	
(5) other payable of related parties		
Related parties (item)	Amount at period-edn	Amount at year-begin
parent company and final controller		
Incl: Sichuan Changhong Electric Co., Ltd.	193,928,843.19	286,242,599.05
joint venture and affilicated		
Inc;: Hefei Meiling packing Co. Ltd..	340,000.00	340,000.00
other enterprise under the same parent company and finacl controller		
Inc; Sichuan Changhong Minsheng LogisticCo. Ltd.	5,652,223.28	5,513,085.98
Sichuan Changhong Mould-Plastic Co., L t d .	100,000.00	100,000.00
Sichuan Changhong Jijia Fine Co., L t d .	150,000.00	150,000.00
affiated of shareholders and actual controllers		
Sichuan Changhe Technology co., ltd	50,000.00	
081 Elcetonic Group Sichuan Liyuan Co., ltd	55,362.36	
Total	200,276,428.83	292,345,685.03

(X) Contingency**1、contingency from external gaurantee**

The RMB25000000 of bank credit offer guarantee to Zhongke Meiling Co., , and guarantee RMB 8000000 for bank credit to Sichuang Changhong Zir Conditioner Co.,Ltd. See more details in 5. Affilliated guarantee of I(I) Related transactiona in Note 9.

No other external guarantee provided bedise the abovementioned.

2、other contingency liabilities

Nil.

(XI) Commitment**1、major assets ttransfer and its commitments**

Commitments

(I) Commitments for Share Merge Reform

The Company implemented the Share Merge Reform on 24 August 2010, that is, the Company took the 151530340 current shares before the Reform and arranged 1.5share per 10 shares by valuable consideration for all current A-share holders registered before the registered date of scheme implementation. Upon completion of the valuable consideration, the shareholding of Meiling non-current share holders got the right to come into the market.

As at end of the Period, the non-current shareholders all have strictly fulfilled commitments in the moratorium and other relevant commitment.

(II) Commitments for transfer of air conditioner asset

10 November 2009, the Company signed with Sichuan Changhong and ChanghongChuangtou in Mianyang City the <Property Exchange Contract> concerning the successful bidding fro shareholding in Zhongshan Changhong and Changhong Air Conditioner; at the same day, the Company received the <Commitment Letter> presented by the large shareholder—Sichuan Changhong. For purpose of Meiling’s development, its independence and withdrawal from the intratype competition between the Sichaun Changhong and Meiling Apparatus, Sichuan Changhong committed that:

1. Concerning property and land in use by Changhong Air Conditioner were not in the assets scope of the transfer, Sichaun Changhong committed that it would continue leasing to Changhong Air Conditioner at market price and negotiate with Meiling Appratus about the transfer of partial property and land according to Changhong Air Conditioner’s operation.

2. Upon the transfer, Sichuan Changhong committed that it would make efforts to withdraw from new related transaction with Meiling Appratus; however, as for the inevitable ones, it committed that it would set price of related transaction in market manner to make sure the transaction fair, just and with no harm to Meiling’s interest.

3. For support of development of Meiling apparatus and air conditioner, and upon the transfer, Sichuan Changhong committed that it would continue authorizing free use of trademark--‘Changhong’ in the coming three years to Changhong Air Conditioner and Zhongshan Changhong. As the above authority due, Sichuan Changhong would negotiate with Meiling Apparatus about the authorized use of patent“Changhong”according to Meiling Apparatus’s air conditioner development.

4. Upon the transfer, Sichuan Changhong committed that it would not enter into operation business or activities that competed or conflicted with Meiling Apparatus’s current or future business, as air conditioner or refrigerator.

(III) Commitments for Reduction of and Withdrawal from Intratype Competition

The Company was to issue A-share non-publicly and presented <Commitment Letter of reduction of and withdrawal from intratype competition with Hefei Meiling Co., Ltd. > and committed and guaranteed that:

1. In addition to assistance activities required by Meiling Apparatus for its interest, Sichuan Changhong would not take initiative in business and activities competing or conflicting with Meiling Apparatus’s.

