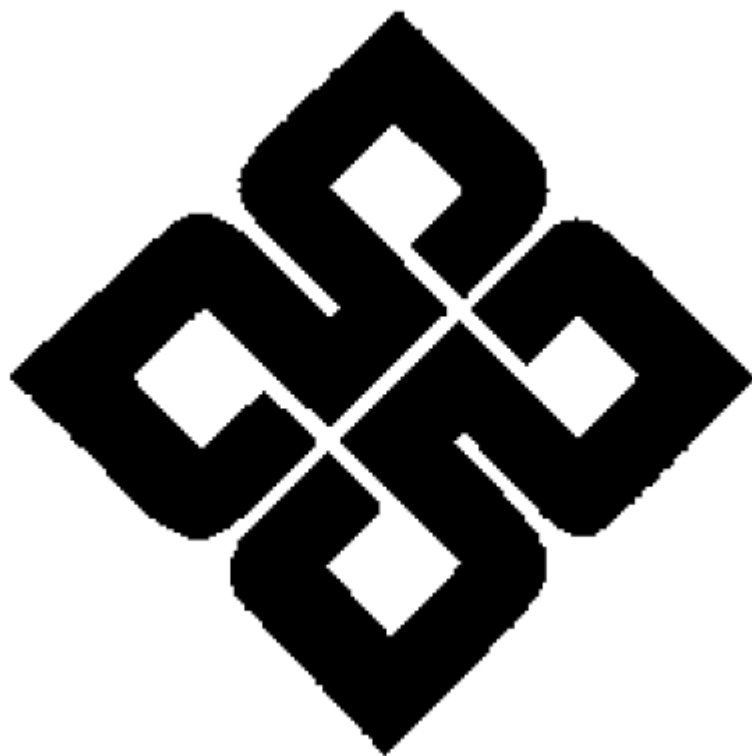


合肥美菱股份有限公司



2010 年年度报告

Annual Report of Hefei Meiling Co., Ltd.

Important Notice

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. The Company did not have that directors, supervisors and senior executives of the Company could not guarantee the reality, accuracy and completion of the whole contents or have objections.

All the directors attended the board meeting on discussing the Annual Report in both ways of site and communication.

Shine Wing Certified Public Accountants Co., Ltd. issued standard unqualified Auditors' Report for the Company's Financial Report of 2010.

Directors and senior executives of the Company respectively signed Written Confirmation Opinions for 2010 Annual Report.

Supervisory Committee of the Company formed Written Examination Opinions for 2010 Annual Report.

Chairman of the Company Mr. Zhao Yong, President Mr. Wang Yong, Vice-president Mr. Yu Wanchun and Person in Charge of Accounting Organ Mr. Liu Bimin hereby confirm that the Financial Report of the Annual Report is true and complete.

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Section I. Company Profile

I. Legal Name of the Company

In Chinese: 合肥美菱股份有限公司

In English: HEFEI MEILING CO., LTD.

Abbr. in English: HFML

II. Legal Representative: Mr. Zhao Yong

III. Secretary of the Board of Directors: 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: No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei

Post Code: 230601

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

Post Code: 230601

Company's 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, China Securities Journal and Hong Kong Commercial Daily

Internet Website for Publishing the Annual Report of the Company:
<http://www.cninfo.com.cn>

The Place Where the Annual Report is Prepared and Placed: Secretariat of the Board of Directors, on 2/F of the Company's Office Bldg.

VI. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: MEILINGDIANQI, WANMEILING-B

Stock Code: 000521, 200521

VII. Other Relevant Materials of the Company

1. Initial registration date: December 31, 1992

Registration address: Hefei Municipal Administration Bureau of Industrial and Commerce

Registration date after change: May 19, 2008

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.34011114918555X

4. Organization Code Certificate: 14918555-X

5. Domestic Certified Public Accountants Engaged by the Company:

Name: Shine Wing Certified Public Accountants Co., Ltd.

Address: 9/F, Block A, Fu Hua Mansion No.8 Chao Yang Men Bei da jie, Dong Cheng District, Beijing, P.R.C

Section II. Summary of Financial Highlight and Business Highlight

I. Main accounting highlight

1. Main financial highlight in the report period

Unit: RMB

Items	Amount
Operating profit	135,840,059.76
Total profit	376,743,050.60
Net profit	326,495,470.55
Net profit attributable to the shareholders of the listed company	325,850,539.55
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses	184,816,989.25
Net cash flow arising from operating activities	374,067,501.57

2. Items of deducting non-recurring gains and losses and the involved amounts are as following:

Unit: RMB

Items of non-recurring gains and losses	Amount	Note (if applicable)
Gains and losses from the disposal of non-current assets	1,786,272.75	
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	26,674,129.47	
Held transaction financial asset, gains/losses 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	137,826,312.25	
Other non-operating income and expenditure except for the above items	252,588.62	
Influenced amount of minority shareholders' equity	-174,660.87	
Influenced amount of income tax	-25,331,091.92	
Total	141,033,550.30	-

II. Major accounting data and financial indexes over the past three years ended by the report period

1. Main accounting data

Unit: RMB

	2010	2009	Increase/decrease in this year compared with that in last year (%)	2008
Operating income	8,227,076,774.52	6,324,181,070.70	30.09%	4,813,665,574.77
Total profit	376,743,050.60	357,887,818.32	5.27%	32,267,357.79

Net profit attributable to shareholders of the listed company (RMB)	325,850,539.55	301,198,313.20	8.18%	27,376,945.70
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	184,816,989.25	68,899,599.60	168.24%	23,255,501.68
Net cash flow arising from operating activities (RMB)	374,067,501.57	-7,389,799.21	5,161.94%	235,806,026.64
	At the end of 2010	At the end of 2009	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008
Total assets (RMB)	7,116,164,154.58	4,786,934,109.38	48.66%	3,896,522,425.23
Owners' equity attributable to shareholders of the listed company (RMB)	2,717,294,371.76	1,324,427,907.57	105.17%	1,436,110,650.56
Share capital (Share)	530,374,449.00	413,642,949.00	28.22%	413,642,949.00

Note: The aforementioned data are calculated based on Requirements on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) promulgated by CSRC.

2. Main financial indexes

Unit: RMB

	2010	2009	Increase/decrease in this year compared with that in last year (%)	2008
Basic earnings per share (RMB/Share)	0.7878	0.7282	8.18%	0.0662
Diluted earnings per share	0.7878	0.7282	8.18%	0.0662
Earnings per share capital calculated by the latest share capital (RMB/Share)	0.6144	-	-	-
Fully diluted return on equity after deducting	0.4468	0.1666	168.19%	0.0562

non-recurring gains and losses (RMB /Share))				
Weighted average return on equity (%)	23.08%	18.46%	4.62%	2.69%
Weighted average return on equity after deducting non-recurring gains and losses (%)	13.09%	5.51%	7.58%	2.28%
Net cash flow arising from operating activities per share (RMB /Share)	0.90	-0.02	5161.94%	0.57
	At the end of 2010	At the end of 2009	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008
Net asset per share attributable to shareholders of listed company (RMB /Share)	6.57	3.20	60.00%	3.47

The non-public additional stock issue tailed for funds raised have arrived and passed verification certificate on Dec. 24, 2010. On Dec. 29, 2010, the newly increased 116.7315 million shares have been through shares registration trusteeship and shares' sales restriction procedure in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. Till Dec. 31, 2010, the non-publicly issued stock hadn't been approved to be listed in Shenzhen Stock Exchange. Main financial indexes will be as follow if they are calculated according to shares after non-public new issues:

	2010	2009	Increase/decrease in this year compared with that in last year (%)	2008
Basic earnings per share (RMB/Share)	0.6144	0.7282	-15.63%	0.0662
Diluted earnings per share	0.6144	0.7282	-15.63%	0.0662
Earnings per share capital calculated by the latest share capital (RMB /Share)	0.6144	-	-	-
Fully diluted return on equity after deducting non-recurring gains and losses (RMB /Share))	0.3485	0.1666	109.18%	0.0562
Weighted average return on equity (%)	12.58%	18.46%	-5.88%	2.69%
Weighted average return on equity after	7.14%	5.51%	1.63%	2.28%

deducting non-recurring gains and losses (%)				
Net cash flow arising from operating activities per share (RMB /Share)	0.71	-0.02	3626.45%	0.57
	At the end of 2010	At the end of 2009	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2008
Net asset per share attributable to shareholders of listed company (RMB /Share)	5.12	3.20	60.00%	3.47

3. Accounting difference between IAS and CAS

Unit: RMB

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Amount of this period	Amount of last period	Amount at period-end	Amount at period-begin
IAS	325,850,539.55	301,198,313.20	2,717,294,371.76	1,324,427,907.57
CAS	325,850,539.55	301,198,313.20	2,717,294,371.76	1,324,427,907.57
Sub-items and total adjusted based on IAS:				
Total amount of differences between CAS and IAS	0	0	0	0
Explanations on differences between CAS and IAS rules	No difference			

On September 12, 2007, the CSRC issued the Notice For Related Problems On Auditing Of Companies Issuing Domestically Listed Foreign Shares, announced to cancel the Double Audit requirement for companies which issue domestically listed foreign shares (B-share Companies) taking overseas audit when taking audit in engaged securities eligible for Certified Public Accountants demonstrated in previously reported in related information disclosure norms. All the financial reports were compiled without overseas accounting rules since 2007 and all the financial reports of the Company were compiled according to Corporation Accounting Rules. So there is no difference between domestic and overseas accounting rules.

III. The Company's return on equity and earnings per share as of the year 2010 as calculated in accordant with Requirements on the Information Disclosure of Companies Publicly Issuing Shares No. 9---Calculation and Disclosure on Return on Equity and Earnings per Share, as follows:

Unit: RMB

Items	Return on equity	Earnings per share
-------	------------------	--------------------

	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to common shareholders of the Company	21.17%	23.08%	0.7878	0.7878
Net profit attributable to common shareholders of the Company after deducting the non-recurring losses and gains	12.01%	13.09%	0.4468	0.4468

The non-public additional stock issue tailed for funds raised have arrived and passed verification certificate on Dec. 24, 2010. On Dec. 29, 2010, the newly increased 116.7315 million shares have been through shares registration trusteeship and shares' sales restriction procedure in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. Till Dec. 31, 2010, the non-publicly issued stock hadn't been approved to be listed in Shenzhen Stock Exchange. The weighted-average return on equity and earnings per share will be as follow if they are calculated according to shares after non-public new issues:

Items	Return on equity		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to common shareholders of the Company	11.99%	12.58%	0.6144	0.6144
Net profit attributable to common shareholders of the Company after deducting the non-recurring losses and gains	6.80%	7.14%	0.3485	0.3485

IV. Changes of shareholders' equities in the report period

Unit: RMB

	Amount in period-begin	Increase in the report period	Decrease in the report period	Amount in period-end
Share capital	413,642,949.00	116,731,500.00		530,374,449.00
Capital public reserve	660,287,022.53	1,061,106,088.50	110,821,663.86	1,610,571,447.17
General provision		-	-	-
Surplus public reserve	285,107,714.19	32,701,526.28	38,211,546.96	279,597,693.51
Retained profit	-34,609,778.15	364,062,086.51	32,701,526.28	296,750,782.08
Total	1,324,427,907.57	1,574,601,201.29	181,734,737.10	2,717,294,371.76

Section III. Changes in Capital Shares and Particulars about Shareholders

I. Statement of changes in share capital (ended of Dec. 31, 2010)

(I) Particulars about the changes in shares of the Company

Unit: 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	36,949,389	8.93%						124,553,317	23.48%
1. State-owned shares									
2. State-owned legal person's shares	29,351,473	7.09%				58,880,997	58,880,997	88,232,470	16.64%
3. Other domestic shares	7,530,661	1.82%				28,722,931	28,722,931	36,253,592	6.84%
Including: Domestic non-state-owned legal person's shares	7,530,661	1.82%				8,722,931	8,722,931	16,253,592	3.06%
Domestic natural person's shares						20,000,000	20,000,000	20,000,000	3.77%
4. Foreign shares						0	0	0	
Including: Foreign legal person's shares						0	0	0	
Foreign natural person's shares						0	0	0	
5. Senior executives' shares	67,255	0.02%				0	0	67,255	0.01%
II. Unrestricted shares	376,693,560	91.07				0	0	405,821,132	76.52%
1. RMB Ordinary shares	263,593,560	63.73%				29,127,572	29,127,572	292,721,132	55.19%
2. Domestically listed foreign shares	113,100,000	27.34%				0	0	113,100,000	21.33%
3. Overseas listed foreign shares						0	0	0	
4. Others						0	0	0	
III. Total shares	413,642,949	100%				116,731,500	116,731,500	530,374,449	100%

(II) Particulars about shares held by the top ten shareholders and the top ten shareholders with unrestricted condition

Unit: Share

Total shareholders						61,263
Particulars about shares held by the top ten shareholders						
Names of shareholders	Nature of	Proportion of	Amount of share	Amount of restricted	Shares pledged or	

	shareholder	share held	held	shares held	frozen
Sichuan Changhong Electronic Co., Ltd	State-owned legal person	21.38%	113,402,452		
Hefei Xingtai Holding Group Co., Ltd	State-owned legal person	6.26%	33,210,696	500,970	
Fullgoal Fund Management Co., Ltd	State-owned legal person	3.91%	20,727,350		
China Life Asset Management Co., Ltd. - Masanori Life Insurance Corporation - Universal Insurance Products	State-owned legal person	3.77%	20,000,000		
Changhong (Hong Kong) Trade Co., Ltd.	Foreign legal person	3.23%	17,150,815		
Donghai Security Co., Ltd	State-owned legal person	2.05%	10,851,417		
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED	Foreign legal person	1.96%	10,378,758		
Guotai Junan Securities Co., Ltd.	State-owned legal person	1.89%	10,000,000		
Fangzheng Securities Co., Ltd.	State-owned legal person	1.70%	9,000,000		
Ningbo Weichuang Union Investment Co., Ltd.	Domestic un-state-owned legal person	1.70%	9,000,000		
Particulars about the shares held by the top ten unrestricted shareholders					
Name of shareholder		Amount of unrestricted shares held		Type of share	
Sichuan Changhong Electronic Co., Ltd		74,491,952		RMB ordinary shares	
Hefei Xingtai Holding Group Co., Ltd		32,709,726		RMB ordinary shares	
Changhong (Hong Kong) Trade Co., Ltd.		17,150,815		Domestically listed foreign shares	
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED		10,378,758		Domestically listed foreign shares	
CAO SHENGCHUN		8,210,328		Domestically listed foreign shares	
Industrial and Commercial Bank of China - UBS SDIC Flexible Configuration of Solid Growth In Hybrid Securities Investment Fund		4,914,362		RMB ordinary shares	
Donghai Securities Co., Ltd.		1,851,417		RMB ordinary shares	
Long Qinfang		1,727,964		Domestically listed foreign shares	
Mao Shaoyi		1,691,056		RMB ordinary shares	
CHEN YI QING		1,644,639		Domestically listed foreign shares	
Explanation on associated relationship or accordant action among the aforesaid shareholders	Among the above shareholders, Changhong (Hong Kong) Trade Co., Ltd. is the wholly-owned subsidiary of Sichuan Changhong Electronic Co., Ltd.; there existed no associated relationship or belong to the concerted actors as specified in the Measures for the Administration of Information Disclosure of Shareholder Equity Changes of Listed Companies among Sichuan Changhong Electronic Co., Ltd., Changhong (Hong Kong) Trade Co., Ltd. and other top 8 shareholders; and top ten shareholders with unrestricted subscription; as the Company has not known whether there exists				

any business relationship among the other shareholders with unrestricted 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 released this year	Restricted shares increased this year	Restricted shares in year-end	Reason for restriction	Date of releasing
Hefei Machinery Mold Plant	144,726	0	144,726	0	Commitment for Share Merger Reform	2010- 3-23
Taizhou Shuangling Air Conditioning Pipe Manufacturing Co., Ltd.	72,363	0	72,363	0	Commitment for Share Merger Reform	2010-3-23
Anhui Children and Teenagers' Fund	72,363	0	72,363	0	Commitment for Share Merger Reform	2010-3-23
Cixi Xianglong Mould Plastic Co., Ltd.	434,178	0	434,178	0	Commitment for Share Merger Reform	2010-3-23
Shanghai Shenwan Business Consulting Limited Company	144,726	0	144,726	0	Commitment for Share Merger Reform	2010-3-23
Yuyao City Electronic Button Factory	431,546	0	431,546	0	Commitment for Share Merger Reform	2010-3-23
Zhao Fugen	108,544	0	108,544	0	Commitment for Share Merger Reform	2010-3-23
China Cinda Asset Management Corporation	1,302,533	0	1,302,533	0	Commitment for Share Merger Reform	2010-3-23
Ningguo Rural Credit Cooperative Union	72,363	0	72,363	0	Commitment for Share Merger Reform	2010-3-23
Sichuan	28,850,503	0	28,850,503	0	Commitment	2010 -12-15

Changhong Electronic Co., Ltd.					for Share Merger Reform	
Anhui Shenjian Chemical-Industry Co., Ltd.	144,726	0	144,726	0	Commitment for Share Merger Reform	2010 -12-15
Shanghai Dongpeng Business Consulting Co., Ltd.	59,980	0	59,980	0	Commitment for Share Merger Reform	2010 -12-15
Zhe Jiang Dilong New Material Co., Ltd.	72,363	0	72,363	0	Commitment for Share Merger Reform	2010 -12-15
Total	31,910,914	0	31,910,914	0	—	—

(IV) Particulars about shares amount held by the top ten restricted shareholders and the restricted condition

Unit: Share

Name of shareholders	Unrestricted shares held	Restricted condition
Sichuan Changhong Electronic Co., Ltd	38,910,500	Subscription issued shares non-publicly in 2010, still in restricted period.
China Life Asset Management Co., Ltd. - Masanori Life Insurance Corporation - Universal Insurance Products	20,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Fullgoal Funds Management Limited	20,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Guotai Junan Securities Co., Ltd.	10,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Founder Securities Co., Ltd.	9,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Ningbo Weichuang Union Investment Co., Ltd.	9,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Donghai Securities Co., Ltd.	9,000,000	Subscription issued shares non-publicly in 2010, still in restricted period.
Provincial Agricultural Bank of China, Hefei Office Trust	1,536,975	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet

City Insurance Company	853,875	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Guotai Fund Management Co., Ltd.	821,000	Subscription issued shares non-publicly in 2010, still in restricted period.

II. Issuance and Listing of shares

On August 30, 1993, approved by through Anhui Provincial Government's Document [WZMi (1993) No.166] and reexamination of China Securities Regulatory Commission (ZJFSZi (1993) No.27), the Company made first public issuance for 30 million shares with the issuance price of RMB 4.8, and the Company was listed on Oct. 18th, 1993 in Shenzhen Stock Exchange. After the issuance, the total shares capitals of the Company were 120 million.

In 1996, through approval by China Securities Regulatory Commission, the Company issued 100 million shares of domestically listed foreign shares (B-shares) at the price of RMB 3.30 per share on Aug. 14, 1996, which was listed with Shenzhen Stock Exchange for trading on Aug. 28, 1996.

In June 1997, the Company implemented the dividend distribution plan by distributing bonus shares at the rate of 3.5 shares for every 10 shares. As a result, the share capital increased by 82.3549 million shares, up to 380,226,255 shares.

From July 29 to August 11, 1997, the Company conducted allotment for A-shares. Totally 33.4167 million shares were placed and were listed on Aug. 23, 1997. Up to then, the Company's total share capital increased to 413,642,949 shares at present.

On August 24, 2007, the Company implemented Share Merger Reform Scheme, the non-tradable share shareholders of the Company carried out the price computation on A-share tradable shareholders with its possessed shares to acquire the listing and circulation right of its possessed non-tradable shares, and A-share tradable shareholders will obtain 1.5 shares of price computation for holding every 10 shares of MEILING DIANQI A-share tradable shares; and the total shares of the Company have not changed.

On October 28, 2008, 12,543,559 tradable shares with restricted condition of the Company were listed for trading.

On January 4, 2010, 74,074,020 tradable shares with restricted condition of the Company were released for trading.

On March 23, 2010, 2,783,324 tradable shares with restricted condition of the Company were released for trading.

On December 15, 2010, 29,127,572 tradable shares with restricted condition of the Company were released for trading.

On December 29, 2010, the 2010 annual non-public issue has been completed. The registration for custody and shares restriction procedure about the issuing of newly increased 11,673.150,000 shares has been accomplished in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch.

On January 10, 2011, the newly increased 11673.150,000 shares were listed in Shenzhen Security Exchange after the Company issued non-publicly A-share to 8 specific objects. Including the restricted stock trade period of 3891050000 shares subscribed by Sichuan Changhong Electronic Co., Ltd. (hereinafter referred to as Sichuan Changhong) who is controlling shareholder of the Company is 36 months; the expected listing date is January 10, 2014. While the restricted stock trade period of 778,210,000 shares subscribed by the other 7 specific objects is 12 months and the expected listing date is January 10, 2012.

III. Controlling shareholder and actual controller

1. Changes on shares held

On May 18, 2006 and Jan. 11, 2007, Hefei Meiling (Group) Holdings Co., Ltd. (hereinafter refers to Meiling Group) respectively signed Share Transfer Agreement of Meiling Electronic Appliance and Share Transfer Supplementary Agreement of Meiling Electronic Appliance with Sichuan Changhong and Sichuan Changhong Electronic Group Co., Ltd. (hereinafter refers to Changhong Group); Meiling Group planed to transfer its holding 82,852,683 shares among 123,396,375 shares to Sichuan Changhong and Changhong Group in the method of agreement transfer, of which Sichuan Changhong accepted 45,000,000 shares(accounting for 10.88 percent in total shares of the Company) with becoming the first largest shareholder and Changhong Group accepted 37,852,683 shares(accounting for 9.15 percent in total shares of the Company) with becoming the third largest shareholder. In August 2007, the aforementioned shares transfer accomplished its ownership transfer. On Dec. 26, 2008, the Company received the Document on Reply of Shares Transfer Held by State-owned Shareholders of Hefei Meiling Co., Ltd.(GZCQuan (2008) No.1413) delivered from Changhong Group issued by State-owned Assets Supervision and Administration Commission of the State Council, in which 32,078,846 shares of the Company held by Changhong Group were approved to be transferred to Sichuan Changhong. On Jan. 21, 2009, the aforementioned shares transfer accomplished its ownership transfer. After the transfer, 70,214,797 tradable shares with restricted conditions held by the first largest shareholder Sichuan Changhong of the Company accounted for 16.98 percent in the total shares of the Company. Sichuan Changhong committed to continue to perform the commitment made by Changhong Group during the share merger reform of the Company.

2. Brief introduction on controlling shareholder and actual controller

According to Reply of Shares Transfer Held by State-owned Shareholders of Hefei Meiling Co., Ltd issued by State-owned Assets Supervision and Administration Commission of the State Council and the Registration and Transfer Confirmation issued by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, Sichuan Changhong Electronic Co., Ltd is the controlling shareholder of the Company.

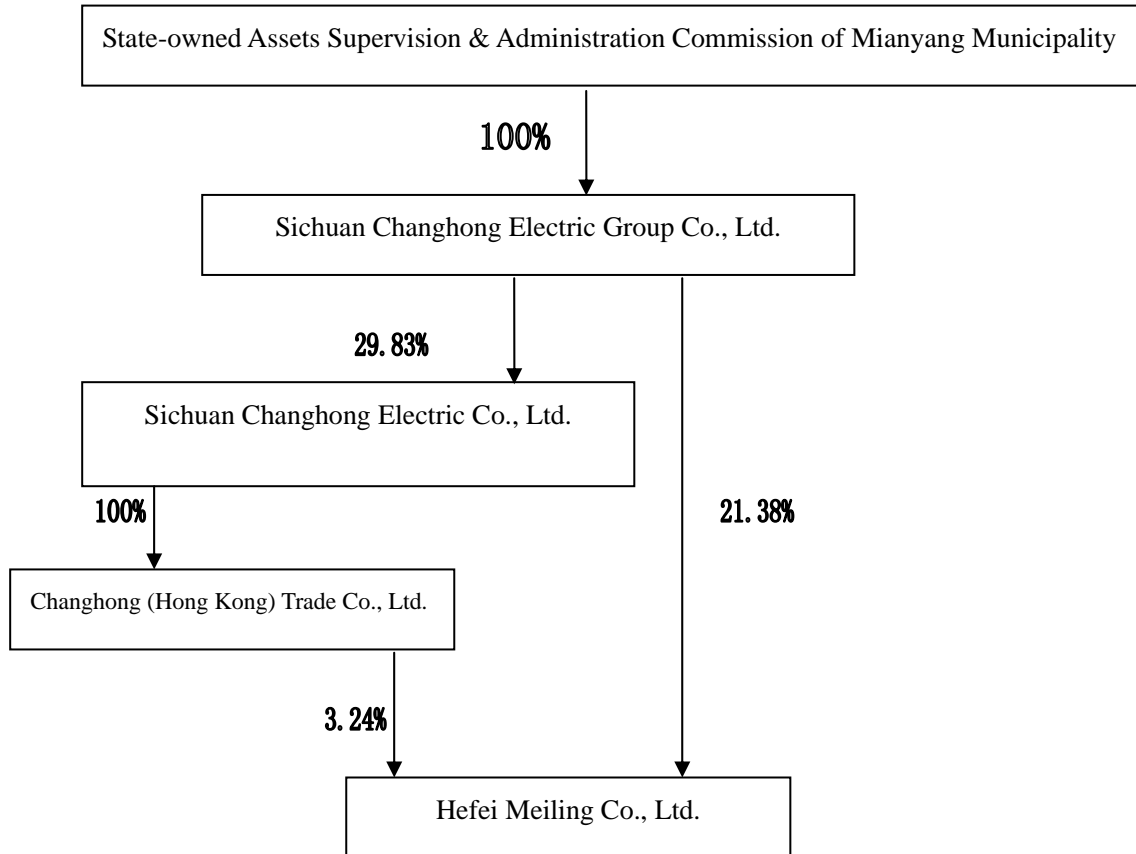
Sichuan Changhong Electronic Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 2,847,317,127; registered address: No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan; business scope: manufactures, sales and maintenance of household appliance, Electronic products and spare parts, communications equipments, computer and other Electronic equipments, specialized equipments of Electronic and Electronic, Electronic machinery and equipment, series products of batteries, Electronic medicine products, Electronic 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 transportation, 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 Electronic products.

Sichuan Changhong Electronic Group Co., Ltd. is the controlling shareholder of Sichuan Changhong Electronic Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 898,040,000; business scope: manufacturing and sales of household appliance, automobile Electronic appliance, Electronic products and components, products of Electronic information network, Electronic commerce, new materials, Electronic products, environmental products, equipment for communication transmission, and Electronic material; and property development. Ended as Dec. 31, 2009, Sichuan Changhong Electronic Group Co., Ltd. held 84,937.64,210,000 shares of Sichuan Changhong Electronic Co., Ltd. with accounting for 29.83 percent of Sichuan Changhong.

The actual controller of Sichuan Changhong Electronic Group Co., Ltd. is State-owned Assets Supervision & Administration Commission of Mianyang Municipality. State-owned Assets Supervision & Administration Commission of Mianyang Municipality held 100 percent

equities of Sichuan Changhong Electronic Group Co., Ltd. State-owned Assets Supervision & Administration Commission of Mianyang Municipality is entrusted by the same level government, together performs decision-making and management of state-owned asset owners, and is one organization which executes comprehensive management and supervision on its belonged state-owned assets.

Equity structure chart of the Company is as follows:



Section IV. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Shares held by directors, supervisors and senior executives, their office term and remuneration

Name	Title	Sex	Age	Begin date of office term	End date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the report period (RMB'0000)(before tax)	Drawing remuneration from shareholders' units or other related units or not
Zhao Yong	Chairman of the Board	Male	48	2008-4-15	2011-4-15	0	0		-	Yes
Wang Jiazhang	Vice Chairman of the Board	Male	60	2008-4-15	2011-4-15	89,674	89,674		46.83	No
Li Jin	Director	Male	44	2008-4-15	2011-4-15	0	0		-	Yes
Wang Yong	Director, President	Male	44	2008-4-15	2011-4-15	0	0		52.34	No
Li Wei	Director, Vice President	Male	38	2008-4-15	2011-4-15	0	0		45.15	No
Ye Honglin	Director	Male	40	2008-4-15	2011-4-15	0	0		-	Yes
Liu Hongwei	Standing Vice President	Male	48	2009-5-5	2011-4-15	0	0		56.60	No
Yu Wanchun	Vice President	Male	41	2009-5-5	2011-4-15	0	0		38.19	No
Li Daijiang	Vice President	Male	45	2009-5-5	2011-4-15	0	0		38.23	No
Wang Yingmin	Vice President	Male	52	2009-5-5	2011-4-15	0	0		38.25	No
Li Xia	Secretary of the Board	Female	30	2009-5-22	2011-4-15	0	0		16.65	No
Wang Xingzhong	Independent Director	Male	67	2008-4-15	2011-4-15	0	0		6.00	No
Song Baozeng	Independent Director	Male	71	2008-4-15	2011-4-15-	0	0		6.00	No
Liu Youpeng	Independent Director	Male	57	2008-4-15	2011-4-15	0	0		6.00	No
Fei Minying	Chairman of Supervisory	Female	53	2008-4-15	2011-4-15	0	0		-	Yes

	Committee									
Yu Xiao	Supervisor	Male	43	2008-4-15	2011-4-15	0	0		-	Yes
Yong Fengshan	Supervisor	Male	43	2008-4-15	2011-4-15	0	0		6.00	Yes
Zhang Ruhe	Employee Supervisor	Male	52	2008-4-15	2011-4-15	0	0		4.87	No
Qi Dunwei	Employee Supervisor	Male	44	2010-3-2	2011-4-15	0	0		20.52	No
67,255						89,674	89,674		381.63	

II. Main work experience of directors, supervisors and senior executives for the recent five years:

(1) Zhao Yong, Male, Han nationality, was born in Santai, Sichuan dated June, 1963, Member of CPC, Senior Engineer and Post Doctorate. He ever held the posts of Deputy General Manager, Vice Chairman of the Board, Member of Standing CPC Committee, General Manager, Vice Secretary of CPC Committee of Sichuan Changhong Electronic Co., Vice Chairman of the Board, Member of Standing CPC Committee, Vice Secretary of CPC Committee of Sichuan Changhong Electronic Group Co., Ltd. and Deputy Mayor and Member of CPC Organization of Mianyang City; now he holds the posts of Chairman of the Board and Secretary of CPC Committee of Sichuan Changhong Electronic Group Co., Ltd., Chairman of the Board and Secretary of CPC Committee of Sichuan Changhong Electronic Co., and Chairman of the Board of the Company.

(2) Wang Jiazhang, Male, Han nationality, Member of CPC, was born in Jan., 1951. He was successively held the posts of Assistant of Factory Director and Vice Factory Director of Hefei Refrigerator Headquarter, and Vice Chairman of the Board and Chairman of the Board of Hefei Meiling Co., Ltd.; now he holds the posts of Chairman of the Board and Secretary of CPC Committee of Hefei Meiling (Group) Holdings Co., Ltd., and Vice Chairman of the Board of the Company.

(3) Li Jin, Male, Han nationality, was born in Anhua, Hunan dated April, 1967, Member of CPC and Senior Engineer with Doctor's Degree. He has been in charge of Head of Air-conditioner Research Center of Air-conditioner Division, Deputy Minister of Air-conditioner Department and concurrently chief engineer of Sichuan Changhong Electronic Co., Ltd., and General Manager of Changhong Air-conditioner Corp., etc. Now he holds the posts of Director of Sichuan Changhong Electronic Group Co., Ltd., and Deputy General Manager of Sichuan Changhong Electronic Co., Ltd., and Director of the Company.

(4) Wang Yong, Male, Han nationality, was born in Ziyang, Sichuan dated July, 1967, Engineer with Bachelor's Degree. He graduated from radio-technology major of Shanghai Jiao Tong University in July 1990 and then worked at Sichuan Changhong Electronic Co., Ltd. He ever took the posts of Director of Management Committee in Marketing Management Department, Head of Administration Office, Vice Minister, and Deputy General Manager of Changhong Electronic (China) Marketing Corp. and concurrently General Manager of North China Operation & Administration Center, etc. Now he is President of Hefei Meiling Co., Ltd.

(5) Li Wei, Male, Han nationality, was born in Tongliang of Sichuan Province dated Feb., 1973, Assistant Economist with bachelor degree. He ever took the post of General Manager of Xi'an Sales Filiale of Sichuan Changhong Electronic Co., Ltd and General Manger of Southeast Operation Management Center of Changhong Electronic (China) Marketing Co., Ltd.; now, he is the General Manger of Changhong Air-condition Co., Ltd, Director and vice President of the Company.

(6) Ye Honglin, Male, Han nationality, was born in Pujiang of Sichuan Province dated Dec., 1971, Senior Accountant with bachelor degree. He ever took the posts of General Manager of Internal Bank of Sichuan Changhong Electronic Co., Ltd., Deputy Minister and Minister of Financial Department, Deputy General Manager of Hefei Meiling Co., Ltd., now he is the

CFO of Sichuan Changhong Electronic Co., Ltd, and Director of the Company .

(7) Liu Hongwei, Male, Han nationality, was born in Shangqiu, Henan dated July 1963, Doctor Degree of Department of Mechanical Engineering and Applied Mechanics of Pennsylvania State Lehigh University. He was ever worked in Pennsylvania State Kulicke and Soffa Industries, California State Tessera Technology Corporation and California State Intel Corporation; now, he is Standing Vice President of the Company.

(8) Yu Wanchun, Male, Han nationality, was born in Renshou, Sichuan dated September, 1970, Senior Accountant with Bachelor's Degree. He graduated from Finance major of Chongqing Business College (now, has its new name of Chongqing Technology and Business University) in July 1994 and started to work at Sichuan Changhong Electronic Co., Ltd.; he ever held the positions of Section Chief of Accounting Department and Deputy Minister of Finance Department of Sichuan Changhong Electronic Co., Ltd., etc.; now he is Vice President of the Company.

(9) Li Daijiang, Male, Han nationality, was born in Shifang, Sichuan dated October, 1966, Member of CPC and Statistician with Bachelor' Degree. He graduated from statistics major of Southwest University of Finance & Economics in July, 1987 and then worked at Sichuan Changhong Electronic Co., Ltd.; he ever held the posts of Head of Price Department, Minister of Price Department, Vice Minister of Comprehensive Management Department and Vice Minister of the Ministry of Materials, etc. Now he is Vice President of the Company.

(10) Wang Yingmin, Male, Han nationality, was born in Fu Ping of Shanxi dated April 1959, Senior Engineer with Master Degree. He graduated from Machine Manufacturing Craftwork of Northwestern Polytechnic University. He ever worked in machine design in 630 Graduate School of Aviation Ministry from Jan. 1983 to Sep. 1985; made research and development in air conditioner and refrigeration tools from May 1988 to Jan. 1995; made research, development and technological management of refrigerators sine Feb. 1995; from 1997, he ever took the posts of Deputy GM, Technology Majordomo and Chief Scientist. Now, he is the Vice President and Chief Scientist of the Company.

(11) Li Xia, Female, Han nationality, was born in Qionglai, Sichuan dated October 1980, Member of CPC and Intermediate Accountant with Master Degree. She graduated from Accounting Department of Sichuan University Business and Management School. In July 2006, she worked in Sichuan Changhong Electronic Co., Ltd. She ever was Project Manager in Financing & Acquisition Office of Asset Management Department and Business Executive in Board Office of Sichuan Changhong Electronic Co., Ltd. From May 2008 to May 2009, she took the posts of Deputy GM and Financial Supervisor of Sichuan Changhong Innovation Investment Co., Ltd. Now, she is the Secretary of the Board of the Company.

(12) Wang Xingzhong, Male, Han nationality, was born in Guanghan of Sichuan Province dated August 1944, CPC member, senior accountant with Bachelor Degree; ever took the posts of Deputy Director of Economic Commission of Mianyang Municipality, Deputy General Director and General Director of Mianyang Finance Bureau and concurrently General Director of Mianyang Local Taxation Bureau; Assistant to Mayor, and Deputy Mayor of Mianyang People's Government. Now, he was retired. And he is the Independent Director of the Company

(13) Song Baozeng, Male, Han nationality, was born in Laizhou of Shandong Province dated Jan., 1940, CPC member, Researcher with Bachelor Degree. He ever took the posts of Engineer, Deputy Director and Deputy Superintendent of No.2 Institute of Chinese Academy of Engineering Physics, and Vice-president of Chinese Academy of Engineering Physics. Now, he is the Director of Mianyang Meineng Materials Technology Co., Ltd., Chairman of Sichuan Kexuecheng Center Technology Co., Ltd, and concurrently Professor of Southwest University of Science and Technology and Sichuan University, and Consultant of Sichuan Provincial Advisory Commission, and the Independent Director of the Company.

(14) Liu Youpeng, Male, Han nationality, was born in Hefei of Anhui Province dated Nov., 1954, Economics Doctor, Senior Economist, Senior Credit Manager. He ever worked in Weishu District of Beijing, Quanjiao Middle School of Anhui and Wanbei Branch of Anhui

Agricultural College; he successively took the posts of Section Chief and Office Deputy Director of Education Department of Anhui Province, Deputy Mayor of Haizhou Municipality of Anhui Province and Office Director of Universities Admissions Office of Education Department of Anhui Province. Now, he takes the posts of Professor of Shanghai Business School, Distinguished Expert Commission of Training Department of China General Chamber of Commerce, Credit Manager of Training Department of China General Chamber of Commerce, and Independent Director of Anhui Gujing Group Co., Ltd. and the Independent Director of the Company.

(15) Fei Minying, Female, Han nationality, was born in Su County, Anhui dated November 1958, Member of CPC and Senior Economist with Bachelor's Degree; she ever held the posts of Director of Audit Office, Minister of Audit Ministry of Law, etc. of Sichuan Changhong Electronic Co., Ltd. Now she holds the posts of Supervisor, Deputy Secretary of Committee for Disciplinary Inspection and Minister of Ministry of Audit of Sichuan Changhong Electronic Co., Ltd., and Chairman of Supervisory Committee of the Company.

(16) Yu Xiao, Male, Han nationality, was born in Yiwu, Zhejiang dated August, 1968, Member of CPC, Senior Accountant with Bachelor's Degree. He ever held the posts of Deputy Director General of Finance & Accounting Office, Deputy Director General of Finance & Accounting Office of Sales Department, and Deputy Minister of Sales Department, Minister of Finance Department of Sichuan Changhong Electronic Co., Ltd., and now he is CFO of Sichuan Changhong Electronic Group Co., Ltd. and Supervisor of the Company.

(17) Yong Fengshan, Male, Han nationality, was born in Dingyuan of Anhui Province, Senior Accountant, successively held the posts of Director Assistant of Operation Department, Head of Financial Department of Hefei Cable Plant, and Deputy Chief Accountant concurrently Minister of Financial Department of Hefei Meiling Co., Ltd. Now he holds the posts of General Manager of Hefei Industrial Investment Co., Ltd, and the Supervisor of the Company.

(18) Zhang Ruhe, Male, Han nationality, was born in Feixi, Anhui Province, college degree, Member of CPC; he ever took the posts of Secretary of Army 60th Artillery Regiment, Office Director and Vice-secretary of Discipline Department of Hefei Plastic General Plant, Commissioner of Armed Forces, Deputy General Manager of Superintendence Department, Equipment Security Personnel of Extrusion Plate Plant of Hefei Meiling Co., Ltd., Party Affairs and Administration Officer in President Office of Hefei Meiling Co., Ltd. Now, he is the Charger of Materials Takeback in Materials General Warehouse of Hefei Meiling Co., Ltd., and the Employee Supervisor of the Company.

(19) Shang Wen, Male, Han nationality, was born in Suzhou, Anhui Province and August of 1967, Member of CPC, college degree. He entered in Hefei Meiling Refrigerator Factory after college graduation in July of 1997. He once took the post of publicity officer and policy fellow of Hefei Meiling Refrigerator Factory, secretary of General Manager, Deputy Director in General Manager's office, Director, Assistant General Manager and Director in President Office of Hefei Meiling Co., Ltd. Now he is in charge of Chief Executive Officer and Director in President Office and Staff Supervisors of the Company.

III. Particulars about office titles in Shareholding Company

Name	Unit	Title	Start date of office term	End date of office term	Drawing remuneration and allowance or not
Zhao Yong	Sichuan Changhong Electronic Co., Ltd.	Chairman of the Board, Secretary of the Communist Party Committee	2008.05.31	2011.05.31	Yes
Li Jin	Sichuan Changhong Electronic Co., Ltd.	Deputy GM	2008.05.31	2011.05.31	Yes
	Sichuan Changhong	Director	2008.05.31	2011.05.31	No

	Electronic Group Co., Ltd				
Yu Xiao	Sichuan Changhong Electronic Group Co., Ltd	CFO	2008.05.31	2011.05.31	Yes
Ye Honglin	Sichuan Changhong Electronic Co., Ltd.	Ye Honglin	2008.09.19	2011.05.31	Yes
Fei Mingying	Huayi Compressor Co., Ltd.	Chairman of Supervisor Committee	2009.01.12	2012.01.12	No
	Sichuan Changhong Electronic Co., Ltd.	Chairman of Supervisor Committee,	2008.05.31	2011.05.31	Yes
	Sichuan Changhong Electronic Co., Ltd.	Minister of Audit Department, Vice-secretary of Discipline Committee	-	-	

IV. Foundation of annual remuneration

Foundation of annual remuneration received by directors, supervisors and senior executives: the Company conducted the performance examination on the task of directors, supervisors and senior executives according to the resolution Board of Directors, the relevant policies of labor authority and the checking system of linking their office position wages with performance; then the remuneration is decided and implemented on the basis of evaluation result which has been examined and approved by the Board of Directors or the Shareholders' General Meeting.

V. Particular of the change of Director, Supervisor and Senior Executive

(1) On Jan. 26, 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 28 Jan.2010 and 2 March 2010 in Securities Times, Hong Kong Commercial Daily and Juchao website. (Notice No. 2010-003 No. , 2010-005)

(2) On June 1, 2010, according to the operation and development requirement, the 34th meeting of the 6th Board of Directors discussed and approved to engage Mr. Li Wei the President nominated as vice president of the Company. This event has been discussed by Nomination Committee of the Board of Directors and Independent Directors, and they have respectively issued the Auditing Opinion on the Company's Planning of Engaging Vice President and the Independent Opinion of Independent Directors' Engaging Vice President. As for the above events, the Company has disclosed them on Securities Times, Hong Kong Commercial Daily and Juchao Information Website in the form of notice on June 2, 2010. (Notice No. 2010-030)

VI. the number of employees and professional composition, education level and the number of retired workers

The Company owns 3,796 staff on active duty, including 44 senior professionals with master or higher degree and 1,161 staffs with college and university degree; the Company should bear costs of 732 retired staffs. The professional composition is as follows:

Profession	Number	Proportion
Production staff	2030	53%
Sales staff	975	26%
Technology staff	296	8%
Finance staff	121	3%

Executive staff	374	10%
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Section V. Administrative Structure

I. Company Administration

In the report period, in strict accordance with the requirements in Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Rules Covering Listing of Stocks on Shenzhen Stock Exchange and other relevant laws and regulations by CSRC, the Company endlessly perfected its administration structure, established and promoted its internal management and control system, continuously deeply developed administration activities of the Company, strengthened special activities for standardization implementing internal control, further standardize operations and enhance its administrative level. The Company has established and perfected various rules and regulations of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors, thus ensures the implementation of decision-making, implementation and supervision rights. Under the relevant laws and regulations of the regulator, the Company revised and improved the Articles of Association, Accountability System for Major Error Made in Annual Information Disclosure, Related Transaction Management System, Management System of Collecting Capitals, Receiving and Promoting System for Investors, Registration System for Insiders of Internal Information of Hefei Meiling Co., Ltd and other related systems, which were adopted by the board of directors. Meanwhile the Company organized relevant departments and staffs to study these systems, effectively implemented the systems, improved the Company's governance structure, guaranteed the interests of all shareholders, especially small and medium shareholders and stakeholders, and promoted the company's standard operation as well. The Company has set up a series of internal control system covering production and operation, financial management, internal audit and information disclosure, thus constituted internal control system of the Company and improved standardized operation level of the Company. By the end of reporting period, the company governance structure was basically in line with the governance requirements of normative documents on the listed companies released by China Securities Regulatory Commission.