2. The Company guaranteed that it would use the shareholders’ right legally

and reasonably without take any activities restricting or influencing Meiling's normal operational.

3. If Meiling expanded its business scope further while the Company had already operated the new business, the Company agreed to authorize Meiling Apparatus the relevant preferential acquisition right only that the Company was still the controlling shareholder or actual controller.

(IV) Sichuan Changhong's Commitment Letter of Reduction and Standardization of Related Transaction with the Company

The Company was to issue A-share non-publicly and presented <Commitment Letter of reduction of and withdrawal from intratype competition with Hefei Meiling Co., Ltd. > and committed and guaranteed that:

1. It would take measures to make efforts to avoid continual related transaction with Meiling, and as for the inevitable ones, signed the related connection contract legally and set the just price respectively according to the marketization principle—equity and mutual benefit, making compensation for equal value, and current market standard.

2. It would fulfill duties as necessary withdrawal of related directors and shareholders from the vote and obedience to legal procedures of related transactions and duties of information disclosure.

3. It guaranteed that it would not harm the legal interests of Meiling Apparatus and other shareholders of Meiling.

(VI) Transfer of State-owned Property in Meiling Group

As the Company (A Party or Transferee) signed decimal the <Property Transfer Contract> with Xingtai Holding Co., Ltd. (hereafter referred as Xingtai Holding) on 25th March 2010, the Company transferred under the agreement the 100% state-owned property in Hefei Meiling Co., Ltd. (hereafter referred as Meiling Group) which is partially striped and indebted, held by Xingtai Holding, (including "Meiling" trademark, business name, together with 8 wholly-owned or controlling subsidiaries, excluding 1.2% stock property of Meiling Group in the Company). Commitments relevant to the Company were as follows:

1. There was no change in the legal subject position of the transferring enterprise. The new transferee entity would not move out from the Hefei City within the legal duration and continue enter into apparatus and its related industry. The new transferee entity would pay tax no less than RMB 15000000—sum of the last year within 5 years in Hefei City.

2. Within 5 years from the effectual day of the contract, investment newly increased in Hefei City is no less than RMB 10000000.

3. Within 5 years from the signing, A Party, besides the internal transfer, would not transfer the bid.

4. Meiling Group transferred to Hefei Xingtai Asset Management Co., Ltd. the credit in total of RMB 4869000 under the transfer scope held by the subsidiary (the actual sum is the one in the audited report as ending 25th March 2010) with the new

transferee entity paying off in 2 years from the signing day(a legal valid contract is necessary).

5. The transferee offered the post in proportion to 80% of the now on-the-job number in the transferring enterprise and subsidiary in the transfer. Under the same condition, the existing staff and management had the privileges to be hired and arranged. As day of the displacement is the continuing day of labor relations, it signed the labor contract of no less than 3 years with hired people within one month from the effecting day. It continued and handled all social insurances and paid for the housing reserve according to Hefei relevant rules.

6. The transferee inherited all assets and liabilities evaluated and confirmed, of the transferring enterprise.

7. The transferee continued fulfilling the agreement signed with the external parties by the transferring enterprise.

8. The transferee continued cooperating with the A Party to complete the strip-off of the nontransferable equity in the transferring enterprise.

9. The transferee had to make rational utilization of land in the transfer without claim to change in land usage.

10. The transferee did not dilute or weaken the trademark and business name“Meiling ”, maintain them properly and committed that Meiling production amount in Hefei was no less than 70% of the total, increase of sales amount no less than 20%, fee for its product research and development and trademark maintenance no less than 1% of the sales sum.