During the report period, in handling the relations between the company shareholders and general meeting of shareholders, controlling shareholders and Company, directors and board of directors, supervisors and supervisory committee, performance evaluation and incentive and restraint mechanisms, stakeholders, and information disclosure and transparency, the Company adhered to the standard operation, and strictly kept in line with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange .

In reporting period, the Company continuously acted upon the requirements of the Governance Rules for Listed Companies, further improved governance system, boost standardized operation awareness and governance level. Take the internal control system as breakthrough, strengthen management foundation, and thus promote the governance level.

1. Shareholders and Shareholders' General Meeting: Strictly in accordance with the Rules for the General Meetings of Shareholders of Listed Companies and the Rules for the General Meetings of Shareholders of the Companies, the Company convened and held Shareholder's Meeting and ensure fair treatment toward all shareholders, especially minority shareholders to fully exercise their rights.
2. Controlling shareholders and listed companies: With independent business and management ability, the Company separated from the controlling shareholder, Board of Directors and Supervisory Committee and internal institution, in terms of business, personnel, assets, finance and organization. The controlling shareholder of the Company could strictly standardize its behaviors and did not exceed the Shareholders' General Meeting to intervene the decision-making and management activities directly or indirectly.
3. Directors and the Board of Directors: The Company elected directors in strict accordance

with the Director electing and engaging processes prescribed by Articles of Association .At present, there are three independent directors which covers one third of the Board of Directors, and the member formation of the Board of Directors was in accordance with the requirements of laws and regulations of Articles of Association. On the principle of Rules of the Board of Directors and Rules of the Independent Directors, all directors could carry out their work carefully and attend the Board of Directors and the Shareholders' General Meeting seriously; take part in relevant trainings actively and get more familiar with relevant laws and regulations. At the same time, the Board of Directors was divided into four special commissions such as strategy, payment and appraisal, audit and nomination. The special commissions respectively bear the responsibility of significant events discussion, decision and supervision, appraisal according to corresponding detailed work rules, thus improve the operation efficiency of the Board of Directors.

4. Supervisors and Supervisory Committee: The Company had set up Supervisory Committee, and the numbers and member formation of the Supervisory Committee were in accordance with the requirements of Articles of Association, Company Law and relevant laws and regulations. In accordance with Rules and Procedures of the Supervisory Committee, all the supervisors could earnestly perform their duties, supervise the significant events, related transaction, financial status, directors, presidents as well as other senior executives of the Company and express their independent opinions.

5. Performance valuation as well as encouragement binding mechanism: The Company continued to promote and perfect the equitable, transparent and normative performance valuation standard and encouragement binding mechanism for directors, supervisors and senior executives. The election for senior executives is normative and transparent, which is in accordance with laws and regulations.

6. Interest correlatives: The Company could fully respect and safeguard the legitimate rights and interests of interest correlatives, thus realizing interest balance for society, shareholders, the Company and its employees and promoting its stable development.

7. Information disclosures and its transparency: In strict accordance with the requirements of the Information Disclosure Management System and relevant laws, the Company strengthened information disclosure management, performed information disclosure obligations. And the Company assigned Securities Times, Hong Kong Commercial Daily and Ju Chao Information Web (www.cninfo.com.cn) for its information disclosure; disclosed relevant information truly, accurately, integrally and timely, and to ensured that all the shareholders enjoys the right of acquiring the information equally.

8. Investors relationship management. According to requirements of the Investors Relationship Management System and the Receiving and Promotion System of Investors, the Company continuously enhanced investors relationship management, seriously did well in receiving and replying investors' call as well as fax and E-mail. We carefully approached to media reports, standardized host institutions on the company's consulting matters. We actively participated in online interact activities with investors to broaden the investor communication channels to ensure that investors understand the company.

II. The Establishment, Improvement and Duty Performance of the Independent Directors Work System

(I) the Establishment and Improvement of the Independent Directors Work System

1. In order to further improve the company governance structure, effectively protect the interests of small shareholders and maintain the company's interests, standardize the company's annual report on the preparation, auditing and information disclosure and other related normative works to promote the company's standard operation, and ensure the independent directors can exercise their power independently. Based on its actual situation, according to the Company Law, Guide Suggestion about Building Independent Director of Listed Companies, Guidelines for Governance of Listed Companies and Articles of Association and other relevant provisions, the Company on February 5, 2002, formulated the

Independent Director System, and adopted to implement in the company's twentieth meeting of the third board of directors.

2. In order to improve internal control and management governance mechanisms and give full play to the supervision and coordination role of the independent Director to guarantee the interests of small investors, According to relevant provisions on the audited annual financial reports of listed companies issued by China Securities Regulatory Commission and Shenzhen Stock Exchange and the Articles of Association, Independent Director System, Management System of Company Information Disclosure, combined with the company's annual report preparation and the disclosure of the actual situation, the Company formulated the Work System on Annual Report of Independent Directors on February 23, 2009, which adopted by the company's twelfth meeting of sixth board of directors.

(II) The Duty Performance of the Independent Directors

The company's independent directors could be in strict accordance with Company Law, Securities Law and Guide Suggestion about Building Independent Director of Listed Companies, Stock Listing Rules of Shenzhen Stock Exchange and Articles of Association, Independent Directors System and the relevant laws, regulations, rules and regulations and other provisions, faithfully performed duties of independent directors, cautiously, seriously and diligently exercised of the rights of independent directors, freed from influences of major shareholder and actual controller or the unit and private person having a stake in the Company, and actively attended the shareholders' meeting and board of directors, expressed an independent point of opinion regarding the related issues, and put forward reasonable proposals for the company's production management and business development, gave full play to the role of independent directors to guarantee legitimate rights and interests of the shareholders, especially small and medium shareholders.

1. The Information about the Independent Directors' Attending and Voting of the Meeting of the Board of the Directors

In the year of 2010, the Company held a total of 13 times board of directors and 3 times shareholders' general meeting. Independent directors seriously participated in the company's board of directors and general meeting of shareholders', fulfilled the diligent obligations of independent directors. The information about the independent directors' attending the meetings of the board of the Directors in 2010 are as follows:

Name of the independent directors	This year's required attendance times	Represented in person/time	Represented by proxy/time	Absence/time	Voting result		
					In favor	Against	Absence
Wang Xingzhong	13	13	0	0	13	0	0
Song Baozeng	13	13	0	0	13	0	0
Liu Youpeng	13	13	0	0	13	0	0

During the report period, independent directors had no objection to all this year's proposals advanced by the board of directors as well that of the non-board of directors, and voted in favor of all the proposals put forward by the board of directors.

2. The Information regarding the daily work

In the year of 2010, for the major issues demanding the board discussion and decision-making, independent directors could do a pre-considered carefully examination. In strict accordance with requirements of the Independent Director System in Hefei Meiling Co., Ltd. and other related systems, the independent directors of the Company diligently, loyally performed their duties, and actively attended the relevant meetings, in-depth looked into the company's production and operation situation and the progress of major issues, and put forward reasonable opinions and suggestions on the company's operations, development from their professional perspective; in term of the company's connected transactions, foreign security

matters, financial transactions with related parties and other related subjects, independent directors raised independent advice; independent directors have played a positive role in board of directors making right scientific decision and in the company's operating management and development, effectively ensuring the interest of company and the general public investors.

In the process of 2010 annual report preparation and disclosure, according to requests of the China Securities Regulatory Commission Announcement No. 48 (2008), independent directors actively performed their duties, gave full play to the independent role of independent directors in the work of annual report, listened carefully to company management's progress report about this year's production and management situation and major issues and conducted the necessary investigation. During the audit, independent directors directly communicated with the CPA about the annual review issues, and earnestly carried out the diligent responsibilities of independent directors. Main works were as follows: (1) Combined with the company's actual situation, after consultation with the accounting firms auditing annual report, independent directors determined timetable for audit work of the company's annual financial report, and formulated annual audit work plan. (2) Before the accounting firms started the audit work, independent directors communicated with the CPA involving in the annual review about the composition of the Working Group on the audit, the audit plan, risk judgments, risk and fraud in testing and evaluation methods as well as the focus in this year's audit. (3) Independent directors also heard financial officers' annual reports on company's financial position and operating results.

3. The Information about the view expressions of Independent directors

In 2010, independent directors had an independent review on the issues of connected transactions, executive appointments and the purchase of assets, and had not raised any objections to the this year's proposals advanced by board of directors and other non-board of directors.

(1) On Mar. 15, 2010, the 30th meeting of the 6th Board of Directors discussed and approved the Self-examination Report of Internal Control, the 2009 Plan for Annual Profit Distribution, Proposal of Successive Engagement of 2010 Annual Financial Audit Institution and Payment and the Proposal of Previewing 2010 Related Transaction, etc. Independent directors issued specific statement on 2009 annual accumulated and current occupied capitals of related parties and external guarantee situation, and issued independent opinion. And they issued views prior approval and independent advice on previewing 2010 related transaction events, at the same time, issued independent opinion on self-examination report of internal control, plan of 2009 annual profit distribution, 2010 successive engagement of financial audit institution and payment events.

(2) On Mar. 25th of 2010, the 31st meeting of the 6th Board of Directors discussed and approved the Proposal of Terms about Accepting 100% State Property from Hefei Meiling Group Share Holding Co., Ltd, and the independent directors issued views prior approval and independent opinion upon the above related transaction events.

(3) On Apr. 19th of 2010, the 32nd meeting of the 6th Board of Directors discussed and approved the Proposal of the Company's Non-publicly Shares Issuing, the Proposal of Plan of Hefei Meiling Co., Ltd's Non-publicly Issuing A Shares, the Conditional Effective Share Subscription Contract Signed by Meiling Electronic and Sichuan Changhong, and the Proposal of Hefei Meiling Co., Ltd's Non-publicly Issuing A Shares and Related Transaction, etc. And then the independent directors demonstrated views prior to approval and independent opinions.

(4) On Apr. 21st of 2010, the 33rd meeting of the 6th Board of Directors discussed and passed the Proposal of Offering Bank Credit Guarantees for Sichuan Changhong Air-condition Co., Ltd, and the independent directors issued independent opinion on the above external guarantee events.

(5) On Mar. 31st of 2010, the 34th meeting of the 6th Board of Directors discussed and passed

the Proposal of Offering Bank Credit Guarantee for Zhongke Meiling Low Temperature Technology Co., Ltd. and the Proposal of Engaging Vice President, and the independent directors issued independent opinion on the above external guarantee and executive appointments.

(6) On Aug. 5th of 2010, the 36th meeting of the 6th Board of Directors discussed and approved the Proposal of Applying 0.1 Billion Yuan of Maximum Credit Limits from Anhui Branch of China Agricultural Development Bank, the Proposal of Applying 0.1 Billion Yuan of Maximum Credit Limits from Bank of Communications Anhui Branch, the Proposal of Applying 0.1 Billion Yuan of Maximum Credit Limits from East Gate Merchants Bank Branch in Hefei, the Proposal of Offering Bank Credit Guarantee for Sichuan Changhong Air-condition Co., Ltd, the Proposal of Offering Bank Credit Guarantee for Zhongshan Changhong Electronic Co., Ltd and the Proposal of Offering Bank Credit Guarantee for Zhongke Meiling Low Temperature Tech Co., Ltd, etc. And then independent directors issued specific statement and independent opinion on half year of 2010 external guarantee as well as occupied capitals of controlling shareholders and other related parties. And they demonstrated independent opinion on the above external guarantee events and related transaction that Sichuan Changhong Electronic offers guarantee and receives guarantee fees taking 0.5% of the maximum amount of guarantee contract amounts for the bank credit of the Company in Anhui Branch of China Agricultural Development Bank, Hefei Branch Bank of Communication and Anhui Merchants Bank of East Gate Branch.

(7) On Nov. 10th of 2010, the 38th meeting of the 6th Board of Directors discussed and passed the Proposal of Supplementary Contract of Trademark Licensing Signed by Sichuan Changhong Air-condition Co., Ltd and Sichuan Changhong Electronic Co., Ltd, the Proposal of Supplementary Contract of Trademark Licensing Signed by Zhongshan Changhong Electronic Co., Ltd and Sichuan Changhong Electronic Co., Ltd, the Proposal of Patent Licensing Supplementary Contract Signed by Zhongshan Changhong Electronic Co., Ltd and Sichuan Changhong Electronic Co., Ltd. And the independent directors issued views prior to approval and independent opinions.

(8) The independent directors respectively issued written confirmation opinions on 2009 annual report, 2010 the first seasonal report, 2010 semi-annual report and the 2010 third seasonal report.

4. Other works

In 2009, independent directors had no separate proposal to convene a board meeting; had not hired an independent external audit institutions and advisory bodies; independent directors also served as the Company's Audit Committee of the Board, and the special committees of remuneration and assessment, strategy and nomination; in line with the implementation rules of Company's special committee, independent directors performed their duties and played the role of various special committees in scientific decision-making and supervision to the board of directors.

In the year of 2009, independent directors took the chances of attending board meeting and took other opportunities to understand the Company's operating condition, and listened to company management's reports on the business status and standard operation. For the major issues demanding the decisions of the board, such as business development situation, connected transactions and financial operation, risk control, independent director heard the relevant detailed report, independent directors expressed opinions in the board meeting and promoted the board of directors to make scientific and objective decisions.

At the same time, independent directors participated in training activities held by the Company and supervision department for senior directors and supervisors, actively learned the relevant laws, regulations, and rules, deepened the knowledge and understanding on the relevant laws especially the concerning regulating the corporate administration structure and protection of social public shareholders' equity, improved the protection ability consolidated on the Company and investors' interests, formed the thoughts of self-protecting social public

shareholders' equity.

III. The Duty Performance of the Chairman and the other Directors

The company's Chairman and the other Directors could be in strict accordance with Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange and Articles of Association, Independent Directors System and the relevant laws, regulations, rules and other provisions, faithfully performed duties of directors, cautiously, seriously and diligently exercised of the rights of directors, and actively attended the shareholders' meeting and board of directors, gave full play to the role of independent directors to guarantee legitimate rights and interests of the shareholders, especially small and medium shareholders.

In the year of 2010, the Company held a total of 13 times board of directors and 3 times shareholders' general meeting. Chairman and the other Directors seriously participated in the company's board of directors and general meeting of shareholders, fulfilled the diligent obligations of independent directors. The information about the independent directors' attending the meetings of the board of the Directors in 2010 are as follows:

Name of the directors	This year's required attendance times	Represented in person/ time	Represented by proxy/time	Absence/ time	Voting result		
					In favor	Against	Absence
Zhao Yong	13	13	0	0	13	0	0
Wang Jiazahng	13	13	0	0	13	0	0
Li Jin	13	13	0	0	13	0	0
Wang Yong	13	13	0	0	13	0	0
Ye Honglin	13	13	0	0	13	0	0
Li Wei	13	13	0	0	13	0	0

During the report period, Chairman and other directors had no objection to all this year's proposals advanced by the board of directors as well that of the non-board of directors, and voted in favor of all the proposals put forward by the board of directors. As for proposal related to related transaction, related directors Mr. Zhao Yong, Mr. Li Jin and Mr. Ye Honglin withdrew the voting.

IV. the Company and the Controlling shareholder Achieved Separation in terms of the Business, Personnel, Assets, Financial and Organization

The Company and its largest shareholder of Sichuan Changhong Electronic Co., Ltd. achieved a separate accounting and shared independent responsibility and risk in term of business, personnel, assets, financial and Organization.

1. Business: The Company had an independent, complete business and autonomous management, with the specialized purchase, production, quality, sales, administration, human resource and other departments, the Company could independently manage its business, and the company management personnel were independent of the controlling shareholder and its affiliated companies.

2. Personnel: The company staff, labor, personnel and wages were fully independent. President, Vice President, Secretary of the Board and other senior management personnel worked for and received pay from the Company, not undertaking any other duties and receiving compensation in the controlling shareholder and its affiliated companies as other than a Director, supervisor.

3. Assets: The Company had the production and operation sites independent of the controlling shareholder, an independent complete asset structure, an independent production system, auxiliary production system and ancillary facilities, land use rights, home ownership and other assets, independent procurement and marketing systems.

4. Organization: The Companies set up an organization, fully independent of the largest shareholders, in which the company's board of directors, supervisors and internal organization were capable of independent action, preventing from the company's largest shareholder intervention in the decision-making behavior.

5. Finance: The Company had a separate financial and accounting department, and established an independent accounting system and financial management systems, opened an independent bank account for tax declaration.

V. The condition about strengthening the implementation of special activities of internal control standard

In 2009, under the guidance of Anhui Securities Regulatory Bureau, the Company established the special promotion work team of internal control basic standards, Chairman Zhao Yong of the Company was the first responsible person. The Company conducted a series of activities around the theme of the Special Activities for Strengthening Standardized Implementation of Internal Control. Finally through the special propulsion group's positive efforts and hard working and with the help of above institutions, the Company conducted extensive and profound self-examination and verification, achieved good effect.

In order to meet with the change of management system and marketing patterns, form a series of normalized internal control system and confirm standardized operation, the Company continuously promoted the Special Activities for Enhancing Standardized Implementation of Internal Control, conducted related work, including: the completion of investigation, verification, improvement and increase of internal control of related companies purchased by the Company; the Company organized inner related units to comply with the current business and value chain model, thus revise and compile the financial internal control system. There are totally 77 chapters about the complied internal control system, forming a series of complete and normalized financial management system; carried out special internal control investigation, compiled overall report about internal control investigation, at the same time, raised up corrective recommendations against existing problems in special internal control investigation, and then achieved better results. Presently the above corrective recommendations have been basically carried out; conducted internal control training about internal control system and risk prevention on each platform department, business department and subsidiaries, and then re-combined and amended various three-level documents and related rules, at the same time required related units to strictly comply with the rules. Later, the Company will strictly comply with the demand of regulatory agencies about internal control specification, under the leadership of the regulators to continue launching the special activities as planned, perfect the corporate governance structure, further improve the standard operation level and the overall competitiveness.

VI. Establishment and operation of internal control system of financial report

According to the Securities Laws, Accounting Laws, the Information Disclosure Management of Listed companies, the Governance Rules of Listed companies, Stock Listing Rules of Shenzhen Stock Exchange, the No. 2 Information Disclosure Contents and Pattern Rules of Companies Publicly Issuing Securities: Contents and Pattern of Annual Report (revised in 2007) as well as Report about Making Well of 2009 Annual Report of Listed Companies and Related Work (CSRC Announcement [2009] No. 34) and other laws, rules and standardized documents, along with relevant rules of Articles of Association and the Information Disclosure Management System, combining the actual situation, for the annual report audit of financial report, the Company made the Proposal of Annual Report Work Procedure of Audit Committee of the Board of Directors and the Annual Report Work System of Independent Directors in 2009. In 2010, the Company formulated the Accountability System of Major Error Made in Information Disclosure of Annual Report, and strictly carried out them in process of compiling annual report, effectively boost normalized operation level of the Company, enhanced the authenticity, accuracy, completeness and timeliness of information

disclosure, improved the quality and transparency of information disclosure of annual report, put more effort on accountability for the person responsible for annual report information disclosure. In reporting period, the members of audit committee completely fulfilled and issued written related statement, the independent directors actually carried out diligent and responsible duty, learned about the production and operation of the Company, communicated with management and paid site visits, closely paid attention to the information security in compiling process of annual report, prevented from inside information disclosure and insider trade and other illegal violation. They issued independent opinions on guarantee events, related transaction and significant events.

The internal control of annual financial report operates well, the charger of the Company takes charge of the authenticity and completeness of financial report, all the directors, supervisors and senior management take responsibility of the authenticity and completeness of the financial report. The company set a clear division of accounting positions, separated them from each other, control and supervise each other, conducted personal responsibility system. Related financial rules clearly determined that the sheet compiler must be the General Ledger Accountant; the auditing accountant supervises and reviews the accounting vouchers, accounting books and other information. The approved accounting policy and accounting estimation executive by the Company can't be changed randomly. Professional financial software was applied in financial calculation, the calculation process was strict, and the articulation was accurate. And the production process of financial report was scientific and complete. As for the data, we grasped the importance, efficiently collected, analysis and handled, operated well. There was no major leaking in the last financial report of the Company; neither was the one of this period.

VII. Establishment and execution of internal audit system

In order to enhance internal management and audit supervision, boost self-restrain, perfect internal control system, optimize business process, normalize internal audit, define the responsibility of internal audit institution and staff, play the role of internal audit in strengthening internal control, improving operation management and increasing economic interests, protect lawful interests and rights of the Company, promise the health development of corporate operation activities, the Company formulated Audit Work System, Details about Internal Audit and other system in accordance with Internal Audit Guidance of Main-Board Listed companies and the actual situation of the Company.

The Company strictly complies with internal audit system, takes independent and objective investigation and appraisal on internal control and governance process, including management audit, price audit, performance audit, internal control audit, economic responsibility audit etc. The Company takes internal audit supervision on production and operation and other activities, raises up related suggestion. The legal and audit department takes responsibility of and reports to the Board of Directors.