2、there are no major commitemnt beside the above items

(XII) items after balacne sheet date

As the Company (A Party or Transferee) signed decimal the <Property Transfer Contract> with Xingtai Holding Co., Ltd. (hereafter referred as Xingtai Holding) on 25th March 2010, the Company transferred under the agreement the 100% state-owned property in Hefei Meiling Co., Ltd. (hereafter referred as Meiling Group) which is partially striped and indebled, held by Xingtai Holding, (including“Meiling”trademark, business name, together with 8 wholly-owned or controlling subsidiaries, excluding 1.2% stock property of Meiling Group in the Company).

Recently ,Xintai Holding have been accomplished the procedure of transferring.on 28 July 2010, the 100% of state-owned eqity have been transfer accomplished

(XIII) information of sub-department (Unit: RMB ‘0000)

Item	Refrigerator, freezer	Air conditioner	Off-setting	Toal
Operating income	351,444.11	106,132.43	0.56	457,575.98

Incl: income from external	351,444.11	106,131.87	-	457,575.98
Income from transaction between the departments	-	0.56	0.56	-
Operating expenses	342,599.21	112,241.75	0.56	454,840.40
Operating profit (loss)	22,608.98	-6,109.32	-	16,499.66
Total assets	567,560.44	115,021.51	73,410.46	609,171.49
Total liabilities	407,906.21	74,984.50	18,883.49	464,007.22
Supplementary information				
Depreciation and amortized expenses	7,977.94	1,805.66	-	9,783.60
capital expenditure	1,665.93	1,430.66	-	3,096.59
Non-cash expenditures besides Depreciation and amortized	-	-	-	-

(XIII) other significant events**1、rental****(1) operating rented assts**

Type	Amount at peiod-end	Amount at year-begin
House and buildings	13,376,216.77	13,692,921.96
land use right	711,288.97	730,473.25
specific equipment	148,974.85	-
Total	14,236,480.59	14,423,395.21

(2) assets and liabilities measured on fair value

Item	Amount at year-begin	Sold this period	Gain/loss of fair value in this period	accumultive fair value changes reckon into equity	impairment of withdrawal in this period	Amount at peiod-end
financial assets						

Item	Amout at year-begin	Sold this period	Gain/loss of fair value in this period	accumultive fair value changes reckon into equity	impairment of withdrwal in this period	Amout at peiod-end
change of financial assets calculated with fair value that accounted into current gains/losses (excluding derivative financial assets)	-	-	-	-	-	-
derivative financial assets	-	-	-	-	-	-
financial assets available for sale	134,011,570.00	135,603,896.80	-	4,614,270.35	-	3,021,943.55
Incl: share capital	7,091,806.06	6,929,464.41	-	-	-	162,341.65
fair value	126,919,763.94	128,674,432.39	-	4,614,270.35	-	2,859,601.90
subtotal of financial assets	134,011,570.00	135,603,896.80	-	4,614,270.35	-	3,021,943.55
Real estate investment	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-
total	134,011,570.00	135,603,896.80	-	4,614,270.35	-	3,021,943.55
financial liabilities	-	-	-	-	-	-

2、foreign currency financial assets and liabilities

Item	Amout at year-begin	Gain/loss of fair value in this period	accumultive fair value changes reckon into equity	impairment of withdrwal in this period	Amout at peiod-end
financial assets					
change of financial assets calculated with fair value	-	-	-	-	-

that accounted into current gains/losses (excluding derivative financial assets)					
derivative financial assets	-	-	-	-	-
loans dan account recivabel	35,971,221.78	-	-	161,594.71	110,641,125.69
financial assets available for sale	-	-	-	-	-
investmetn held-to-maturity	-	-	-	-	-
subtotal of financial assets	35,971,221.78	-	-	161,594.71	110,641,125.69
financial liabilities	-	-	-	-	-
short-ten loan	-	-	-	-	-
subtotal of financial liabilities	-	-	-	-	-