VIII. Company's self-assessment of internal control

According to the Standards of Internal Accounting Control and Basic Standards of Enterprise Internal Control issued by the Ministry of Finance and Internal Control Guidelines for Listed Companies issued by Shenzhen Stock Exchange as well as other laws and regulations, combining with requirements of self-examination and the verification activities in the special activities of listed corporate governance, the Company's board of directors undertook a comprehensive review of the Company's implementation of the management of rules and regulations, and carried out summary and self-evaluation. Key internal controls were reported as follows:

(I) the overall program of internal construction and control

In accordance with relevant laws and regulations and the requirement of Articles of association, according to principles of being comprehensive, prudent, Effective, timely and the requirements for establishing a modern enterprise system, according to their actual

situation, Company established a relatively complete system of internal controls to ensure that the Company's operational activities can be carried out normally. On the operational management, Company ensured the management goals by forming a scientific decision-making mechanism, enforcement mechanisms and monitoring mechanisms through the establishment and improvement of corporate governance structure and internal organization in line with requirements of modern management; on financial management, Company ensured a true and complete accounting information to improve the quality of accounting information through standardizing the corporate accounting act ; on information disclosure, Company strictly implemented Management System of Information Disclosure to standardize various procedures of the information disclosure, to improve the quality of information disclosure, to enhance corporation's transparency. The Company's internal control system is in line with the relevant requirements of Chinese Securities Regulatory Commission and Shenzhen Stock Exchange.

(II) The condition of the establishment of internal control system

The Company developed the Articles of Association, Rules of Procedure of the Shareholders' General Meeting, Rules of Procedure of the Board, Rules of Procedure of Supervisory Committee, System of Independent Director, Related Transaction Management System, Internal Reporting System of Significant Events, Information Disclosure Management System, Management System of Investors Relationship, Receiving and Promotion System for Investors, Management System of the Shares Held by Directors, Supervisors and Senior Management as well as the Change, Insiders Registration System of Internal Information of Hefei Meiling Co., Ltd, Submit-ion and Usage Management System of External Information of Hefei Meiling Co., Ltd which all promoted the perfection of structure and standardized operation of corporate governance . Board of Directors consists of four specialized committees responsible for the board, which further clarified the decision-making process, enabling the Company's special committee do a complete analysis in advance, Effective monitoring and comprehensive ex-post evaluation on major issues, thus providing important support for the decision-making of board of directors. Audit and Legal Affairs Department within the Company takes audit and special Inspection to the Company's operating activities and results of various divisions and subsidiaries, effectively preventing the Company's business risk to protect the legitimate rights and interests of shareholders.

The Company owns Effective internal control environment: board and related special committees take charge of approving and regularly auditing corporate operational strategy and important decision, ensuring the acceptable level of operational risk; senior executives strictly implement the Company's strategies and policies approved by the Board, the responsibility, authority and reporting relationships among the senior executives and board of directors, special committees are clear; Company's senior executives actively promote the employees to understand the Company's internal control system through advocacy, counseling, etc. and make it function effectively in the internal control system .

The board believes that through continuous establishment, improvement and perfection, meanwhile the corresponding verification, improvement in the 2008 special corporate governance activities and the 2009 verification activities as well as the 2010 continuous promotion of special activities for standardized implementation of internal controls, Company's current internal control system is more comprehensive, reasonable and Effective, meeting with the requirements of the national laws and rules. It adapts to the requirements of corporate management and development, playing a role in controlling and preventing each process and key Section of the operational management; ensure the orderly conduct of corporate activities and ensure the full realization and full implementation of the Company's development strategy and business objectives; ensure the authenticity, legitimacy, integrity of Company's accounting information; ensure the security, integrity of owned property and materials; be able to truly, accurately, completely and timely report and disclose information strictly in accordance with the content and format requirements of information disclosure set by laws, regulations and articles of association; be able to treat all investors to fairly and

openly, to warmly receive visit and consultation from investors, and effectively protect the interests of investors.

Along with the gradual improvement of the legal system, the changes of internal and external environment and the need for sustained and rapid growth of companies, the Company's internal control system will be further improved. The Company will continue to sum up experience and improve the internal control system, strengthen awareness of standardized operation, enhance the internal oversight mechanisms and effectively implement and carry out them, promoting the healthy and rapid development of the Company.

The report and detailed contents with regard to Self-Evaluation Report Of Internal Control Hefei Meiling Co., Ltd were disclosed contemporarily on Securities Times, China Securities and Hong Kong Commercial Daily as well as in Juchao website, the report has been through the Company's consideration in the 42nd meeting of the sixth Board of Directors.

(III) The views of Independent directors on the Company's internal control self-assessment

According to requirements and other relevant provisions of the Guidelines of Internal Control for Listed Companies and Notice on Doing Well in 2010 Annual Report of listed Companies issued by Shenzhen Stock Exchange, the Company's independent directors made the following observations on the Company's internal control self-assessment:

In reporting period, the established internal control system generally conformed to related requirements of supervision department and related laws and rules. The internal control mechanism and internal control system have no major defect in completeness and rationality and other respects; the actual execution process has no major deviation either.

The key activities of the Company's internal control system are conducted in accordance with the provisions of internal control system. Company has a full and Effective control of the management and control, related party transactions, external guarantees, financing capitals usage, major investment, information disclosure and other key activities on its subsidiaries, ensuring the Company's normal business management with rationality, integrity and Effectiveness. The self-assessment of internal control is consistent with the actual situation of the company.

(IV) The views of supervisory board on the Company's internal control self-assessment

According to the Internal Accounting Control Regulations and the Basic Regulations of Corporate Internal Control as well as requirements and other relevant provisions of the Guidelines of Internal Control for Listed Companies and Notice on Doing Well in 2010 Annual Report of listed Companies issued by Shenzhen Stock Exchange, the Company's supervisory committee made the following observations on the Company's 2010 internal control self-assessment:

(1) According to the relevant provisions of Chinese Securities Regulatory Commission and Shenzhen Stock Exchange, the Company, following the basic principles of internal control, in accordance with their own actual situation, established and improved Company's internal control system covering various aspects of Company to ensure the normal conduct of business activities and protect the Company's security and integrity of assets.

(2) The establishment of the internal audit department and personnel are basically completed, ensuring the implementation and supervision of priority activities of Company's internal controls fully Effective.

(3) In 2010, the Company did not violate the Internal Accounting Control Regulations and the Basic Regulations of Corporate Internal Control as well as the Guidelines of Internal Control for Listed Companies issued by Shenzhen Stock Exchange and the Company's internal control system.

In summary, the board of supervisors think that the self-assessment on internal control fully, truly and accurately reflected the actual status of the internal control of the Company.

IX. Payment Committee's suggestion on 2010 payment of directors, supervisors and senior management staff

The payment and appraisal committee reviewed 2010 the payment of directors, supervisors

and senior management, and issued the following opinions: the received payment of directors, supervisor and senior management staffs will be cashed according to payment appraisal system of the Company. The disclosed payment information was real, accurate and complete, conforming to requirements of CSRC Contents and Pattern of Annual Report (revised in 2007).

X. Others

There are no horizontal competition and related transaction resulting from partial rectification of the Company in 2010.

Section VI. Brief introduction of the Shareholder's General Meeting

In the report period, the Company total held three Annual Shareholder's General Meeting, including Annual Shareholder's General Meeting for 2009, 2010 First Extraordinary Shareholder's General Meeting and 2010 Second Extraordinary Shareholder's General Meeting. The convening, holding and voting for the meetings comply with regulation of Company Law, Rules for Shareholder Meeting and Article of Association and other relevant laws and rules.

I. Particulars about the Annual Shareholder's General Meeting

The Company held the Annual Shareholder's General Meeting for 2009 dated on April 6, 2010 and the resolution notice has been published in Securities Times and Hong Kong Commercial Daily as well as Juchao website dated on April7, 2010.

II. Extraordinary Shareholder's General Meetings in 2010

1. 2010 First Extraordinary Shareholder's General Meeting

The Company held the 2010 First Extraordinary Shareholder's General Meeting dated on April 12, 2010 and the resolution notice has been published in Securities Times and Hong Kong Commercial Daily as well as Juchao website dated on April 13, 2010.

2. 2010 Second Extraordinary Shareholder's General Meeting

The Company held the 2010 Second Extraordinary Shareholder's General Meeting dated on May 19, 2010 and the resolution notice has been published in Securities Times and Hong Kong Commercial Daily as well as Juchao website dated on May 20, 2010.

Section VI. Report of the Board of Directors

I. Operation of the Company

The brand competition of 2010 appliance industry became fiercer. Under the correct guidance of the Board of Directors, the Company took the Transferring from Marketing Promotion and Opportunity Promotion to Strategy Promotion and Ability Promotion as strategy guidance surrounding operation policy of Products As Key Link, Quality As Life, Innovation Marketing, Cut Costs, constantly promoted improvement of various operation and management, and strengthened internal organs, improved management, actively changed, strengthened marketing, improved service based on its own, thus achieved good results.

In 2010, sales significantly arose compared with the same period of 2009, the Company realized operation income RMB 82.27 Billion, increasing by 30.09% over the same period of last year; realized net profit attributable to owners of the parent company yuan, increasing by over the same period of last year. Including, refrigerator industry realized operating income RMB 32,585.05 Million, up 8.18% over the same period of last year. At the same time, according to statistics, the accumulated marketing proportion of the Company in primary and secondary markets in 2010 reached 10.38% (Zhongyikang), up 0.64% over the same period of last year; the accumulated marketing proportion of the Company in home appliance going rural markets in 2010 reached 9.47% (Maimaiti Market Research Center), up 0.83% over the same period of last year.

(I) Main operations:

1. Strategic plans were completed, and then define the development orientation of the Company

In order to carry out strategy guidance of the Transferring from Marketing Promotion and Opportunity Promotion to Strategy Promotion and Ability Promotion, the Company started the strategic plans of 2010.

The Company took the Products as Main Line, Information Construction As Support, Overall Promotion of Basic Management as breakthrough. The transformation process was constantly innovated. The strategic plans of the Company have been completed currently.

2. Surrounding the Products as Line, promote the develop ability of products

In 2010, the IPD project was further deepened, technologic strategy plan and business plan have been gradually built, the asynchronous development plan preliminarily formed. The Company completed project manager responsibility system, appraisal of PDT team based on the projects, appraisal of support for items of function department and other appraisal documents were completed. The Company trained over 20 Certification Project Manager, built UCD team, established related management rules to link with IPD procedure, and guided actual work.

3. surrounding the Quality as Life enhance quality of products

In 2010, the Company focused on quality improvement activities through four aspects of cooling system improvement, Electronic system improvements, comprehensive quality improvements and specific quality improvement. The Company totally held 156 QC activities in the whole year, including 45 got results.

4. Improve marketing ability surrounding the Innovated Marketing

(1) Joint venture marketing company

According to current economic environment, industrial demands and development situation of the Company, the Company further expanded new marketing models and channels platform, promoted operation model of joint venture marketing company. After trial, the results turned better. In order to further promote sales, improve brand value, the Company will

comprehensively promote new marketing model, restructure integrity the current overseas sales division into joint venture marketing company. Presently, various joint venture marketing companies are successively set up.

(2) Quality service

According to operation guidance of the Company, the Company insisted the brand avocation of the Refrigerators Quality Service, Meiling Chasing Fairness, pursuit excellence and strictly controlled quality through various aspects of products design, raw materials purchase, production and products test. After the activity of the Appliance Going to Countryside for Free Maintenance for 10 Years, next the Company held the Speak out What You Want to Say, Whatever the Discount is, the Gift for Your Suggestion till the Refrigerator to You, the Free Meiling Refrigerators for You if No Cooling for Refrigerators Power, the Experience Card for Refrigerator Quality and other activities, comprehensively promoted brand advocating of Quality Service.

(3) Brand Premium

The Company along with the cooperate brands advocate the Professional Was the Best together, thus really carried out the Refrigerators Quality Service, Meiling Chasing Fairness to customers, hugely encouraged the faith of vendors and improved the sales amount.

5. Reduce the cost and Increase the interest surrounding the Cutting Costs

In 2010, the Company constantly conducted the Strategic Cost-cutting surrounding the Cutting Costs, comprehensively reduced corporate operational costs and reduced costs and increased interests through various operation stage such as design, purchase, production and sales, and various basic management stage from energy efficiency, cost and the standardization.

6. Meiling Group's integration, to achieve a smooth transition

On March 26, 2010, the Company agreed and transferred 100% state-owned property according to the corporate development plans and requirements of unified maintenance and management of Meiling brand. In accordance with the working ideas of the Smooth Transition and Common Development, the Company built special work team to make various integrations on Meiling Group, and developed smoothly. At the end of July of 2010, the Company finished the transferring procedure of Meiling Group.

7. After the non-public stock issuing was successfully conducted, the raising and investing project was started; the development potential of the Company is huge.

In 2010, the Company successfully non-publicly issued A-shares, the newly increased shares of non-publicly issuing have been listed in Shenzhen Security Exchange on Jan. 10, 2010, the total raised capitals amounted to 1,199.99,982 million yuan. According to the plan, the raised capital would be mainly used in construction of Athena Luxury refrigerator production base, freezer expansion project, expansion project of refrigerator with environmental protection and energy saving. Currently the first stage of freezer expansion project and expansion project of refrigerator with environmental protection and energy saving have been accomplished and put into production, Athena Luxury refrigerator production base is also in a speedy construction, and expected to be completed and put into production in Oct. of 2011. When all the three projects are put into production, the Company will newly increase production capacity of 2 million luxury refrigerators with 3 doors, multiple doors and crossing doors, 1.2 million freezers and 0.6 million environment-friendly energy-saving refrigerators, thus offers capacity and products structure security for the rapid development of the Company. The scale effect will be further showed and the comprehensive strength of the Company will be further promoted.

8. Mechanism innovation set free the productivity

The Company began to promote the business department system at the end of 2010, realized liberation of productivity through dividing operation units into small units and carrying out equaling duty, rights and interests. In 2010, the Company respectively set up Air Conditioning Division, freezer Division, refrigerator Division, Ministry of Overseas Business; the domestic marketing branch also implemented restructure and built joint venture marketing company.

And through the implementation of these measurements, the Company gradually realized sales platform forward and equaling duties, rights and interests, thus improved operational efficiency, gave free rein to staff's enthusiasm.

(II) Main business scope and operation of the Company

(1) Scope of main operations

The Company belongs to the industry of household Electronic appliance, featuring in development, manufacture and sale of refrigerators, freezers, air conditioners and other home appliances. The main business scope contains manufacture, sale and service of household appliance refrigerators, freezers, air conditioners and other home appliances and relevant parts and components; sale and service of other household Electronic appliances

(2) Operation of the products in 2010 is as follows:

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over the last year (%)	Increase/decrease in cost of operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Refrigerators (Freezer)	596,909.86	423,899.66	28.98%	28.08%	36.30%	-4.28%
Air-conditioner	162,936.03	148,460.22	8.88%	17.49%	22.60%	-3.80%
Washing-machine	6,909.98	5,298.95	23.31%	-	-	-
Others	4,260.30	3,366.57	20.98%	-	-	-
Total	771,016.18	581,025.40	24.64%	27.50%	34.46%	-3.90%
Main operations classified according to products						
Refrigerators (Freezer)	596,909.86	423,899.66	28.98%	28.08%	36.30%	-4.28%
Air-conditioner	162,936.03	148,460.22	8.88%	17.49%	22.60%	-3.80%
Washing-machine	6,909.98	5,298.95	23.31%	-	-	-
Others	4,260.30	3,366.57	20.98%	-	-	-
Total	771,016.18	581,025.40	24.64%	27.50%	34.46%	-3.90%

(3) Operation in 2010 classified according to areas:

Unit: RMB'0000

Areas	The current year			The last year		
	Main operating Income	Cost	Gross profit ratio (%)	Income	Cost	Gross profit ratio (%)
Domestic sales	695,424.03	511,094.03	26.51%	548,668.30	381,989.29	30.38%
Export products	75,592.16	69,931.37	7.49%	56,037.94	50,122.25	10.56%
Total	771,016.18	581,025.40	24.64%	604,706.23	432,111.54	28.54%

(4) Particulars about the main suppliers and customers

Unit: RMB'0000

Name of customers	Operating income	Proportion in the total operating income of the Company
Sichuan Changhong Electric Co., Ltd.	83,372.67	10.13%
Suning Appliance Co., Ltd. (Nanjing)	61,260.58	7.45%
Anhui Baida Electric Appliance Chain Co.,	8,274.03	1.01%
Electrolux (China) Electric Co., Ltd.	8,092.35	0.98%
PT.CHANGHONG ELECTRIC INDONESIA	6,298.63	0.77%
Total	167,298.27	20.34%

(III) Particulars about the financial data and asset structure of the Company during the report period

Unit: RMB'0000

Asset structure (proportion taken in the total asset)	2010-12-31	2009-12-31	Increase or decrease scope (%)
Accounts receivable (%)	5.30%	6.62%	-1.32%
Inventory (%)	22.25%	21.99%	0.26%
Long-term equity investment (%)	0.25%	0.77%	-0.52%
Fixed assets (%)	12.16%	16.77%	-4.61%
Project in process (%)	1.06%	0.19%	0.87%
Short-term loans (%)	5.47%	3.84%	1.63%
Long-term loans (%)	0.33%	0.32%	0.01%
Financial data	2010	2009	Increase or decrease over the same period of last year
Operating income (RMB'0000)	822,707.68	632,418.11	30.09%
Net profit (RMB'0000)	32,585.05	30,119.83	8.18%
Sale expense rate (%)	20.58%	22.01%	-1.43%
Administrative expense rate (%)	2.82%	2.92%	-0.10%
Financial expense rate (%)	-0.15%	0.31%	-0.46%
Income tax expense(RMB'0000)	5,024.76	5,190.44	-3.19%

Reasons for the above changes:

1. Proportion of accounts receivable decreased mainly due to that the Company applied instrument of credit system, enhanced credit policy, strengthened accounts receivable management and the assets scale increased at the same time.
2. Proportion of inventory increased mainly due to that the Company made preparation for sales of busy season products and added rational storage.

3. Proportion of long-term equity investment decreased mainly due to the increased assets scale and un-changed equity amount.
4. Proportion of fixed assets decreased mainly due to the increased assets scale.
5. Proportion of projects in process increased mainly due to that in 2010 the invested construction item of funds raised from non-public issue of A share is still in a state of being constructed, still not be completely accomplished and then transferred to fixed assets.
6. Proportion of short-term loan decreased mainly due to the Company prepared goods for busy season thus temporary current capital demands increased.
7. Proportion of long-term loan decreased mainly due to payment for loans.
8. Operating income increased mainly due to that the Company conducted active sales policy, thus promoted sales growth in 2010.
9. Net profit increased mainly due to increased interests resulting from expanded sales scale.
10. Sales expense decreased mainly due to that the Company enhanced management and control on sales expense.
11. Administrative expense decreased mainly due to that management and control on expense achieved a lot and the operating income of the Company increased.
12. Financial expense decreased mainly due to that the whole-year bank loan decreased comparing with last year and the corresponding interest expense decreased as well as the received discount paid in advance by partial suppliers increased.
13. Income tax decreased mainly due to additional deduction on income tax before tax of research and development expense.

(IV) Constitution of cash flow arising from the operating activities, investment and financing activities:

Unit: RMB'0000

Items	2010	2009	Increase or decrease scope (%)
1. Net cash flow from operating activities	37,406.75	-738.98	5161.94%
Cash inflow from operating activities	479,719.37	362,083.71	32.49%
Cash outflow from operating activities	442,312.62	362,822.69	21.91%
2. Net cash flow from investment activities	-33,605.31	53,307.41	-163.04%
Cash inflow from investment activities	16,270.57	85,493.00	-80.97%
Cash outflow from investment activities	49,875.88	32,185.59	54.96%
3. Net cash flow from financing activities	120,082.34	-18,745.14	740.61%
Cash inflow from financing activities	152,450.45	31,461.37	384.56%
Cash outflow from financing activities	32,368.12	50,206.51	-35.53%
4. Net increase of cash and cash equivalents	123,886.81	33,771.85	266.83%

Cash inflow total	216,640.39	479,038.09	-54.78%
Cash outflow total	92,753.58	445,214.80	-79.17%

Reasons for the above changes:

1. Net cash flow arising from operating activities largely increased due to that the withdrawal of sales account of this period made a significant growth comparing with the same period of last year and at the same time the allowance of air-conditioners with energy-saving and people-benefiting the Company received increased comparing with the same period of last year.

2. Net cash flow arising from investing activities largely decreased due to that the Company received removal compensation fees of the factory located in previous Wuhu Road, the financial assets available-on-sale the Company dealt with in this year decreased comparing with last year, and the actual payment for acquisition of Meiling Group and Air-conditioner Company produced balance.

3. Net cash flow arising from financing activities largely increased due to the account arrival of funds raised of this period and the reduction of the whole-year bank loan.

(V) Operation and operating performance of the holding subsidiaries and joint stock subsidiaries of the Company

Unit: RMB'0000

Companies	Economic nature	Main business	Registered capital	Shareholding ratio	Total assets	Net assets	Net profit
Zhongke Meiling Low-temperature Technology Co., Ltd.	Domestic joint-venture	Low-temperature refrigerator and freezer	60 million yuan	70.00%	8,474.16	5,978.37	368.56
Jiangxi Meiling Refrigeration Co., Ltd.	Domestic joint-venture	Produce and sell refrigerator	40 million yuan	90.00%	8,176.04	5,264.9	381.82
Mianyang Meiling Refrigeration Co., Ltd.	Domestic joint-venture	Produce and sell refrigerator	50 million yuan	90.00%	7,280.94	4,622.72	50.62
Sichuan Changhong Air-conditioner Co., Ltd.	Wholly owned by legal person	Produce and sell air-conditioner	200 million yuan	100.00%	62,819.28	31,569.02	1,008.97
Zhongshan Changhong Electric Co., Ltd.	Domestic joint-venture	Produce and sell air-conditioner	80 million yuan	90.00%	30,801.46	8,878.98	405.94
Hefei Meiling Electrical Appliance Marketing Co.,	Domestic joint-venture	Refrigeration appliances, air conditioners, washing	55 million yuan	99.82%	8,384.24	5,582.31	30.68

Ltd.		machines, department store sales.					
Hefei Meiling Group Holdings Co., Ltd	Wholly owned by legal person	Washing machines, plastic products, precision welded, refrigeration parts, packaging materials and accessories manufacturing; self-produced products and raw materials, machinery and equipment, instruments, department store sales the Company needs.	80 million yuan	100%	36,248.51	4,402.92	-1,989.72

(VI) Prospects of the development of the Company

1. In 2011 the Company defined the Products Upgrading, Costs Optimizing, Quality Service, Entrepreneurship and Innovation as operation policy, deepened using of IPD, optimized products structure, and improved integrated image, built products competitiveness. Through strategic costs cutting, constantly boost various management level of the Company; insisted the brand ad vocation of Quality Service, constantly improved products quality; conducted service marketing strategy, enhanced marketing; promoted business department and construction of marketing companies, improved the responding speed against overall market, built rapid response teams to promote the company's new round of venture climax; the Company took the refrigerator industry as the core, driven air conditioners and washing machines industry. The company will strive to achieve 10 million refrigerators (counter) in 2013.

2. Main operation strategy and measures for 2011

In 2011 the Company will define the Products Upgrading, Costs Optimizing, Quality Service, Entrepreneurship and Innovation as operation policy, mainly conduct work from the following aspects:

(1) Comprehensively perfect and implement business department's operation. The Company will divide and complete operation units, optimize structure and integrate resource, improve response speed. We pay attention to equally among duties, rights and interests, form power and pressure of internal work. Each operation unit takes the goal of profit as core, platform department takes the support and service as guidance, build a agile and efficient business team.

(2) Company's domestic marketing makes innovation through business model, transfer all the marketing divisions to joint venture marketing companies, achieve the liberation of productivity and efficiency; continue to promote the brand proposition of quality service and

accelerate the building of "Changhong Meiling Store", strictly control the costs, improve operation efficiency, realize stable and health growth of sales and marketing proportion.

(3) Overseas business department will build core region and promote operating ability by means of organizing innovation, transferring marketing model and optimizing products structure and clients' structure.

(4) The refrigerators business department will continue to promote the R&D ability of products, optimize products structure, strategically reduce costs and improve products competitiveness. The Company will conduct IE project, comprehensively analyze the factors affecting the improvement of production efficiency, make overall improvement on human, machine, material, law and stage and various aspects, boost production efficiency, catch up the domestic leading level, thus further improve the quality management.

(5) The freezer business department of the Company will ensure production on the first stage.

(6) The air-conditioning business department will improve marketing shares and products competitiveness by means of reducing costs, boosting sales, doing products and grasping quality.

(7) Other subsidiaries will pay attention to strengthening cost management, improving marketing shares and profitability.

(8) Speed up the construction of Athena Luxury refrigerator production base, and put it into production on schedule.

3. Risks and countermeasures

For 2011, the national economy growth will be stable, inflationary pressures tend to become strong, the appreciation of RMB will lead to rising prices of production materials thus squeeze profit margins, industry has overcapacity, the brand competition will become further intensified, the Company will strictly conduct the operation policy of the Products Upgrading, Costs Optimizing, Quality Service, Entrepreneurship and Innovation, in accordance with fixed operation policy and strategy, actively promote operation management level, improve products competitiveness and marketing shares, realize benign sustainable development of the Company.

II. Particulars about investment of the Company

(I) External investment in the report period

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 Electronic 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 selling was RMB 11,398,300 and yet the listed price is RMB 11,412,800. The permitted bidding price was no more than RMB 11,500,000. 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 RMB 11,412,800. 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, Hong Kong Commercial Daily and Juchao website (Announcement No. 2010-012, 2010-016, 2010-017, 2010-035, and 2010-038)

3. More investment in Hefei Meiling Electronic Marketing Company

According to current economic environment, industrial demands and development situation of the Company, the Company further expanded new marketing models and channels platform, promoted operation model of joint venture marketing company. After trial, the results turned better. In order to further promote sales, improve brand value, the Company will comprehensively promote new marketing model, restructure integrity the current overseas sales division into joint venture marketing company. According to requirements of operation development, the 38th meeting of the 6th Board of Directors reviewed and approved the Proposal of Investing in Hefei Meiling Electronic Marketing Company, after discussion with the controlling subsidiary Hefei Meiling Electronic Marketing Company (hereinafter referred to as Meiling Marketing Company) and another shareholder Mianyang Meiling Refrigeration Co., Ltd. (hereinafter referred to as "Mianyang Meiling"), they agreed the Company to invest more in Meiling Marketing Company with amount of 45 million yuan. After the new investment, the registration capitals of Meiling Marketing Company amounted to 55 million yuan, including, the Company invested 54.9 million yuan, taking 99.82% of the Meiling Marketing Company's registration capitals; Mianyang Meiling invested 0.1 million yuan, taking 0.18% of the Meiling Marketing Company's registration capitals.

The above events have been published on Securities Times, Hong Kong Commercial Daily and Juchao Consultant Website in form of notice (No. 2010-050) on Nov. 11, 2010.

(II) Assets sales of the Company in reporting period

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 (shares of USTC Iflytek Co., Ltd.) 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 3,703,000 shares USTC Iflytek Co., Ltd in accumulation with the net investment return of RMB 116,973,865.41. As ending 31 Dec. 2010, the Company didn't hold shares USTC Iflytek Co., Ltd any more.

(III) 2010 non-public issuing stock of the Company

The 2010 non-public issuing stock plan of the Company was reviewed and approved in the 32nd meeting of the 6th Board of Directors on Apr 19th of 2010, and was reviewed and approved in the second 2010 Extraordinary Meeting of Shareholders on May 19th of 2010.

On May 14th of 2010, the Company received transferred document from Sichuan Changhong the Reply to Related Problems of Hefei Meiling Co., Ltd's Non-public Issuing Stock from Sichuan Provincial Government, State-owned Assets Supervision and Administration Commission, Sichuan Provincial Government, State-owned Assets Supervision and Administration Commission approved the issuer to issue non-public stock with 0.4 billion yuan, subscribed shares can't be beyond 40 million shares. The application about this non-public issuing was approved by China Securities Regulatory Commission on July 1st of 2010. On Oct. 27th of 2010, the application was reviewed and passed by China Securities Regulatory Commission Audit Committee. On Nov. 26th of 2010, the Company received the

Reply to Reviewing and Approving Hefei Meiling Co., Ltd's Non-public Issuing Stocks (SFC license [2010] 1715) which approved that the non-public issuing can't be beyond 130 million new shares.

Till Dec. 24th of 2010, the Company successfully issued 116.7315 million shares A stock to 8 specific investors including Sichuan Changhong with issuing price 10.28 yuan per share. Total amount of these issuing raising capitals was 1,199,999,820.00 yuan while the net amount of it was 1,177,954,320.00 yuan after deducting issuing costs 22.0455 million yuan. Shine Wing Certified Public Accountants issued XYZH2010CDA6021 number "Verification Report."

On Dec. 29th of 2010, the Company has accomplished registration and custody procedures as well as shares restriction sales of this issuing of new shares in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch.

On Jan. 10th of 2011, the 116.7315 million newly non-publicly issued A shares were formally listed in Shenzhen Stock Exchange. As for this issue, the restricted period of the controlling shareholder Sichuan Changhong's subscribed stock lasts 36 months and the predicted listing date is Jan 10, 2014, and the restricted period of the other 7 issuing objects' subscribed stock lasts 12 months and the predicted date is Jan. 10, 2010.

(IV) Significant investment with the raised proceeds, project progress and earnings in the report period.

1. Particulars of raised capitals

(1) Amount of raised capitals and the arrival time

Reviewed and approved by 2010 the second Extraordinary General Meeting of Shareholders and the 32nd meeting of the 6th Board of Directors, and approved by CSRC [SFC license (2010) 1715], the Company issued less than 130 million RMB of ordinary shares (A share) to specific investors by means of non-public stock issuing. According to the subscription quote price of targets of issue, the Company finally determined the 10.28 yuan per share as issuing price after discussion with sponsor institution China Merchants Securities Co., Ltd., the lead underwriter China Merchants Securities Co., Ltd. and Changcheng Securities Co., Ltd (hereinafter referred to as sponsor institution and the leading underwriter). And particulars of the targets of issue and subscription for shares are as follows:

NO.	SUBSCRIBER	AMOUNT OF SUBSCRIPTION (SHARE)	AMOUNT OF SUBSCRIBED CAPITALS (RMB)
1	Sichuan Changhong Electronic Co., Ltd.	38,910,500	399,999,940.00
2	China Life Asset Management Co., Ltd. - Masanori Life Insurance Corporation - Universal Insurance	20,000,000	205,600,000.00
3	Fullgoal Fund Management Co., Ltd	20,000,000	205,600,000.00
4	Guotai Junan Securities Co., Ltd.	10,000,000	102,800,000.00
5	Fangzheng Securities Co., Ltd.	9,000,000	92,520,000.00
6	Ningbo Weichuang Union Investment Co., Ltd.	9,000,000	92,520,000.00
7	Donghai Security Co., Ltd	9,000,000	92,520,000.00
8	Guotai Fund Management Co., Ltd.	821,000	8,439,880.00
	Total	116,731,500	1,199,999,820.00

Till Dec. 23rd, 2010, the sponsor institution and the leading underwriter China Merchants Securities Co.,

Ltd received total 1,199,999,820.00 yuan of subscription money paid by allocated investors which consists of 1,085,999,820.00 yuan of subscription money of this time and previous 114,000,000.00 yuan of allocated subscription margins. And they have been verified by the Verification Report of Hefei Meiling Co., Ltd's Non-public Issuing Raised Capitals No. XYZH2010CDA6022 issued by Shine Wing Certified Public Accountants Co., Ltd. And the payment particulars of various subscribers are as follows:

NO.	PAYEE	DEADLINE FOR PAYING	CURRENCY	AMOUNT OF PAYMENT (YUAN)	USE OF ACCOUNTS
1	Sichuan Changhong Electronic Co., Ltd.	2010-12-23	RMB	399,999,940.00	Subscription of non-public issuing shares of Meiling
2	China Life Asset Management Co., Ltd. - Masanori Life Insurance Corporation - Universal Insurance Products	2010-12-23	RMB	205,600,000.00	Subscription of non-public issuing shares of Meiling
3	Fullgoal Fund Management Co., Ltd	2010-12-23	RMB	205,600,000.00	Subscription of non-public issuing shares of Meiling
4	Guotai Junan Securities Co., Ltd.	2010-12-23	RMB	102,800,000.00	Subscription of non-public issuing shares of Meiling
5	Fangzheng Securities Co., Ltd.	2010-12-23	RMB	92,520,000.00	Subscription of non-public issuing shares of Meiling
6	Ningbo Weichuang Union Investment Co., Ltd.	2010-12-23	RMB	92,520,000.00	Subscription of non-public issuing shares of Meiling
7	Donghai Security Co., Ltd	2010-12-23	RMB	92,520,000.00	Subscription of non-public issuing shares of Meiling
8	Guotai Fund Management Co., Ltd.	2010-12-23	RMB	8,439,880.00	Subscription of non-public issuing shares of Meiling
Total				1,199,999,820.00	

Till Dec. 24, 2010, the sponsor institution and the leading underwriter have transferred the above subscription account to fixed special storage account for funds raised after deducting margin bids for underwriting and the surplus 20.5 million yuan. Particulars are as the following:

Bank of deposit	Banking account	Transferred capitals(RMB'0000)	USE OF FUNDS
	76740188000018471	73,000.00	Athena Luxury refrigerator production base project
Hefei Branch of China Everbright Bank Branch in Daoxiang Building	341304000018010080590	30,000.00	Freezer expansion project
Hefei Branch of China Communication Bank in Shouchunqiao Road	1302010229022129028	11,000.00	Expansion project of environmental and energy-saving refrigerators

Industrial and Commercial Bank of China, Hefei branch of the Yangtze River Road	34001468608053006232	3,949.98	Supplementary current capitals and marketing costs
Total		117,949.98	

According to the XYZH2010CDA6021 Capital Verification Report issued by Shine Wing Certified Public Accountants Co., Ltd., the Company issued raising funds totally 1,199,999,820.00 yuan, deducting issuing costs 22.0455 million yuan (underwriting and margins bids 20.5 million yuan included), 1,177,954,320.00 yuan of net funds raised remained.

(2) Used value of the funds raised of this year and year-end balance

The funds raised from the Company's non-public stock issue have been charged on Dec. 24th of 2010 which hasn't been utilized till Dec. 31st, 2010. And the year-end balance was 1,177,954,320.00 yuan (partial issuing costs included).

(3) Allocation of funds raised reported on the Notice of Issue Particulars and Listing

After deducting issuing costs 1177.95432 million yuan, the remaining funds raised from non-public stock issue were allocated in the following items according to principle of materiality:

No.	Name of projects	Total amount of investment (RMB '0000)	Amount of planed investment of raised capitals (RMB '0000)
1	Athena Luxury refrigerator production base project	79,330.38	73,000.00
2	Freezer expansion project	37,517.78	30,000.00
3	Expansion project of environmental and energy-saving refrigerators	11,800.93	11,000.00
4	Supplementary current capitals	6,000.00	3,795.4320
Total		134,649.09	117,795.4320

The difference between the funds raised from non-public stock issue and the total amount used in planned allocation items will be raised by self-Collecting of the Company.

2. Management of funds raised

(1) Management system of funds raised

In order to normalize the management and utilization of funds raised, improve utilization efficiency and interest of capitals, actually protect interests of investors, in accordance with relevant laws and rules, the Company formulated the Management System of Funds Raised, which made detailed and strict rules for the special deposits account, utilization, allocation change as well as management and supervision of funds raised. The proposal about compiling the management system has been passed on 2010 the second Extraordinary General Meeting of Shareholders and the 32nd meeting of the 6th Board of Directors.

The Management System of Funds Raised was strictly executed in reporting period. As for expense of invested items, firstly relevant departments raise up capitals utilization plan and submits it to Secretariat of the Board of Directors, Financial Administration, Operation Administration for approval as well as gradual approval of items charger, department charger, vice president and the president. Pay unless that the approval for item expense below 1 million (1 million included) yuan from president and the approval of the one above 1 million yuan from the Director are completed.

(2) Special deposit account for funds raised

In order to further enhance the management and utilization of funds raised, protect interests of investors, the Company held the 39th meeting of the 6th Board of Directors and reviewed and

approved the Proposal of Setting Up Special Deposit Account for Funds Raised on Dec. 17th, 2010 in accordance with the Stock Listing Rules of Shenzhen Stock Exchange, Normative Operation Guidance for Main-board Listed companies of Shenzhen Stock Exchange, the Management Ways for Funds Raised of Listed companies of Shenzhen Stock Exchange and relevant laws, rules and standardized documents issued by CSRC as well as related rules the Company formulated about management of funds raised.

According to the proposal, the Company respectively set up special deposit account in China Everbright Bank Hefei Branch Daoxiang Building Subbranch, China Communication Bank Shouchun Road Bridge Sub-branch, China Industrial and Commercial Bank Hefei Yangtze River Road Sub-branch and China Construction Bank Hefei Luyang Sub-branch according to the quantity of investment items of funds raised, and made special storage on the funds raised. Till Dec. 31, 2010, the definite particulars of deposit of funds raised are as follow:

Bank of deposit	Banking account	Balance (RMB '0000)		
		Raised capitals	Interest income	Total
China Everbright Bank Hefei Branch Daoxiang Building Sub-branch	76740188000018471	73,000.00	-	73,000.00
China Communication Bank Shouchun Road Bridge Sub-branch	341304000018010080590	30,000.00	-	30,000.00
China Industrial and Commercial Bank Hefei Yangtze River Road Sub-branch	1302010229022129028	11,000.00	-	11,000.00
China Construction Bank Co., Ltd Hefei, Luyang Branch, * 1	34001468608053006232	3,949.982	-	3,949.982
Total		117,949.982	-	117,949.982

* Statement 1: the funds raised 39.4998 million yuan deposited in China Construction Bank Hefei Luyang Sub-branch with account number 34001468608053006232 was not excluding the issue costs 1.5455 million yuan paid with the Company's own capitals, and the real balance of funds raised of this account was 37.95432 million yuan.

(3) The signing and execution of tripartite regulatory agreement

On Jan. 7, 2011, the Company signed the Tripartite Regulatory Agreement of Funds Raised respectively with China Everbright Bank Hefei Branch Daoxiang Building Sub-branch, China Communication Bank Shouchun Road Bridge Subbranch, China Industrial and Commercial Bank Hefei Yangtze River Road Subbranch and China Construction Bank Hefei Luyang Sub-branch as well as the sponsor institution China Merchant Securities Co., Ltd. At the same day, the Company put on record to Shenzhen Stock Exchange and reported the main contents of this agreement.

3. The actual usage of raised capitals of this year

Comparison table of the actual usage of raised capitals of this year

Unit: RMB (0000)

Total raised capitals				117,795.4320		Total raised capitals used in this year					-	
Total transferred raised capitals				-		Total raised capitals used accumulated					-	
Proportion of total transferred raised capitals				0.00%								
Committed investment projects	Projects changed or not (including changed partially)	Total committed investment of raised capitals	Total investment after regulation	Amount of committed investment till the period-end (1)	Amount of investment of this year	Amount of accumulated investment till the period-end (2)	Difference between amount of accumulated investment and amount of committed investment (3)=(2)-(1)	Investment program till the period-end (4)=(2)/(1)	Predicted useable date of project	Realized interests of this year	Reach the predicted interest or not	Project feasibility was changed hugely or not
Athena Luxury refrigerator production base project	Un-changed	73,000.00	73,000.00	-	-	-	-	0.00%	The first stage of project:2011.12 The second stage of project:2012.12	-	N/A	Un-changed
Freezer expansion project	Un-changed	30,000.00	30,000.00	-	-	-	-	0.00%	The first stage of project:2011.1 The second stage of project:2012.1	-	N/A	Un-changed
Expansion project of environmental and energy-saving refrigerators	Un-changed	11,000.00	11,000.00	-	-	-	-	0.00%	2010.12	-	N/A	Un-changed

Supplementary current capitals	Un-changed	3,795.432	3,795.432	-	-	-	-	0.00%	-	N/A	Un-changed
Total	—	117,795.432	117,795.432	-	-	-	-	—	—	-	—
Reason for falling behind the target advance (By project)			N/A								
Statement for major change of project feasibility			N/A								
Change of implementation place of investment project of raised capitals			N/A								
Regulation of implementation ways of investment project of raised capitals			N/A								
Preliminary investment and replacement of investment project of raised capitals			Details on4. Preliminary investment, substitution and program of invested items of funds raised								
Temporarily supplement for the current capitals with idle raised capitals			N/A								
Amount and reason for surplus of raised capitals when implementing projects			N/A								
Other usage of raised capitals			N/A								

4. Preliminary investment, substitution and program of invested items of funds raised

(1) Preliminary investment and program of invested items of funds raised

① Capacity expansion item of freezer

This project's building area is about 133000m² while the main buildings comprises No. 7 plant (single-story steel plant with construction area 43000m²), No. 8 plant (two-stories steel plant with construction area 58000m²), No. 9 plant (single-story steel plant with construction area 30000m²), motion subsidiary plant (frame construction with area 2000m²). Till Jan. 24, 2011, the earthwork and installation of No. 7 and No. 8 were accomplished and then the equipments installation; No. 8 plant was going on with its round-off work; the earthwork and installation of motion subsidiary plant have been accomplished and the hydroelectric and steam have been opened; roads and underground plumbing have been basically finished and put into service. The Company has invested accumulated 50,511,769.93 yuan in the above construction projects with self-Collecting capitals according to projects procedure.

The bids of key equipments of capacity expansion of freezer, such as form wires of case enclosure, spraying line, case foaming wires, door foaming wires, foaming wet end, power spray, leakage meter, ultrasonic welding machine, cooling medium bottler, etc have finished during Apr. to June of 2010, and they have successively arrived from Oct. to Nov. of 2010. Till Jan. 15, 2011, spraying line, door foaming wires, foaming wet end, power spray, leakage meter, ultrasonic welding machine, cooling medium bottler, etc have been installed while the form wires of case enclosure and case foaming wires are waiting for installation and debugging. Assembly equipments of freezers' inside lining, regular equipment (hydrostatic press, forcing press and bending machine, etc) have been in place, waiting for test-run after formal arrival of hydroelectric and steam. The Company has invested accumulated 21,381,837.57 yuan in purchase and installation and debugging of the above equipments.

Besides, the Company has paid accumulated 1,065,900.94 yuan for expense on engineering exploration, environmental impact assessment, surveying and mapping, payment for its staff and travel allowance, etc.

Till present, the equipments installation and debugging of capacity expansion of freezers have been completed.

② Capacity expansion of environmental and energy-saving refrigerators

The project mainly refers to content transformation to Mianyang Meiling's present plants by using the previous plants and supporting facilities, newly increased case foaming wires, door foaming wires, assembling and transporting line, bottler, ultrasonic welding machine, high-pressure foam machines, leakage meter and other equipments. The project comprises the technical reform to the present production line of the first stage of Mianyang Meiling's item of 0.6 million environmental and energy-saving refrigerators, thus forming two shifts production capacity; building a production line with 0.6 million of annual output (two shifts) for environmental and energy-saving refrigerators with moderate volume. Till Jan. 15, 2011, except for that minority equipments and facilities were successively in places, majority production lines and production equipments have been installed in places, and majority infrastructure and earthwork have been accomplished. The Company has invested accumulated 15,383,218.00 yuan in paying for equipments and 197,126.77 yuan in related costs.

Till present, the first stage of capacity expansion of environmental and energy-saving refrigerators has been put into production.

③ Production base project of Athena luxury refrigerators

In 2010, the environment estimation and earthwork exploration as well as bid and bids of imported equipments about this project have been done. Till Jan. 15, 2010, the accumulated relevant costs were 241,684.00 yuan.

Till present, production base project of Athena luxury refrigerators has still be in preliminary state of land and housing building.

(2) Substitution of preliminary investment in invested items of funds raised
Shine Wing Certified Public Accountants Co., Ltd. the Company engaged made special approval on particulars of self-collecting capitals investing in invested items of funds raised of non-public stock issue since Jan. 15, 2011. According to the approval, till Jan. 15, 2011, the particulars of self-collecting capitals investing in invested items of funds raised are as follows:

No.	Name of projects	Invested amount from self-raised capitals
1	Athena Luxury refrigerator production base project	241,684.00
2	Freezer expansion project	72,959,508.44
3	Expansion project of environmental and energy-saving refrigerators	15,580,344.77
Total		88,781,537.21

Note: part of the above accounts will be calculated by means of bank acceptance bills and negotiable endorsement of bank acceptance bills.