(十五) major notes to financail statemtn of parent company

1、 account receivables

(1) account receivables classified according to risk

Amount at period-end			Amount at year-begin			
of book	Bad debt provision		Balance of book		Bad debt provision	
proportion (%)	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)
32.98%	5,543,954.73	20.70%	65,020,591.37	28.74%	3,251,029.57	13.04%
0.00%	-	0.00%	-	0.00%	-	0.00%
67.02%	21,233,676.17	79.30%	161,238,499.30	71.26%	21,675,796.68	86.96%
100.00%	26,777,630.90	100.00%	226,259,090.67	100.00%	24,926,826.25	100.00%
	309,465,553.73				201,332,264.42	

Other account receivele at period-end increaed RMB 279,591,477.10compared with that of year-begin, up 81.09%. mainly caused by the major delivery amount in busy season, and increase of the account receivables not due.

Classification 1 account receivable with single major amount (over RMB20,000,000) or with minor amount but have impairment testing individually;

Name	amount	Bad debt amount	acurring proportion	Acurring reason
Suning Electric Co., ltd. Nanjing purchase Center	80,190,216.55	4,009,510.83	5%	Withdrwal on age
Electrolux (China) Electric Co.,Ltd.	30,688,877.96	1,534,443.90	5%	Withdrwal on age
Total	110,879,094.51	5,543,954.73		

Classification 2 other account receivable with single minor amount bur with major risk after combime with other credit risk: Classification 3: is the other minor account receivables.

(2) account receivables verificated in report period

Name	nature of account receivables	Verification amount	Verification reason	Whether caused by relted transaction
28 companies of account receivables	loans	3,938,609.75	Bankrupt cancellation of debtor	Not

(3) Arrears of shareholders with 5% (including 5%) of voting rights of the Company

Name	Amount at period-end		Amount at year-begin	
	Arrears amount	Amount withdrwal of bsd debt	Arrears amount	Amount withdrwal of bsd debt
Sichuan Changhong Electric Co., Ltd.	265,069.75	-	261,249.75	-

(4) top 5 account receivables in amount

Name	Relationship	Amount	Age	Proportion in total account receivables
Suning Electric Holding Co., ltd. Nanjing	Non-related	80,190,216.55	Within 1year	23.85%

Electrolux (China) Electric Co., Ltd.	Non-related	30,688,877.96	Within 1year	9.13%
Jiangsu Five Star Electric Co., Ltd.	Non-related	16,047,068.90	Within 1year	4.77%
ELECTROLUX MAJOR APPLIANC	Non-related	9,192,478.69	Within 1year	2.73%
Beijing Dazhong Household Electric Chain Sales	Non-related	9,042,071.18	Within 1year	2.69%
Total		145,160,713.28		43.17%

(5) account receivable from related parties

Name	Relationship	Amount	Proportion in total account receivables
CHANGHONG ELECTRIC(AUSTRA	other enterprise under the same control of parent company and final controller	1,686,697.23	0.50%
Sichuan Changhong Electric Co., Ltd.	Parent Company	265,069.75	0.08%
Chengdu Lejiayi Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	136,857.35	0.04%
Kunming Yijiahong Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	36,511.77	0.01%
Chongqing Hong Life Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	32,327.20	0.01%
Tianjing Lejiayi Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	29,104.92	0.01%
Jinan Lejiayi Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	24,007.60	0.01%
taiyuan Lejiayi Commerce Chain Co., Ltd.	other enterprise under the same control of parent company and final controller	23,534.05	0.01%
Fuzhou Lejiayi Commerce Co., Ltd.	other enterprise under the same control of parent company and final controller	11,025.65	0.00%
Total		2,245,135.52	0.67%

(6) foreign currency balance in account receivable

foreign currency	Amount at period-end			Amount at year-begin		
	Original currency	Convert exchange rate	Converted to RMB	Original currency	Convert exchange rate	Converted to RMB
USD	3,613,878.19	6.7909	24,541,485.40	3,555,234.77	6.8282	24,275,854.06
EUR	486,589.73	8.271	4,024,583.66	328,721.23	9.7971	3,220,514.76
JPY	-	0.076686	-	-	0.0738	-
Total	-		28,566,069.06	-		27,496,368.82