Shine Wing Certified Public Accountants Co., Ltd. has issued the Special Approval Report about Hefei Meiling Co., Ltd's Self-collecting Capitals Investing in Invested Items of Funds Raised (XYZH/2010CDA6038) on Jan. 17, 2011. The substitution was agreed by the sponsor institution China Merchants Securities Co., Ltd, and was reviewed and approved on the 41st meeting of the 6th Board of Directors. And at the same time, the independent directors, board of supervisors issued concurring opinion.

(V) Significant investment with the non-raised proceeds, project progress and earnings in the report period.

1. Investing and constructing the living supporting resettlement project of Hefei Meiling Industry Park

2. According to the operation requirements of the Company, in order to satisfy accommodation requirements from staffs after industrial capacity expansion of the Company, the 38th meeting of the 6th Board of Directors reviewed and approved the Proposal about Investing and Constructing the Living Supporting Resettlement Project of Hefei Meiling Industry Park, agreeing that the Company invests and constructs the living supporting resettlement project of Hefei Meiling Industry Park, including staffs' dormitories, dining rooms, etc with total amount 40.17 million yuan which came from the received land compensation fees of land storage of previous old plant area as well as partial self-owned capitals.

The supporting project will be progressed promising the time, quality and quantity strictly in accordance with the program and the expense will be controlled within budget of the project.

The above events have been published on Securities Times, Hong Kong Commercial Daily and Juchao Consultant Website in form of notice (No. 2010-050) on Nov. 11, 2010.

III. Auditors' report issued by CPAs

Shine Wing Certified Public Accountants Co., Ltd. issued standard unqualified Auditors' Report for the Company's Financial Report of 2010.

IV. Routine work of the Board of Directors

(I) Meetings and resolution of the Board of Directors in the report period

Meeting times and session times	Contents of the meeting
2010-1-14 The 28 th meeting of the 6 th Board of Directors	Approval for Proposal of Application to Anhui People's Bank of China for RMB50,000,000 Short-term Credit
2010-1-26 The 29 th meeting of the 6 th Board of Directors	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 RMB150,000,000 Short-term Credit
2010-3-15 The 30 th meeting of the 6 th Board of Directors	Approvals for Twenty Proposals as 2009 Annual Report and Summary of Report, Proposal of Compensation for Loss of Surplus Reserve, Proposal of Preparation for Price Fall of Accrued Inventory
2010-3-25 The 31 st meeting of the 6 th Board of Directors	Approvals for Proposal of Transfer of 100% State-owned Property in Hefei Meiling Co., Ltd. and Proposal of Holding 1 st Temporary Shareholders' Meeting
2010-4-19 The 32 nd meeting of the 6 th Board of Directors	Approvals for Nine Proposals as 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.
2010-4-21 The 33 rd meeting of the 6 th Board of Directors	Approvals for Five Proposals as 2010 First Quarter Report and Proposal for Bank Credit Guarantee for Sichuan Changhong Air Conditioner Co., Ltd.
2010-5-31 The 34 th meeting of the 6 th Board of Directors	Approvals for Seven Proposals as 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 Conditioner Co., Ltd. and Sichuan Changhong Air Conditioner Co., Ltd.
2010-6-11 The 35 th meeting of the 6 th Board of Directors	Reviewed and approved the Report of the Usage of the Former Raising Capitals of the Company.
2010-8-5 The 36 th meeting of the 6 th Board of Directors	Reviewed and approved 18 proposals such as the Proposal of the 2010 Semi-annual Report and Summary, the Proposal of Withdrawal of Early Retirement Benefits, the Proposal of Withdrawal of Provision for Obsolete Stocks.
2010-10-21 The 37 th meeting of the 6 th Board of Directors	Reviewed and approved 6 proposals such as the Proposal of the 2010 Third Seasonal Report, the Proposal of Withdrawal of Provision for Obsolete Stocks, the Proposal of Withdrawal of Provision for Bad Debts.
2010-11-10 The 38 th meeting of the 6 th Board of Directors	Reviewed and approved 5 proposals such as the Proposal of the Supplementary Contract for Trademark License Signed by Sichuan Changhong Air-conditioning Co., Ltd and Sichuan Changhong Electronic Appliance Co., Ltd.
2010-12-17 The 39 th meeting of the 6 th Board of Directors	Reviewed and approved the Proposal of Setting Up Special Accounts for Raising Capitals.
2010-12-27 The 40 th meeting of the 6 th Board of Directors	Reviewed and approved the Proposal of Offering Financing Credit to Sichuan Changhong Air-conditioning Co., Ltd.

Statement: according to related requirements of Shenzhen Stock Exchange and information disclosure system, the above related notices have been published timely in Securities Times, Hong Kong Commercial Daily and Juchao Consultant Website (www.cninfo.com.cn).

(II) Implementation of resolutions of the Shareholders' General Meeting by the Board of Directors

In the report period, the Company held one annual shareholders' general meeting and two extraordinary shareholders' general meetings, according to relevant regulations of the Company Law, Articles of Association, with the attitude of taking responsibility for the Company and all shareholders, the board of directors carefully executed relevant right authorized by the board of directors and shareholders' general meeting, and implemented the resolution of shareholders' general meeting.

(III) Performance of the special committee of the Board

1. Performance of the Audit Committee of the Board

According to relevant regulations of the Company Law, Listing Rules of Shenzhen Stock Exchange and relevant laws and rules, and relevant requirements of CSRC and Shenzhen Stock Exchange, strictly complying with Article of Association of Hefei Meiling Co., Ltd., Details Rules of Audit Committee of Hefei Meiling Co., Ltd., Working Rules of Annual Report of Audit Committee of Hefei Meiling Co., Ltd., the Audit Committee actively fulfilled the function of supervising and checking in the audit work in 2010, maintained the independency of audit. Details were as follows:

(1) On January 5, 2011, the Audit Committee held the 8th audit meeting of the 6th board of directors, which approved the Time Arrangement of Auditing the Financial Accounting Statement in 2010 and the Un-audited Financial Accounting Statement in 2010, and thought that the au-audited Financial Accounting Statement objectively reflected the financial status and operation achievement on 2009.

(2) On February 18, 2011, the Audit Committee held the 9th meeting of the 6th board of directors after Shine wing Certified Public Accountants offered initial audit opinions, which again checked the Financial Statement in 2010, and expressed specified opinions. The audit committee made sufficient communication with CPAs, and the CPAs would make a report to the audit committee about existing problem in audit process and proceeding which should be adjusted. The proceedings need to adjust were adjusted according to the audit adjustment opinions of CPAs. According to the audit conditions the audit committee learn from CPAs and the annual production and operations the management level reported to the audit committee, the audit committee red the first draft of the Financial Accounting Statement in 2010 which was be audited, and thought that, the Financial Accounting Statement in 2010 audited by Shine wing Certified Public Accountants truly, exactly and integrally reflected the operation of the Company, and approbated the initial audit opinion on the Financial Accounting Statement offered by Shine wing Certified Public Accountants.

(3) On March 6, 2011, the Audit Committee held the 10th meeting of the 6th board of directors, which discussed the Financial Accounting Statement in 2010 and formed resolutions: with the audit of Audit Committee, they thought the audited 2009 financial report truly, accurately, objectively and completely reflected the operation status of the Company, and they recognized the audit opinions on financial report of the Company issued by Shine wing Certified Public Accountants Co., Ltd, and agreed to submit the Financial Accounting Statement in 2010 financial report and audit report of the Company audited by Shine wing Certified Public Accountants Co., Ltd to the Board of the Directors of the Company for examination; Audit Committee thought Shine wing Certified Public Accountants Co., Ltd engaged by the Company could perform audit in accordance with The China's Independent Auditing Standards during the work of audit supplied for the Company in 2010, and the audit work was successfully accomplished following up the standards of independence, objectiveness and fairness; and they agreed to submit the summary report of the audit work this year audited by Shine wing Certified Public Accountants Co., Ltd to the Board of the Directors of the Company for examination. At the same time, with the suggestion of the Audit Committee, we plans to suggest re-engaging Shine wing Certified Public Accountants Co., Ltd as the accounting firm for the examination, certification and issuing written opinions for the annual Financial Accounting Statement in 2011 of the Company, and the re-engage term is one year, and the proposal could be implemented after submitting to the board of the directors and Shareholders' General Meeting of the Company.

2. Performance of the Remuneration and Examination Committees of the Board

According to relevant regulations of the Company Law, Listing Rules of Shenzhen Stock Exchange and relevant laws and rules, and relevant requirements of CSRC and Shenzhen Stock Exchange, strictly complying with Article of Association of Hefei Meiling Co., Ltd., Details Rules of Remuneration and Examination Committee of Hefei Meiling Co., Ltd., the Remuneration and Examination Committee carefully implemented its responsibilities: mainly establishing the examination standards of directors, supervisors and senior executives, and made examination;

establishing and checkup remuneration policy and plan of directors and managers; and directing the board of directors to perfect remuneration system. Remuneration and Examination Committees audited the disclosed remuneration issues of directors, supervisors and senior executives in the annual report. In the report period, according to the operation achievement and macro economy development requirements, Remuneration and Examination Committees carefully researched the award and examination measures and remuneration system of management team and controlling enterprises.

On March 2, 2011, the Remuneration & Examination Committee held the third meeting, which examined the Remuneration Paid to the Directors, Supervisors and Senior Executives in 2010 and thought that, the remuneration of the directors, supervisors and senior executives of the Company were honored from the Company strictly according to the remuneration examination system. The remuneration disclosed by the Company was real, accurate and complete, in accordance with the demand of Content and Format for Annual Report (amended in 2007) presented by CSRC, and offered written opinions.

3. Performance of Nomination Committee of the Board

According to relevant regulations of the Company Law, Listing Rules of Shenzhen Stock Exchange and relevant laws and rules, and relevant requirements of CSRC and Shenzhen Stock Exchange, strictly complying with Article of Association of Hefei Meiling Co., Ltd., Details Rules of Nomination Committee of Hefei Meiling Co., Ltd., the Nomination Committee carefully implemented its responsibilities. In 2010, the Nomination Committee audited the nominated senior executives and made suggestion.

On June 1, 2010, the Nomination Committee held meeting and examined the qualification of the candidates who the board planned to employed as senior executives: the Vice Present Mr. Li Wei, and thought that, their qualification accorded with the Company Law, Articles of Association and relevant regulations of CSRC, without any case of banning to enter the security market or not releasing the ban. Their education background, career experience, specialty ability and professional attainment accorded with the position requirements. It agreed to put in the employment proceedings of senior executives to the board for examination.

4. Performance of the Strategy Committee of the Board

According to relevant regulations of the Company Law, Listing Rules of Shenzhen Stock Exchange and relevant laws and rules, and relevant requirements of CSRC and Shenzhen Stock Exchange, strictly complying with Article of Association of Hefei Meiling Co., Ltd., Details Rules of Strategy Committee of Hefei Meiling Co., Ltd., the Strategy Committee carefully implemented its responsibilities. In 2010, the Strategy Committee strictly implemented its responsibility, made research and gave suggestion on the proceedings such as strategy development and purchase of assets of the Company and Private placement, and made active directions.

V. Preplan on Profit Distribution 2010

(I) preplan on equity allocation 2010

The parent company realized RMB 327,015,262.81 in net profit after tax of 2010, accumulatively RMB 293,529,748.86 available for distribution after withdrawal of statutory surplus accumulation fund that auditing by Shine Wing Certified Public Accountants Co., Ltd. Based on the current total 530,374,449 shares of the Company, distributed all shareholders with 2 shares for every 10 shares were distributed 0.5 yuan (tax included).

The above mentioned preplan should be submitted to the Shareholders' General Meeting of 2010 for discussion.

(II) Cash dividends in the past three years

Unit: RMB (CNY)

Year for bonus distribution	Amount of cash dividends (tax Included)	Net profit attributed to the owner of parent Company in consolidated statement	Rate of net profit attributed to the owner of parent Company in consolidated statement	Profit available for distribution
2009	0.00	301,198,313.20	0.00	0
2008	0.00	27,376,945.70	0.00	0
2007	0.00	17,707,985.60	0.00	0

(III) Independent opinions from independent directors on preplan on the profit distribution 2010

According to relevant regulations, the independent directors Wang Xingzhong, Song Baozeng and Liu Youpeng expressed independent opinions on preplan on the profit distribution in 2010: as the independent directors of the Company, with the principle of independent and object judgment, we thought that: the audit results of accounting statement made by Shine wing Certified Public Accountants Co., Ltd. truly reflected the actual financial status and operation achievement, so we agreed the preplan on the profit distribution in 2010, and agreed to put in the preplan to the Shareholders' General Meeting 2010 for approval.

VI. Strength the management system on information insiders of the Company and standardize the specific objects that received by the Company

1. Particular about registration management on information insiders of the Company

In 2010, for the purpose of further standardize the management of inside information of the Company, strengthen secret-keeping work of inside information, and maintain the fair principle of information disclosure. The Company prepared the *Registration System of Information Insiders* according to relevant laws, regulations and *Article of Association* and *Enterprise' Management System on Information Disclosure*. Standardize the information of business and financial of the Company or private information that have major influenced on the market price of stocks under the name of the Company. Meanwhile, according to the Notice of *Strength on Registration Management of Information Insiders* No. Wan CS Hanzi[2010]103 from Anhui CSRC, the Company organized the directors, supervisors, executives and relevant personnel's study relevant information for strength the important of registration management of information insiders and specific targets reception for research standardized. Furthermore, recognition of the fairness of the information disclosures will be higher by the Company towards relevant personnel by specific cases combination. The Company strength the management on insider information by four aspects: established perfection relevant regulations; comply with the system strictly and put into effect strongly; improved the way and measures during implementation and set up the responsibility investigation system.

Concerning the significant events and period report in 2010, the Company registered detail information on information insiders in advance and tell them the responsibility for confidential works in avoidance of insider transaction. In additional, the Company issued *Notice of establishment on liaisons system for information disclosure* to subordinated units, which required study seriously and performed it strictly. The liaison of information disclosures appointed by the Company should report relevant significant events (including insider information) to Secretary of the Board in time.

2. Standardize the Listed Company's reception to specific subjects for investigation and interview

Pursuant to requirements of *Announcement of Jurisdictional Listed Company's Reception to Specific Subjects for Investigation & Study, and Interview* No. 149 Anhui SRB [2010] by Anhui Stock Regulatory Bureau, the Secretary Office of the Board organized person for making out the *Work System of Reception and Promotion of Hefei Meiling Co., Ltd.* and approved by the Board as the protocol concerning reception and promotion activities. Basic principle, institution establishment, regulations, registration, confidential and penalty are included in the system.

In the report period, the works of reception and promotion should follow the above mentioned measures. Compliance and implemented it by management before activities, controlling while in the process and record after activities.

VII. Other events for report

(1) Disclosure media for newly appointed

The Company decided to appoint *China Securities Journal* as the information disclosure newspaper in order to widen the information disclosure area and perfected the management on investors' relationship. The appointed media for information disclosure under the name of the Company will be Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) since from January 26, 2011.

(2) Continue engagement on financial auditing institution of 2010

Shine Wing Certified Public Accountants Co., Ltd. performed its responsibility on the financial auditing works of 2009 and 2010, provided a favorable service to the Company and shows sound-able professional standards. Proposed by the subordinated auditing committee of the Board, approved by 42nd Meeting of 6th Board, the Company agrees to engage Shine Wing Certified Public Accountants Co., Ltd. to be the financial auditing institution of 2011 for the Company with one year term.

(3) Proceedings about government subsidy with large amount

In the report period, the Company and its subordinated companies received government subsidy amounting to RMB 239,504,829.47 for subsidy of energy-saving and resident beneficiary of air-conditioner, innovation specific funds from City Finance Bureau, grant of production increased from the city, subsidy of post from city social insurance bureau and fund of innovation R&D and re-innovation projects being absorbing.

VIII. Specific Statement of Capital Occupying by controlling shareholders and other related parties of Hefei Meiling Co., Ltd. No. XYZH/2010CDA6020-2 issued by CPA He Jun, and CPA Fang Dayang from Shine Wing Certified Public Accountants Co., Ltd. Full text of specific statement as follow:

To all shareholders of Hefei Meiling Co., Ltd.:

We received entrustment to audit Balance Sheet on December 31, 2010, Profit Statement, Cash Flow Statement and Shareholders' Equity Change Statement (hereinafter refer to as Financial Statement) in 2010 of Hefei Meiling Co., Ltd.(hereinafter refer to as Hefei Meiling) according to China Certified Accountants Auditing Standards, and signed audit report with unqualified opinions XYZH/2010CDA6020 on February 20, 2011.

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., Hefei Meiling Co., Ltd. prepared the attached *Summary Sheet of Capital Occupying by Controlling Shareholders and Other Related Parties of Hefei Meiling Co., Ltd. in 2010* (Summary Sheet for short).

Editing and disclosing the Summary Sheet and ensure its trueness, legality and integrity is the responsibility of Hefei Meiling Co., Ltd. we checked the data in the Summary Sheet with relevant contents in accounting materials and audited Financial Statement 2010 of Hefei Meiling Co., Ltd., and did not find any disagreement in all significant aspects. Besides executing relevant audit procedure of related transaction in auditing Financial Statement 2010, we did not execute any additional audit or other procedure of data in the Summary Sheet. In order to better realize Capital Occupation of Controlling Shareholders and Other Related Parties of Hefei Meiling Co., Ltd. in 2010, the Summary Sheet should be read with the audited Financial Statement together.

The Specific Statement is only for Hefei Meiling Co., Ltd. to disclose Capital Occupation of Controlling Shareholders and Other Related Parties, not used for any other purposes.

IX. Specific statement and independent opinions from independent directors on accumulated and current capital occupation and external guarantee of related parties

According to relevant regulations of Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF[2003] No. 56) and Notice on Regulating the External Guarantee of Listed Company (ZJF[2005] No.120 (hereinafter refer to as Notice)), as the independent directors of Hefei Meiling Co., Ltd. (hereinafter refer to as the Company), with the attitude of preciseness, seeking truth from facts, carefulness and responsible-ness, we carefully checked the external guarantee of the Company in 2010, and made explanation and independent opinions.

In the report period, RMB 154.55 million was provided as external guarantee from the Company and its subordinated company, account 5.69% of net assets of the Company audited recently. All the guarantees were offered by parent company for wholly-owned or controlling subsidiaries. Among which, RMB 30 million of bank finance authority guarantee offered by the Company to Zhongke Meiling Cryogenics Limited Company (Zhongke Meiling for short), subordinated controlling subsidiary of the Company. The Company provided bank finance authority guarantee of RMB 80 million for wholly-owned subsidiary Company—Sichuan Changhong Air-conditioner Co., Ltd.; RMB 00.00 guarantee was provided from controlling subsidiary for joint-stock subsidiary;

The RMB 44.55 million, guarantee for Hefei Meiling Hengtong Glass Products Co., Ltd. and its subsidiaries of Meiling Group by Meiling Group, all these external guarantees of the Company (excluding subsidiaries) as well as guarantee for other companies were formed before the Company agreed to transfer 100% equity of Meiling Group. Till Dec. 31, 2010, the RMB 5 million, guarantee for Hefei Meiling Hengtong Glass Products Co., Ltd. by Meiling Group, still in the terminated procedure; besides, RMB 39.55 million guarantees were provided for subsidiaries (company that controlled by the Company indirectly) that within the assets transference scope by Meiling Group. Among which, RMB 14 million for Meiling Yingkaite Appliance (Hefei) Co., Ltd., RMB 10 million for Hefei Meiling Package Products Co., Ltd., RMB 10.05 million for Hefei Meiling Non-ferrous Metal Products Co., Ltd., RMB 3.5 million for Hefei Meing Precision Tube Co., Ltd. and RMB 2 million for Hefei Meiling Yingkaite Electrics Co., Ltd. the Company and controlling subsidiary have no external guarantee overdue.

Ended as December 31, 2010, there was no non-operating capital occupation of controlling shareholders and related parties. In the report period, controlling shareholders and other related parties of the Company did not non-operationally occupy the funds of the Company, there was either no directly or indirectly providing capital to controlling shareholders and other related parties from the Company.

We thought that, the Company strictly complied with the regulations and requirements of Notice, standardized the capital intercourse between the Company and controlling shareholders and other

related parties, and regulated the external guarantee which strictly accorded with relevant rules and system, without any violating regulations, and strictly controlled and prevented operation risk to maintain interests of all shareholders and the Company. In the Report period, the guarantee offered to subordinate wholly-owned company or controlling subordinate company from the Company was the demand of operation and reasonable capital use, whose decision procedure was legal and reasonable, without any hurts for the interests of the Company and shareholders.