2.other account receivable

(1) other account receivable classified according to risk

item	Amount at period-end				Amount at year-begin			
	Balance of book		Bad debt provision		Balance of book		Bad debt provision	
	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)	Amount	v (%)
Classification	4,809,271.74	14.16%	240,463.59	6.17%	2,073,076.93	10.67%	2,073,076.93	37.1%
Classification	2,712,070.45	7.98%	2,524,998.16	64.81%	2,412,579.45	12.41%	2,348,984.23	42.1%
Classification	26,451,888.89	77.86%	1,130,338.23	29.01%	14,948,296.78	76.92%	1,110,898.76	20.8%
Total	33,973,231.08	100.00%	3,895,799.98	100.00%	19,433,953.16	100.00%	5,532,959.92	100.00%
Net value	30,077,431.10				13,900,993.24			

Other account receivable at period-end increased RMB 14,539,277.92 compared with that of year-begin, up 74.81%. mainly caused by the increase reserve fund from sale sub-department.

Classification 1: account receivable with single major amount (over RMB1,000,000) or with minor amount but have impairment testing individually;

Name	amount	Bad debt amount	acurring proportion	Acurring reason
Provincial power Hefei Power supply co.,	3,532,431.74	176,621.59	5%	withdrwal on age
AD center of Anhui TV	1,276,840.00	63,842.00	5%	withdrwal on age

Total	4,809,271.74	240,463.59
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Classification 2: other account receivale with single minor amount bur with major risk after combime with other credit risk:

Item	Amount at perid-end			Amount at year-begin		
	amount	proportion	Bad debt provision	amount	proportion	Bad debt provision
Over 3 years	2,712,070.45	100.00%	2,524,998.16	2,412,579.45	100.00%	2,348,984.23

Classification 3 is the other minor account receivables.

(2) other account receivable verficated in report period actually:

Name	nature of account receivable	Verification amount	Verification reason	Whether caused by related transaction
Jiangxi Kesheng Industry&Commerce Co., Ltd.	Loan	2,073,076.93	debt paying ability of debtor	Not

Jiangxi Kesheng Industry&Commerce Co., Ltd. Have been cancelled for bankruptcy. The recovery of account is difficult and last over 5 years, and all amoun thave been in bad debt provision. The 33th Metting o f6th Board of Directors have been approved for verification.

(3) No arrears of shareholders with 5%(including 5%) of voting rights of the Company in period-end.

(4) top 5 companies of other account receivables in amount

Name	Amount	Age	Proportion in other accounts receivable	Nature and content
Provincial power Hefei Power supply co.,	3,532,431.74	Within 1year	10.40%	Utilities paid in advance
AD center of Anhui TV	1,276,840.00	Within 1year	3.76%	AD fee paid in advane
Reserve fund of Beijing sub-branch	941,284.44	Within 1year	2.77%	Reserve fund of Beijing

Name	Amount	Age	Proportion in other accounts receivable	Nature and content
				sub-branch
Reserve fund of Hefei sub-branch	668,649.73	Within 1 year	1.97%	Reserve fund of Hefei sub-branch
Reserve fund of Nanjing sub-branch	606,318.14	v	1.78%	Reserve fund of Nanjing sub-branch
Total	7,025,524.05		20.68%	

3、long-term equity investment

(1) classification of long-term equity investment

Item	Amount at perid-end	Amount at year-begin
long-term equity investment based on cost	528,756,857.16	530,416,857.16
long-term equity investment based on equity	26,689,372.97	28,428,371.63
total of long-term equity investment	555,446,230.13	558,845,228.79
Less: impairment provision of long-term equity investment	-	1,660,000.00
Value of long-term equity investment	555,446,230.13	557,185,228.79

(2) long-term equity investment based on cost and on equity

Company	Proportion of share holding (%)	Proportion of voting right (%)	Initial amount	amount at year-begin	Additional this period	Decrease this period	Amount at period-end
ling Technology Company	70.00	70.00	42,000,000.00	42,000,000.00	-	-	42,000,000.00
ng Cooling	90.00	97.00	45,000,000.00	45,000,000.00	-	-	45,000,000.00
iling	90.00	97.00	45,000,000.00	45,000,000.00	-	-	45,000,000.00

Ltd.								
g Electric o., Ltd.	99.00	99.97	9,900,000.00	9,900,000.00	-	-	9,900,000.00	
ghong ner Co.,	100.00	100.00	305,600,437.79	305,600,437.79	-	-	305,600,437.79	
hanghong , Ltd.	90.00	100.00	76,256,419.37	76,256,419.37	-	-	76,256,419.37	
nk Co., ltd.	1.15	1.15	5,000,000.00	5,000,000.00	-	-	5,000,000.00	
na Electric	20.00	20.00	1,660,000.00	1,660,000.00	-	1,660,000.00	-	
total			530,416,857.16	530,416,857.16	-	1,660,000.00	528,756,857.16	
ity								
Proprty l.	28.57	28.57	1,000,000.00	2,588,783.96	-	764,088.90	1,824,695.06	
g packing	48.28	48.28	25,055,600.00	25,839,587.67	-	974,909.76	24,864,677.91	
total			26,055,600.00	28,428,371.63	-	1,738,998.66	26,689,372.97	
al			556,472,457.16	558,845,228.79	-	3,398,998.66	555,446,230.13	

(3) investmetn to affiliated enterprises

Invested company	type	Register place	Legal person	Nature	Register capital	Proportion of share holding (%)	Proportion of voting right (%)
Hefei Meiling packing Co., Ltd.	Limited Company	Hefei	Sun Qingfeng	Sale, manufacture and production	RMB1,840,000	48.28	48.28
Anhui United Technology Property	Limited Company	Hefei	ChanHua	Property trading	RMB 5,000,000	28.57	28.57

Trade Co., Ltd.					
(con't)					
Invested company	total asset at period-end	total liabilities at period-end	Total net asset at period-end	Total operation income this period	Net profit of this period
Hefei Meiling packing Co., Ltd.	159,672,115.38	108,171,125.50	51,500,989.88	63,425,141.06	-3,899.83
Anhui United Technology Property Trade Co., Ltd.	8,237,235.76	1,850,483.71	6,386,752.05	-	-770,010.29

(4) impairment provision of long-term equity investment

Invested company	Amount at year-begin	Increased this period	decreased this period	Amount at period-end	Decrease reason
Hefei Meiling Sigema Electric Co., Ltd.	1,660,000.00	-	1,660,000.00	-	Cancellation of business license, and have been verified

4、operation income and cost

(1) operation income and operation cost

Item	Amount in the period	Amount at same period of lase year
Main operation income	3,253,792,487.32	2,407,107,841.51
Other operation income	490,864,050.49	201,268,734.72
Total	3,744,656,537.81	2,608,376,576.23
Main operation income	2,262,294,849.69	1,700,631,957.58
Other operation income	459,953,413.92	192,980,161.69
Total	2,722,248,263.61	1,893,612,119.27

(2) operation income classified according to products

Name	Amount in the period	Amount at same period of lase year
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	Opearion income	Opearion cost	Opearion income	Opearion cost
Main operation income	3,253,792,487.32	2,262,294,849.69	2,407,107,841.51	1,700,631,957.58
(1) refrigrator, freezer	3,253,792,487.32	2,262,294,849.69	2,402,916,122.73	1,696,231,622.86
(2) air conditioner			4,191,718.78	4,400,334.72
Other business income	490,864,050.49	459,953,413.92	201,268,734.72	192,980,161.69
(1) sales of raw materils	490,125,830.49	459,774,576.18	200,205,514.72	192,748,343.73
(2) rental income	738,220.00	178,837.74	1,063,220.00	231,817.96
(3) other income				
Total of operation income	3,744,656,537.81	2,722,248,263.61	2,608,376,576.23	1,893,612,119.27