Section VIII. Report of the Supervisory Committee

In 2010, strictly according to relevant regulations of laws and rules such as the Company Law, Articles of Association and Rules of Procedure for Supervisory Committee, starting from maintaining the profit of the Company and all shareholders, all supervisors carefully implemented their responsibility of supervision. Through presenting shareholders' general meetings and meetings of the board of directors, learning the forming process of significant decisions, could timely held the operation development and results, and expressed opinions of the Supervisory Committee on significant decisions and events, which exerted the function of knowing, checking and supervising, and also made supervision of the implementation of directors and senior executives, which maintained the legal profit of the Company and all shareholders. Their main work was as follows:

I. Holding of the Supervisory Committee's meeting

In the report period, the 6th supervisory Committee held the 4-times meetings in total, details were as follows:

(1) On March 15, 2010, the Company held the 8th Meeting of the 6th Supervisory Committee by way of site and communication, which discussed and approved the *Working Report of Supervisory Committee 2009, Annual Report 2009 and Summary, Annual Financial Settlement Report 2009, Independent Opinions on the Company's Operation in 2009, Opinions on Self-estimation Report of Internal Control, Preplan of Profit Distribution 2009, Proposal of losses offsetting by surplus reserves, Proposal on Expectation of Daily Related Transaction in 2010, Proposal on Withdrawing Employees' Retirement Benefits, Proposal on Prediction for the Maintenance Fees of "Ten-year Free Guarantee of Appliance, Proposal on Prediction ratio of Margin for Three Guarantee Products and Prediction for Margin of Three Guarantee Products in 2009, Proposal on Withdrawing Fixed-assets Impairment and Proposal on Withdrawing Inventory Depreciation Provision.*

(2) On April 21, 2010, the Company held the 9th Meeting of the 6th Supervisory Committee by communication, which discussed and approved the *First Quarterly Report 2010, Proposal of Verification on Long-term Equity Investment to Hefei Meiling Sigma Apparatus Co., Ltd., Proposal on Prediction for the Maintenance Fees of "Ten-year Free Guarantee of Appliance and Proposal on Verification of Bad Debt Losses.*

(3) On August 5, 2010, the Company held the 10th Meeting of the 6th Supervisory Committee by way of site and communication, which discussed and approved the *Full-text of Semi-Annual Report 2010 and Summary, Proposal on Withdrawing Employees' Retirement Benefits, Proposal on Withdrawing Inventory Depreciation Provision, Proposal on Withdrawing Bad Debt Provision, Proposal on Verification of Bad Debt Losses of Account Receivable, Proposal on Prediction for the Maintenance Fees of "Ten-year Free Guarantee of Appliance, Proposal on Bank Financial Authority Guarantee for Zhongke Meiling Cryogenics Limited Company., Proposal on Bank Financial Authority Guarantee for Sichuan Changhong Air-conditioner Co., Ltd .and Proposal on Bank Financial Authority Guarantee for Zhongshan Changhong Apparatus Co., Ltd.*

(4) On October 21, 2010, the Company held the 11th Meeting of the 6th Supervisory Committee by communication, which discussed and approved the *Third Quarterly Report of 2010, Proposal on Withdrawing Inventory Depreciation Provision, Proposal on Withdrawing Bad Debt Provision and Proposal on Prediction for the Maintenance Fees of "Ten-year Free Guarantee of Appliance.*

II. Independent Opinions of the Supervisory Committee on relevant events in 2010

1. Legal operation of the Company

In the report period, the Company operated in line with laws and carefully fulfilled the guideline of

Legal Management. The Supervisory Committee thought that, under the supervision of the supervisory department, the Company greatly improved the Company administration level according to relevant policies and laws of the country. Particularly through further and continuously carrying out the special corporate governance of listed Company, internal control system makes a progress in construction. The work of decision-making procedure has become clearer and more perfect which directly brought the prominent improvement in criterion management and operation level. At the same time, it effectively solved the risk of decision-making and operation, maintaining the legal interests of the Company and investors. We thought that the decision-making procedure of shareholders' general meeting and each meeting of the board were legal, which established perfect internal control system and accorded with regulations of relevant laws, rules and systems; the directors and senior executives have obviously increased their awareness of diligence and responsibility and can earnestly know situation and offer opinions on significant problems. They also earnestly executed all the resolutions of the Shareholders' General Meeting and meeting of the Board of Directors. It was not found that these aforesaid people violated the relevant laws of the country, the Articles of Association of the Company and hurt interests of the Company and shareholders when they performed their duties. In the report period, there was no such behavior that some important information should have been disclosed but not disclosed in time.

2. Opinions on Self-evaluation of internal control

According to relevant regulations of *Standard of Internal Accounting Control, Basic Standard of Enterprise Internal Control* issued by Ministry of Finance and CFS, regulation of CSRC and *Guidance of Internal Control for Listed Company* from Shenzhen Stock Exchange and *Notice of Annual Report 2010 for Listed Company*. Supervisory Committee of the Company takes the opinions as:

(1) Pursuit to relevant regulations of CSRC and Shenzhen Stock Exchange, the Company established a perfection internal control system based on the principle of inner control and self-situation for guarantee the normal operation of business and protected the safety and completes of the Company' assets.

(2) The organization structure of inner control was completeness. Internal auditing section and personnel are all in position for the purpose of implementation and supervision on major activities guarantee.

(3) In 2010, there have no violation of *Standard of Internal Accounting Control* and *Basic Standard of Enterprise Internal Control* issued by Ministry of Finance and other departments, *Guidance of Internal Control for Listed Company* from Shenzhen Stock Exchange and internal control system of the Company.

Due to the above mentioned statement, the Supervisory Committee takes opinions that: the self-evaluation of internal control shows the actual situation of the inner control fully, truth-ness and accuracy. And no objection on self-evaluation report of the Board.

3. Inspection of the finance of the Company

The Supervisory Committee examined the financial system of the Company in the report period in line with laws, and audited the financial statement, periodical report and relevant documents. The Supervisory Committee thought that: in the report period, the financial behaviors of the Company were done strictly according to accounting principles and internal system of financial management, the financial system of the Company was perfect, the financial structure was reasonable and the financial status was good. The financial reports truly and completely reflect the financial state and operation achievements of the Company during the report period. The audit report issued by Sichuan Jun He CPAs is real and objective.

4. The use of raised capital and replacement of the Company

In the report period, the Company issued totally 116,731,500 shares of A-share to eight specific investors through private placement with RMB 10.28 per share approved by the verification of

[CSPermitNo.(2010)1715] from CSRC. The above mentioned raised capital totally amounting to RMB 1,199,999,820, net raised capital of RMB 1,177,954,320 after deducted RMB 22,045,500 issuing expense (including RMB 20,500,000 underwriting fee and sponsor charge).

Ended as January 15, 2011, the Company replaced the self-fund capital that invested in advance of RMB 88,781,537.21 raised capital. Among which, RMB 73,201,192.44 invested in the “Production based project of Athena Luxury Refrigerator” and “Project of Capacity Expansion for Ice-cube”; RMB 15,580,344.77 invested in the “Project of Capacity Expansion for Environment-friendly Refrigerator”, the project will replaced after capital-increased of RMB 50 million to Mianyang Meiling, the construction body.

Concerning the replacement of raised capital for self-fund capital that invested in advance of the Company, Supervisory Committee takes the opinions that: the replacement behavior comply with relevant regulations and laws as well as the regulations of *Management System of Raised Capital*. The approval and decision procedure are perform legally which lower the financial expense and higher the utility of capital-used, accordance with all shareholders’ interest. The capital replacement behavior takes no conflict with the implementation plan of raised capital project, and has no influence on the normal implementation of capital raised, no changes on the using direction of capital raised and harmless to shareholders’ interest.

5. Purchase and sales of assets of the Company

In the report period, the Supervisory Committee checked the case that 10% equity of Zhongshan Changhong held by China Minmetals through the public hanging out transference, the Company participated under the name of Changhong Air-conditioner—subordinated wholly-owned subsidiary of the Company, and case of transference of 100% state-owned property of Hefei Meiling Group Holdings Co., Ltd..The Supervisory Committee considered that the above mentioned assets acquisition strictly accorded with the requirements of relevant regulations of *Interim Measures for the Administration of Purchase of State-owned Assets of Enterprises*. Relevant approvals and decision procedures are comply with relevant regulations of *Company Law*, *Securities Law*, *Listing Rules of Shenzhen Stock Exchange* and *Articles of Association*, without any inside transaction proceeding. The relevant behavior was open, fair and reasonable, which accorded with the interests of listed Company and all shareholders, without any proceeding of hurting minority shareholders interests or causing loss of assets.

In the report period, concerning the situation of sales of financial assets available for sale (shares of USTC Iflytek Co., Ltd.) in secondary market gradually, the Supervisory Committee check-out the case and considered that: relevant approvals and decision procedures are comply with relevant regulations of *Company Law*, *Securities Law*, *Listing Rules of Shenzhen Stock Exchange* and *Articles of Association*, without any inside transaction proceeding. The relevant behavior was open, fair and reasonable, which accorded with the interests of listed Company and all shareholders, without any proceeding of hurting minority shareholders interests or causing loss of assets.

6. Particulars about related transaction

Concerning the related transactions occurred in the report period, the Supervisory Committee thought that, the related transactions were fair and reasonable, which embodied the market principle of fairness, without any inside transaction or proceedings of hurting interests of non-related shareholders and listed Company.

7. Opinions on the audit report offered by CPAs

Shine wing Certified Public Accountants Co., Ltd. offered audit report with standard unqualified opinion for the Financial Report 2010. The Supervisory Committee thought that, the audit report objectively and fairly reflected the actual status of the Company. The Supervisory Committee did not have disagreement to the contents and results of the report.

Section IX. Significant Events

I. Proceedings about significant lawsuits and arbitrations of the Company in the report period

In the report period, purchasing the 100% state-owned property of Meiling Group have been finished. Before purchased, the trademark and trade name of “Meiling” owned by Meiling Group has authorized to companies (including subsidiary) for use. However, the aforesaid equity assets were excluded in the range of purchase of 100% state-owned property of Meiling Group. After purchased, based on the principle of unify usage and integrated management on the trademark and trade name of “Meiling”, protected the independently and integration of “Meiling”, the Company checking and inspecting the situation of trademark and trade name authorized externally for Meiling Group. The *Agreement of Trademark Licensing* signed between Meiling Group and Hefei Meiling Small Appliance Co., Ltd. on January 20, 2003 meets no conditions any more, and dismissal the agreement for cancellation situation required. Therefore, Meiling Group, subordinate subsidiary of the Company, files a suit to Intermediate People’s Court of Hefei City on October 21, 2010 for rescission of *Agreement of Trademark Licensing*. The first instance have been closed, and waiting the judgment recently.

II. There was no bankruptcy and relevant issues of the Company in this report period.

III. There was no share holding for other listed companies, share participating of commercial banks, securities companies, insurances companies, and trust and futures companies held by the Company in this report period

Unit: RMB

Name of the invested Company	Initial invest amount	Balance in the year-begin	Increase or decrease in this year	Accumulated equity adjustment	Balance in the year-end
Huishang Bank Co., Ltd.	5,000,000.00	5,000,000.00	-	-	5,000,000.00
Anhui USTC Iflytek Co., Ltd.	18,960,000.00	7,091,806.06	-7,091,806.06	-	-
Anhui Knowledge Property Exchange	1,000,000.00	2,588,783.96	-256,971.23	1,331,812.72	2,331,812.72
Total	24,960,000.00	14,680,590.02	-7,348,777.29	1,331,812.72	7,331,812.72

IV. Proceedings about the purchases and sales of assets and mergers in the report period

(I) Asset Acquisition

1. Changhong Air-conditioner Bidding for 10% equity of Zhongshan Changhong

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, Changhong Air-conditioner, wholly-owned subsidiary of the Company, owns 10% equity of Zhongshan Changhong by bidding. More details found at “(I) External Investment in the Report Period” of II in Section VII contained in the report.

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

Pursuant to the Company’s development program and need of uniform maintenance and management of “Meiling” brand, the Company transfers 100% state-owned property of Meiling Group owned by Xingtai Holding by agreement. More details found at “(I) External Investment in the Report Period” of II in Section VII contained in the report.

(II) Sales of Assets

According to the demand of the Company's operation development, in order to centralize key resources development as main industry and vitalize the financial assets available for sale held by the Company. In 2009, being resolute by Shareholders' General Meeting and Board, authorized the management level to gradually sell all financial assets available for sale (shares of USTC Iflytek Co., Ltd. and China Pacific Insurance (Group) Co., Ltd.) in secondary market, combined with finance market environment according to relevant regulations, among which, the shares of China Pacific Insurance (Group) Co., Ltd. have been sold out completed in 2009. In the report period, the management team accumulatively sold 3,703,000 shares of financial assets available for sale of USTC Iflytek Co., Ltd. in secondary market, which gained net investment income after tax of RMB 116,973,865.41. The Company sold out the financial assets available for sale of USTC Iflytek Co., Ltd. held by hand fully till the end of December 31, 2010.

V. Particular about use of capital raised and progress of raised for the projects in report period

The Company issued totally 116,731,500 shares to eight specific investors including Sichuan Changhong successfully through private placement approved by 2nd Extraordinary Shareholders' General Meeting of 2010 and 32nd Meeting of 6th Board together with the verification of [CSPermitNo.(2010)1715] from CSRC. The above mentioned private placement issue with price of RMB 10.28 per share, totally raised capital amounting to RMB 1,199,999,820, net raised capital of RMB 1,177,954,320 after deducted RMB 22,045,500 issuing expense. The above mentioned raised capital have been verified by Shine Wing Certified Public Accountants Co., Ltd. with *Verification Report* issued No. XYZH2010CDA6021. The raised fund has been saving in the fund-raising special account and the Company entered into the *Tri-party Supervision Agreement* with Sponsors and commercial bank that saving the raised capital. On January 15, 2011, the Company replaced the self-fund capital that invested in advance of RMB 88,781,537.21 raised capital. The capital replacement have been agreed by auditing institution and China Merchants Securities Co., Ltd., sponsor institution, and have been approved by 41st Meeting of 6th Board, the independent directors and supervisors provided agreement opinions at the same time.

More details found in part of (IV) "Particular about use of capital raised and progress of raised for the projects in report period" of II items listed in Section VII in carried in this report.

VI. In the report period, the Company did not implement stock incentive plan.**VII. Significant related transaction in the report period.****(I) Particulars about the purchase from the related parties in this year**

Type and name of related parties	Amount of this year	Amount of last year	Expected amount of related transaction in the year-beginning
	(RMB'0000)	(RMB'0000)	(RMB'0000)
Parent Company and the final controller			No more than 100,000.00
Including: Sichuan Changhong Electric Co., Ltd.	4,669.14	48,655.20	
Other enterprises controlled by the same parent Company and the final controller			

Sichuan Changhong Mold and Plastic Tech. Co., Ltd.	20,098.24	12,565.14	
Sichuan Changhong Jijia Precision Machinery Co., Ltd.	14,618.87	9,469.18	
Mianyang Hongfa Mould Design and Making Co., Ltd.	24.4	13.81	
Sichuan Changhong Packaging and Printing Co., Ltd.	2,512.77	1,586.53	
Sichuan Changhong Battery Co., Ltd.	-	1.4	
TECO Electric and Machinery Co., Ltd.	3,901.02	275.6	
Sichuan Changhong Precision Electron Technology Co., Ltd.	130.25	83.07	
Sichuan Changhong Devices Technology Co., Ltd.	1,610.66	1,224.14	
Sichuan Changhong New Energy Technology Co., Ltd	44.09	29.63	
081 Electronics Group Sichuan Liyuan Electronic Co., Ltd.	539.6	292.47	
Mianyang Hongrun Electron Co., Ltd.	381.22	512.15	
Guangdong Changhong Electron Co., Ltd	6.6	7.4	
Zhongshan Guanghong Mould Technology Co., Ltd.	24.03	4.58	
Sichuan Hongyu Metal Manufacture Co., Ltd.	50.41	-	
Associated enterprises of controlling shareholders and actual controller:			
Including: Sichuan Changhe Technology Co., Ltd.	145.74	40.94	
Sichuan Changxin Refrigeration Components Co., Ltd.	8,276.56	4,181.82	
Sichuan Jinghong Packaging Products Co., Ltd.	1,188.56	649.37	
Subtotal	58,222.16	79,592.43	No more than 100,000.00
Huayi Compressor Co., Ltd.	39,696.40	43,933.06	No more than 55,000.00

Joint enterprise and associated enterprise			
Include: Hefei Meiling Packaging Co., Ltd.	3,262.13	5,622.35	No more than 10,000.00
Total	101,180.69	129,147.84	No more than 155,000.00

Note: On April 12, 2010, purchasing 100% state-owned assets of Meiling Group after relevant assets and liability separated has been approved by 1st Extraordinary Shareholders' general Meeting 2010 of the Company, which including 51.72% equity (the Company directly owned 48.28% equity of Hefei Meiling Packaging Co., Ltd. originally) of Hefei Meiling Packaging Co., Ltd. owned by Meiling Group. The register procedure of Industry and Commercial for equity transference of Meiling Group has been finished on July 28, 2010. The transaction between the Company and Hefei Meiling Packaging Co., Ltd. will not consider as related transaction any more after this purchase completed. The related transaction listed above occurred between the Company and Hefei Meiling Packaging Co., Ltd. was from January 1, 2010 to July 28, 2010.

(II) Related sales

Particulars about the sales to the related parties in this year:

Unit: RMB'0000

Type and name of related parties	Amount of this year	Amount of last year	Expected amount of related transaction in the year-beginning
	(RMB'0000)	(RMB'0000)	(RMB'0000)
Parent Company and the final controller			No more than 150,000.00
Including: Sichuan Changhong Electric Co., Ltd.	83,372.67	80,560.09	
Other enterprises controlled by the same parent Company and the final controller			
Including: PT.CHANGHONG ELECTRIC INDONESIA	6,523.91	5,021.22	
Sichuan Changhong Jijia Precision Machinery Co., Ltd.	3,537.79	753.09	
Sichuan Changhong Mold and Plastic Tech. Co., Ltd.	7,888.61	584.14	
Sichuan CCO Display Technology Co., Ltd.	-	328.92	
Mianyang Lejiayi Commerce & Trade Chains Co., Ltd.	328.49	287.53	
Jiangxi Changhong Electron Technology Development Co., Ltd.	6.76	221.91	

Hong Kong (Changhong) Trade Co., Ltd.	-	158.42
Sichuan Changhong Xinrui Technology Co., Ltd.	60.86	102.3
Chengdu Lejiayi Commerce & Trade Co., Ltd.	3.49	58.34
Sichuan Changhong International Hotel Co., Ltd.	2.17	45.45
Chongqing Hongshenghuo Commerce & Trade Co., Ltd.	56.88	36.24
Tianjin Lejiayi Commerce & Trade Co., Ltd.	-	21.77
Huayi Compressor Co., Ltd.	-	14.77
Sichuan Changhong Appliance Technology Co., Ltd.	15.25	9.77
Kunming Yijiahong Commerce & Trade Co., Ltd.	11.18	6.7
Sichuan Changhong Electron System Co., Ltd.	4.07	6.27
Fuzhou Lejiayi Commerce & Trade Co., Ltd.	-0.15	3.7
Jinan Lejiayi Commerce & Trade Co., Ltd.	-	2.09
Sichuan Hongrui Electrician Co., Ltd.	-	1.57
Sichuan COC Display Devices Co., Ltd.	458.59	1.46
Sichuan Changhong New Energy Technology Co., Ltd.	2.69	0.96
Guangdong Changhong Electron Co., Ltd.	47.6	0.78
Taiyuan Lejiayi Commerce & Trade Chains Co., Ltd.	-	0.77
TECO Electric and Machinery Co., Ltd.	1.11	0.36
Changhong Electric(Australia) Co., Ltd	1,185.47	276.23

Changzhi Chi-optical (Sichuan) Co., Ltd.	0.19	-	
Guangdong Changhong Digital Technology Co., Ltd.	3.92	-	
Mianyang Hongfa Model Designed Co., Ltd	0.07	-	
Sichuan Changhong Packaging Printing Co., Ltd.	0.89	-	
Sichuan Changhong Precision Electronic Technology Co., Ltd.	125.87	-	
Sichuan Changhong Minsheng Logistics Co., Ltd.	32.7	-	
Sichuan Huafeng Enterprise Group Co., Ltd.	13.03	-	
Sichuan Kuaiyidian Electrical Services Express Chain Co., Ltd.	4.44	-	
Associated enterprises of controlling shareholders and actual controller			
Sichuan Changxin Refrigeration Components Co., Ltd.	-	3.6	
Total	103,688.55	88,508.45	No more than 150,000.00
Joint ventures and associates			
Bozhou Meiling Electrical Appliance Marketing Co., Ltd.	3,240.53	-	
Guangyuan Meiling Electrical Appliance Marketing Co., Ltd.	2,057.70	-	
Changzhou Meiling Electrical Appliance Marketing Co., Ltd.	1,367.33	-	
Guangxi Meiling Electrical Appliance Marketing Co., Ltd.	5,685.41	-	-
Xuancheng Meiling Electrical Appliance Marketing Co., Ltd.	1,479.19	-	
Jiujiang Meiling Electrical Appliance Marketing Co., Ltd.	3,314.39	-	
Chaohu Meiling Electrical Appliance Marketing Co., Ltd.	4,510.51	-	
Total	21,655.06	-	-

Explanation on the necessity and continuity of related transaction issued by the Company:

Related transaction in purchase of materials of the Company guarantees the sufficient supply of raw materials in some degree, which makes sure that the producing operation of the Company is normal and cost for producing has been cut down.

Before purchasing the equity of Changhong Air-conditioner and Zhongshan Changhong, the marketing channel for air-conditioner performed under the channel of Sichuan Changhong for being subordinated company of Sichuan Changhong. Therefore the air-conditioner sales between the Company and Sichuan Changhong came into related transaction. After purchased, sales of

air-conditioner are gradually consolidated into the Company's marketing channel. Under the condition of being no harmful to development of air-conditioners industry, parts of the products still in the marketing channel of Sichuan Changhong recently. The above mentioned related transaction belongs to normal business transaction, which comply with the market principle and is necessary for business of the Company.

The above related transactions were done to ensure the normal producing operation and decrease in purchase cost. These transactions belong to the normal lasting long-term trades taking market price as transaction price and the annual happening amount as transaction amount, so it doesn't hurt the profit of the Company.

(III) Related transaction of trademark license with Sichuan Changhong

Required by the business development of air-conditioner, Changhong Air-conditioner and Zhongshan Changhong, controlling subsidiaries of the Company, entered into *Trademark Licensing Contract, Supplementary Contract of Trademark Licensing* and *Supplementary Contract of Patent License for Implementation* with Sichuan Changhong, controlling shareholder, respectively under the approval by 34th Meeting of 6th Board and 38th Meeting of 6th Board.

Details are in (I) Significant management contract and its implementation, Item IX in Section IX of the report.

(IV) Other related transactions

Please see the annotations for details.

VIII. Creditor's right, liability or guarantee existed between the Company and related parties in the report period:

(I) Creditor's right and liability existed between the Company and related parties

Unit: RMB'0000

Related parties	Funds providing for the related party		Funds the related party providing for the listed Company	
	Occurring amount	Balance	Occurring amount	Balance
Sichuan Changhong Electric Co., Ltd.	0.00	0.00	2,856.37	60.56
Sichuan Changhong Minsheng Logistics Co., Ltd.	0.00	0.00	185.32	366.00
Sichuan Changhong Molding	0.00	0.00	22.00	32.00

Technology Co., Ltd.				
Sichuan Changhong GIGA Seiko Co., Ltd.,	0.00	0.00	2.00	17.00
Sichuan Changhe Technology Co., Ltd.	0.00	0.00	5.00	5.00
Total	0.00	0.00	3,070.69	480.56

(II) Guarantee between the Company and related parties and subsidiaries in the report period

1. Ended December 31, 2010, Changhong Group Co., Ltd. provided guarantee for the bank credit of the Company amounting to RMB165,000,000.