(3) operation income classified according to area

Name	Amount in the period		Amount at same period of lase year	
	Opearion income	Opearion cost	Opearion income	Opearion cost
income from internal sale	3,517,497,655.60	2,509,950,919.69	2,404,928,372.61	1,711,324,514.27
income from external sale	227,158,882.21	212,297,343.92	203,448,203.62	182,287,605.00
Total	3,744,656,537.81	2,722,248,263.61	2,608,376,576.23	1,893,612,119.27

(4) top 5 client of the Company in sale income this year

Name	Operation income	Proportion in total operation income (%)
Suning Electric Holding Co., Ltd.	270,350,732.80	7.22%
Nanjing Purchase center		
Electrolux(China) Electric Co., Ltd.	47,079,473.50	1.26%
Anhui Baida Electric Chain Co., Ltd.	43,274,964.25	1.16%
Jiangsu Five Star Electric Co., Ltd.	33,780,979.83	0.90%
Anhui Xinqiu Commerce Limited	32,610,211.93	0.87%
Liabilities Company		

Total	427,096,362.31	11.41%
5、 investment income		
Item	Amount in this period	Amount in same period of last year
income of long-tern equity investment based on cost method	4,360,593.46	-
income of long-tern equity investment based on equity method	-1,738,998.66	146,972.66
investment income from disposal of long-tern equity investment	-	-
investment income in the period of holding transactional fianncail assets	-	-
investment income in the period of holding held-to-maturity investment	-	-
investment income in the period of holdingl fianncail assets available for sale	210,000.00	1,897,125.00
investment income from disposal of transactional financial assets	-	-
investment income from disposal of held-to-maturity investment	-	-
益 investment income from disposal of financial assets available for sale	134,809,167.26	8,391,359.87
Total	137,640,762.06	10,435,457.53

(十六) notes to cash statement of parent company

Item	Amount in this period	Amount in same period of last year
1. cash flow of operating activities adjusted from net profit:		
net profit	204,889,022.04	36,552,718.66
Plus: Assets impairment provision	10,315,178.84	13,964,724.54
Depreciation of fixed assets, oil and gas assets and productive biological assets	38,300,628.78	31,307,116.87
amortized of intangible assets	12,245,773.41	12,245,773.41

Item	Amount in this period	Amount in same period of last year
amortized of long-term amortized expenses	-	-
Loss from disposal of fixed assets, intangible assets and other long-term assets(income is listed with “-“)	465,977.93	27,701.45
discrd losses of fixed assets(income is listed with “-“)	-	-
income of changes of fair value(income is listed with “-“)	-	-
financial expenses(income is listed with “-“)	1,664,900.65	10,779,033.97
investment losses (income is listed with “-“)	-137,640,762.06	-10,435,457.53
losses of deferred income tax assts(increased is listed with “-“)	-7,612,984.36	-2,349,962.65
decreased of deferred income tax liabilities(loss is listed with”-“)	-18,609,024.30	9,485,002.51
decreased of inventory(increased is listed with “-“)	-60,435,463.32	119,149,768.94
decrease of recurring payable items(increased is listed with “-“)	-1,186,902,213.87	-993,388,173.64
increase of recurring payable items(decreased is listed with “-“)	932,761,970.95	739,071,808.83
Other		
net amount of cash flow arising from recurring activities	-210,556,995.31	-33,589,944.64
2. major investment and raised fund activities not involved to cash :		
liabilities turens to capital		
transferable company bonds due within 1 year		
rental fixed assets from financing		
3. net change of cash and cash equivalent :		
balance of cash at period-end	373,124,414.96	330,281,755.17
Less: balance of cash at period-begin	579,447,940.41	306,127,639.14
Plus: balance of cash equivalent at period-end	-	

Item	Amount in this period	Amount in same period of last year
Less: balance of cash equivalent at period-begin	-	
net increase amount of cash and cash equivalent	-206,323,525.45	24,154,116.03

(十七) Complementary information

1.non-recurring gains and losses in this period

Item	amount at this period	Note
Disposal profit and loss on non-current assets	2,037,104.82	Details in non-operating expenditure
Tax refund and exemption approved by exceeding authority or without formal document of approval	-	
Government subsidy reckoned into current profit/loss, but close to the Company's business, except for government subsidy at an uniform national standard or with a certain ratio	22,650,367.20	Details in non-operating income
Capital occupation received from non- financial enterprises and recorded into the current gains and losses	-	
The investment cost of subsidiaries, affiliated enterprise and combined enterprise obtained by the enterprise is less than the gains resulting from recognizable fair value of net asset enjoyed by investee units	-	
Profit and loss on exchange of non-monetary assets	-	
Profit and loss on entrusted investment	-	
Assets devalue provisions withdrawn for force majeure, such as natural disaster	-	
Debt restructuring gains/losses	-	
expenses of enterprise restructuring	-	
Profit and loss exceeding fair value, resulting from unfair transactions	-	
Current net gains/losses of the subsidiaries from the period-begin to merger date occurred in enterprise merger	-	

Item	amount at this peiod	Note
under the common control		
Losses/gains occurred in contingent matters non-irelevant with normal operations of the Company	-	
Held trasaction financial asset, gains/losse of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	134,809,167.26	Details in investment income
Switch back of provision for the devaluation of account receivable of singly adopting devaluation test	-	
Losses and gains obtained from external entrusted loans	-	
Losses/gains from the change of fair values of investing property of subsequent measurement adopted by method of fair value	-	
Influences on current losses/gains for one adjustment of current losses/gains in accordance with the requirements of laws and regulatons such taxation and accountings.	-	
Income of trustee fee from entrusted operation	-	
Net amount of other non-operating income and expense except the above items	607,137.53	Details in non-operating expenditure
Other losses/gains items conforming the definitions of non-recurring gains/losses	-	
Subtotal	160,103,776.81	
inpact on income tax	24,217,840.09	
impact on minority shareholders equity(after tax)	162,712.88	
Total	135,723,223.84	

Explanation :Sichuan Changhong got the government energy-saving-and-people-benefiting subsidy RMB68950000.In order to

reflect the Company's business situation fully, upon the full communication between the Company and the auditing institution and according to principle of importance, the Company calculated the item into reoccurring gain and loss.

2、 net assts income rate and income of per share

Profit in report period	Net assets return of weighted average (%)	incomes per share	
		basic income per share	diluted basic per share
net profit attributable to shareholders of the parent company	15.85	0.5285	0.5285
net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses	6.01	0.2004	0.2004

(XVIII) Approval of financial report

The financial report approved for disclosed on 5 August 2010 by the Board of Directors

Section VIII. Documents Available for Reference

- I. The text of semi-annual report carrying the signature of Chairman of the Board;
- II. The accounting statements carrying the signatures and seals of Chairman of the Board, Financial Principal and Principal of Accounting Institutes;
- III. Originals of all documents of the Company and manuscripts of public notices ever disclosed in the newspapers designated by CSRC in the report period;
- VI. Articles of Association of Hefei Meiling Co., Ltd.

The aforesaid documents are all available at headquarter of the Company. The Company would provide them timely when CSRC and Shenzhen Stock Exchange require or the shareholders need consultation according to the regulations and Articles of Association.

Chairman of the Board: Zhao Yong

**Board of Directors of
Hefei Meiling Co., Ltd.**

August 6, 2010