2. External guarantee, guarantee for subsidiaries and guarantee that against regulations of the Company

Unit:

RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)								
Name of the Company guaranteed	Disclosure date and number of related notice about guarantee amount	Guarantee amount	Actual date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (Yes or not)
Meiling Hengtong Glass Products Co., Ltd. Hefei	-	500.00	2009-10-19-	500.00	Joint and several liability guarantee	1year	No	No
Total external guarantee amount approved in reporting period(A1)		500.00		Total actual external guarantee amount approved in reporting period(A2)		500.00		
Total external guarantee amount approved at the end of reporting period(A3)		500.00		Total actual balance of external guarantee amount approved at the end of reporting period(A4)		500.00		
Guarantee of the Company for the controlling subsidiaries								
Name of the Company guaranteed	Disclosure date and number of related	Guarantee amount	Actual date of happening (Date of signing	Actual amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (Yes or not)

	notice about guarantee amount		agreement)					
Meiling Low Temperature Technology Co., Ltd.	2010-6-1、2010-032	1,000.00	2010-06-08	1,000.00	Joint and several liability guarantee	1 year	No	No
Zhongke Meiling Low Temperature Technology Co., Ltd.	2010-8-6、2010-041	800.00	2010-08-01	800.00	Joint and several liability guarantee	1 year	No	No
Zhongke Meiling Low Temperature Technology Co., Ltd.	2010-8-6、2010-041	1,200.00	2010-08-01	1,200.00	Joint and several liability guarantee	1 year	No	No
Sichuan Changhong Air Conditioner Company	2010-4-22、2010-024	8,000.00	2010-06-01	8,000.00	Joint and several liability guarantee	1 year	No	No
Meiling Yingkaite Appliance (Hefei) Co., Ltd.	-	1,000.00	2010-03-22	1,000.00	Joint and several liability guarantee	1 year	No	No
Meiling Yingkaite Appliance (Hefei) Co., Ltd.	-	400.00	2009-06-22	400.00	Joint and several liability guarantee	3year	No	No
Hefei Meiling Nonferrous Metal Products Co., Ltd.	-	200.00	2009-03-20	200.00	Joint and several liability guarantee	2 years	No	No
Hefei Meiling Nonferrous Metal Products Co., Ltd.	-	805.00	2010-04-09	805.00	Joint and several liability guarantee	1 year	No	No
Hefei Meiling Precision Tube Co., Ltd.	-	350.00	2010-02-24	350.00	Joint and several liability guarantee	1 year	No	No
Hefei Meiling Packing Products Co., Ltd.	-	1,000.00	2010-07-09	1,000.00	Joint and several liability guarantee	1 year	No	No
Hefei Meiling Yingkaite Electrics Co., Ltd.	-	200.00	2009-06-22	200.00	Joint and several liability guarantee	3 years	No	No
Total guarantee amount for subsidiaries approved in		14,955.00		Total actual guarantee amount for subsidiaries			14,955.00	

reporting period(B1)		approved in reporting period(B2)	
Total guarantee amount for subsidiaries approved at the end of reporting period(B3)	14,955.00	Total actual balance of guarantee amount for subsidiaries approved at the end of reporting period(B4)	14,955.00
Particulars about the total guarantee of the Company(Total the former two items)			
Total guarantee amount approved in reporting period(A1+B1)	15,455.00	Total actual guarantee amount approved in reporting period(A2+B2)	15,455.00
Total guarantee amount approved at the end of reporting period(A3+B3)	15,455.00	Total actual balance of guarantee amount approved at the end of reporting period(A4+B4)	15,455.00
Proportion of the total actual guarantee amount (A4+B4) in net assets of the Company	5.69%		
Including:			
Amount of guarantee for shareholders, actual controller and its related parties(C)	0.00		
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)	2,955.00		
Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)	0.00		
Total amount of the aforesaid three guarantees(C+D+E)	2,955.00		
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees	No		

Statement: in the above guarantees, all the external guarantees of the Company (excluding subsidiaries) as well as guarantee for other companies besides Changhong Air-conditioner and Zhongke Meiling were formed before the Company agreed to transfer 100% equity of Meiling Group. Till Dec. 31, 2010, the RMB 5 million, guarantee for Hefei Meiling Hengtong Glass Products Co., Ltd. by Meiling Group, still in the terminated procedure; besides, RMB 39.55 million guarantees were provided for subsidiaries (company that controlled by the Company indirectly) that within the assets transference scope by Meiling Group. Among which, RMB 14 million for Meiling Yingkaite Appliance (Hefei) Co., Ltd., RMB 10 million for Hefei Meiling Package Products Co., Ltd., RMB 10.05 million for Hefei Meiling Non-ferrous Metal Products Co., Ltd., RMB 3.5 million for Hefei Meiling Precision Tube Co., Ltd. and RMB 2 million for Hefei Meiling Yingkaite Electrics Co., Ltd.

IX. Significant contracts and its implementation

(I) Significant business contracts and its implementation

1. Changhong Air-conditioner and Zhongshan Changhong entered into *Trademark Licensing Contract* and *Supplementary Contract of Trademark Licensing* with Sichuan Changhong. On June 1, 2010, required by the business development of air-conditioner, Changhong Air-conditioner and Zhongshan Changhong, controlling subsidiaries of the Company, entered into *Trademark Licensing Contract* with Sichuan Changhong, controlling shareholder, respectively under the approval by 34th Meeting of 6th Board. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Changhong Air-conditioner and Zhongshan Changhong, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize the trademark of "Changhong"

for long-term free use to Changhong Air-conditioner and Zhongshan Changhong in products of air-conditioners and air purification equipment.

On November 10, 2010, in support of the long-term independent stability development of the Company and its air-conditioner business, Changhong Air-conditioner, controlling subsidiary, and Zhongshan Changhong entered into *Supplementary Contract of Trademark Licensing* with Sichuan Changhong respectively, controlling shareholder, approved by 38th Meeting of 6th Board.

Concerning the relevant clause of premises of authorized free-use trademark for Changhong Air-conditioner, the two parties agrees to terminated the premises, that is terminated the “under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Changhong Air-conditioner and Zhongshan Changhong, Hefei Meiling Co., Ltd.”. The parties are perform the agreement strictly till now.

The above mentioned details found at relevant notice public on *Securities Times, Hong Kong Commercial Daily* and Juchao Website dated June 2, 2010 and November 11 (No. 2010-030, No. 2010-031 and No. 2010-050).

2. *Patent License Contract for Implementation and Supplementary Contract of Patent License for Implementation* signed between Zhongshan Changhong and Sichuan Changhong

On June 1, 2010, required by the business development of air-conditioner, Zhongshan Changhong, controlling subsidiaries of the Company, entered into *Patent License Contract for Implementation* with Sichuan Changhong, controlling shareholder, under the approval by 34th Meeting of 6th Board. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Zhongshan Changhong, Hefei Meiling Co., Ltd., the patent owner, Sichuan Changhong, will authorize the four patents in air-conditioner for free use in valid patent duration to Zhongshan Changhong.

On November 10, 2010, in support of the long-term independent stability development of the Company and its air-conditioner business, Zhongshan Changhong, controlling subsidiary, entered into *Supplementary Contract of Patent License for Implementation* with Sichuan Changhong, controlling shareholder, approved by 38th Meeting of 6th Board. Concerning the relevant clause of premises of authorized free-use in patent for Zhongshan Changhong listed in *Patent License Contract for Implementation*, the two parties agrees to terminated the premises, that is terminated the “under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Changhong Air-conditioner and Zhongshan Changhong, Hefei Meiling Co., Ltd.”. The parties are perform the agreement strictly till now.

The above mentioned details found at relevant notice public on *Securities Times, Hong Kong Commercial Daily* and Juchao Website dated June 2, 2010 and November 11 (No. 2010-030, No. 2010-031 and No. 2010-050).

3. *Management Procurement Contract* signed between the Company and Gome Electrical Appliances Holding Limited

Required by the business development, the Company entered into the *Management Procurement Contract* with Gome Electrical Appliances Holding Limited on June 28, 2010 content with sales of Meiling refrigerator (ice-cube) with terms from April 1, 2010 to March 31, 2011. Party of Meiling: Hefei Meiling Co., Ltd., every joint venture company and every branch. Party of Gome: Gome, branch of Gome of China Paradise Electronics Retail Limited, Beijing Dazhong Household Appliance Chain Sales Co., Ltd., Beijing Hengxin Ruida Commercial Trading, Black Swan, Datong Century North Apparatus Co., Ltd., Changzhou Golden Sun Zhizun Appliance Co., Ltd., Sanlian Commercial Co., Ltd. Sales scale: RMB 800 million for basic target of 2010 Meiling refrigerator (ice-cube), and RMB 1 billion for strategy target.

The Company entered into *Memorandum of Strategic Cooperation* with Gome Electrical Appliances Holding Limited on November 28, 2010 with mainly contents of RMB 5 billion

strategic target sales in Gome for Meiling refrigerator (ice-cube) in future three years (2011-2013).

(II) Significant guarantee contract and its implementations

1. On June 8, 2010, the Company entered into *Contract of Guarantee under the Debt Ceiling* with Hefei Shengli Road Branch of China CITIC Bank by the approved from Board with amount of RMB TEN MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from June 8, 2010 to June 8, 2011. The Company offered relevant guarantee for serials debts during the terms that occurred related to the crediting business (including but not limited to various bank business of loans, notes and letter of guarantee) of Zhongke Meiling. The parties are performing the agreement strictly till now.
2. On August 1, 2010, the Company entered into *Guarantee Contract of Maximum Mortgage of Bank Acceptance* with Hefei Dadongmen Branch of HUIZHANG BANK by the approved from Board with amount of RMB EIGHT MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from August 1, 2010 to August 1, 2011. The Company offered relevant guarantee for serials debts during the terms that occurred related to crediting business of bank acceptance of Zhongke Meiling. The parties are performing the agreement strictly till now.
3. On August 1, 2010, the Company entered into *Contract of Maximum Mortgage of RMB Loans* with Hefei Dadongmen Branch of HUIZHANG BANK by the approved from Board with amount of RMB TWELVE MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from August 1, 2010 to August 1, 2011. The Company offered relevant guarantee for serials debts that occurred during the terms related to loan business of Zhongke Meiling. The parties are performing the agreement strictly till now.
4. On June 1, 2010, the Company entered into *Contract of Guarantee under the Debt Ceiling* with Mianyang Branch of ICBC by the approved from Board with amount of RMB EIGHTY MILLION ONLY. Changhong Air-conditioner was the debtor (warrantee) with guarantee term from June 1, 2010 to May 31, 2011. The Company offered relevant guarantee for serials debts that occurred during the terms related to loan business of Changhong Air-conditioner. The parties are performing the agreement strictly till now.
5. On September 13, 2010, the Company entered into *Contract of Counter-Guarantee*, which was unconditional, irrevocable, contributory and with guarantor as the exclusive beneficiary, with Zhongke Meiling. The contract agrees that Zhongke Meiling, as guarantor of counter-guarantee, voluntary offered relevant counter-guarantee to the Company (guarantor) for its RMB THIRTY MILLION ONLY on bank credit-awarding guarantee. The parties are performing the agreement strictly till now.
6. Before 100% equity of Meiling Group transferred, RMB 176.85 million were guarantee by Meiling Group for its subordinate controlling and joint-stock subsidiaries. Till Dec. 31, 2010, the RMB 5 million, guarantee for Hefei Meiling Hengtong Glass Products Co., Ltd. by Meiling Group, still in the terminated procedure; besides, RMB 39.55 million guarantees were provided for subsidiaries (company that controlled by the Company indirectly) that within the assets transference scope by Meiling Group. Among which, RMB 14 million for Meiling Yingkaite Appliance (Hefei) Co., Ltd., RMB 10 million for Hefei Meiling Package Products Co., Ltd., RMB 10.05 million for Hefei Meiling Non-ferrous Metal Products Co., Ltd., RMB 3.5 million for Hefei Meing Precision Tube Co., Ltd. and RMB 2 million for Hefei Meiling Yingkaite Electrics Co., Ltd.

(III) Other significant contract and its implementations

1. Entered into *Transference Contract of Property Rights* with Xingtai Holding
In order to meet the requirements of development plan and unify brand maintenance management

on “Meiling”, the proposal of *100% State-owner Property Transference from Hefei Meiling(Group) Holdings Co., Ltd.* have been approved by the Board and Shareholders’ General Meeting on March 25, 2010 and on April 9, 2010 respectively. Among which agreed to transfer 100% State-owned property of Meiling Group owned by Xingtai Holding, excluding 1.20% equity assets of the Company owned by Meiling Group. The Company entered into the *Transference Contract of Property Rights* with Xingtai Holding, the contract agrees that:

(1) The transference of 100% state-owned equity assets of Meiling Group including: 1. Long-term investment: 100% state-owned equity of Hefei Meiling Appliance Industry & Trading Co., Ltd., Meiling Yingkaite Appliance (Hefei) Co., Ltd., Hefei Yingkaite Apparatus Co., Ltd., Hefei Meiling Non-ferrous Metal Products Co., Ltd., Hefei Mailing Precision Tube Co., Ltd., Hefei Meiling Environment-Friendly Package Materials Co., Ltd. and Hefei Maston Appliance Co., Ltd.; 51.72% state-owned equity of Hefei Meiling Package Products Co., Ltd. 2. Intangible assts: exclusive right of register trademark of “Meiling” and its trade name. There are 28 categories commercials registered under the trademark of “Meiling”. Meiling Group owns the exclusive right of register trademark of “Meiling” excluding the commercials listed in number category 11. At the same time, owns the free use rights of “Meiling” for approximately 23-year in number category 11 except the refrigerator, ice-cube and air-conditioner. (2) Concerning this transference, based on valid valuation estimation of RMB 111.2 million, RMB 113.2 million was negotiated as final price. The initial price of RMB 20 million (RMB Twenty Million Only) will pay in three days after the contract signed. Rests of the amount will pay in three months in full. During the time of delay payment, the Company should provided legal guarantee and get the interest paid due to the loan interest in same period from bank. The declaration, guarantee, promise, transferred items on transfer objects, bearer of transfer tax, changes and dismissal of contracts, special agreements and effectiveness between the two parties are agreed definiteness. The two parties are performed the agreement strictly till recently.

Till recently, capital-reduced procedures of Meiling Group after partial assets liabilities separation have been implemented by Xingtai Holding. The transference registration procedures of Industry and Commerce concerning the equity transfer of Meiling Group have finished on July 28, 2010. After ownership transference finished, the Company owns 100% equity of new Meiling Group after partial assets liabilities separation.

2. *Subscription Contract with Additional Effectiveness Condition* signed with Sichuan Changhong
The Company entered into the *Subscription Contract with Additional Effectiveness Condition* of 2010 private placement with Sichuan Changhong under the approval from 32nd Meeting of 6th Board and 2nd Extraordinary Shareholders’ General Meeting 2010. Agreement by the contract that: Sichuan Changhong, the subscriber, promised to purchase this private placement shares with RMB 400 million in cash and with no more than 40 million shares for this private placement. The two parties will determine purchased shares according to the final issue price and the above mentioned purchased amount. The resolution date of 32nd Meeting of 6th Board of the Company was the pricing ex-date of this issuance. The issuances price will not less than the 90% of the average price of A-share in 20 trading days before pricing ex-date, that is no less than RMB 10.18 per share. After gaining the issuing verification approvals, the specific issuances price will negotiating between the Board, authorized by Shareholders’ General Meeting, and the issuances sponsor(underwriter) according to relevant laws, administrative regulations, documentary regulations and market situation together with script ion price and principle of price priority. The issuances price will adjust correspondingly if there have ex-rights and ex-dividend events happened on shares of the Company during the placement from pricing ex-date to issuances date. Sichuan Changhong, the subscriber, takes part in no inquiry and purchases the shares by the final issuances price according to the above mentioned pricing principle. The subscribe way, way of payment, lock-up period, effectiveness condition, statement and promise of issuer, statement and promise of subscriber, contractual liabilities and effective day are listed in the contract definiteness. Till

recently, Sichuan Changhong performs the agreement strictly.

X. Commitment of the Company or shareholders holding over 5% shares

(I) Share merger reform commitment

The Company implemented non-tradable shares reform on August 24, 2007, the share reform plan was: based on the tradable 151,530,340 shares before the date of share reform implemented, implemented the consideration of 1.5 shares for every 10 Shares held by all tradable shareholders whose name appear on the register of members of the Company on the register date of shares reform for the A Shareholders. The non-tradable shares held by non-tradable shareholders of Meiling Electric should have the rights of trading after this consideration finished.

Till the end of this report period, the original non-tradable shareholders implemented the commitments of lock-up and other relevant commitments in non-tradable shares reform strictly.

(II) Commitment on transferring air-conditioners' property

On December 10, 2009, the Company successfully purchased the equity of Zhongshan Changhong and Changhong Air-conditioner, signed Property Transaction Contract with Sichuan Changhong and Changhong Innovation Investment, and on the same day, the Company received the Commitment Letter offered by the large shareholder – Sichuan Changhong. In order to support the development of Meiling Electric, keep the independence of Meiling Electric and avoid the competition between Sichuan Changhong and Meiling Electric in the same industry, Sichuan Changhong promised that:

1. Whereas the property transfer did not included the present used real estate and land of Changhong Air-conditioner, after completed the transfer, Sichuan Changhong promised to continue to lease the real estate and land to Changhong Air-conditioner at the price of market price, and would negotiate the transfer matters of some real estate and land with Meiling Electric according to the operation demand of Changhong Air-conditioner.
2. After completed the property transfer, Sichuan Changhong promised to try to avoid new related transaction with Meiling Electric. If there was related transaction that could not avoid indeed, Sichuan Changhong promised to decide the price of the related transaction in the way of market to ensure the fairness and equitableness without any hurts of interests of Meiling Electric.
3. In order to support the development of Meiling Electric and Air-conditioner business, after completed the property transfer, Sichuan Changhong promised to continue to authorize Changhong Air-conditioner and Zhongshan Changhong to freely use the brand of Changhong in the next 3 years. After the authorization expired, Sichuan Changhong would negotiate the transfer matters of Changhong Brand with Meiling Electric according to the operation demand of the development of Air-conditioner business.
4. Sichuan Changhong promised that: after completed the property transfer, Sichuan Changhong would not deal with the business and activity that Meiling Electric was doing at present of or would do in the future or which they would have interest conflict including air-conditioner and refrigerator.

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

Due to the issuances of private A-share of the Company, *Commitment Letter of reduction of and withdrawal from intertype competition with Hefei Meiling Co., Ltd.* was issued by Sichuan Changhong accordance with relevant regulations, 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 reasonable 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 of Reduction and Standardization of Related Transaction with the Company

Due to the issuances of private A-share of the Company, *Commitment Letter of reduction of and withdrawal from intertype competition with Hefei Meiling Co., Ltd.* was issued by Sichuan Changhong accordance with relevant regulations, 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.

(V) Commitments from Changhong Minsheng Logistic Co., Ltd., subsidiary of Sichuan Changhong, on long-term lease of land and houses to Mianyang Meiling

In support of the rapid development of Mianyang Meiling, guarantee the complement of Mianyang Meiling's assets and the stability of the land and plants used for fund-raised project of private placement 2010. Due to the House Property Certificate of the plant that rented by Mianyang Meiling still in the procedures of handling, Sichuan Changhong Minsheng Logistic Co., Ltd. committed that: after finished House Property Certificated concerning the rented houses, the company will transfer the land-used right and property right to Mianyang Meiling under relevant regulations and procedures and assistant relevant procedures for this transfer.

(VI) Commitments from Sichuan Changhong on long-term lease of land and houses to Mianyang Meiling owned by Changhong Minsheng Logistic Co., Ltd., subsidiary of Sichuan Changhong

In support of the rapid development of Mianyang Meiling, guarantee the complement of Mianyang Meiling's assets and the stability of the land and plants used for fund-raised project of private placement 2010. Due to the House Property Certificate of the plant that rented by Mianyang Meiling still in the procedures of handling, Sichuan Changhong Minsheng Logistic Co., Ltd. committed that: after finished House Property Certificated concerning the rented houses, the company will urge Minsheng Logistic transfer the land-used right and property right to Mianyang Meiling under relevant regulations and procedures and assistant relevant procedures for this transfer as soon as possible.

(VII) Commitments on reduction of related transactions between the Company concerning house leasing from Sichuan Changhong

Due to the House Property Certificate of the plant that rented by Changhong Air-conditioner still in the procedures of handling. And in support of the rapid development of Changhong Air-conditioner, guarantee the complement of Changhong Air-conditioner's assets and the stability of its business, reduced the related transactions between the Company concerning house leasing, Sichuan Changhong committed that: after finished House Property Certificated concerning the rented houses, the company will transfer the land-used right and property right to Changhong Air-conditioner

under relevant regulations and procedures and assistant relevant procedures for this transfer.

(VIII) Commitments on State-owned Property Transfer of Meiling Group

The Company (Party B or Transferee) entered into *Property Transfer Contract* with Xingtai Holding on March 25, 2010, the Company transferred under the agreement of 100% state-owned property in 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 owned by Meiling Group, 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 15 million—sum of the last year within 5 years in Hefei City.
2. Within 5 years from the effective day of the contract, investment newly increased in Hefei City is no less than RMB 100 million.
3. Within 5 years from the signing, B 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 48.69 million under the transfer scope held by the subsidiary (the actual sum is the one in the audited report ended as 25th March 2010) with the new transferee entity paying off in 2 years from the signing day (a legal valid guarantee 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 Party A 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.

XI. In the report period, the Company, the directors, the supervisors, senior executives, shareholder of the Company, actual controller, and purchaser haven't received investigation from the authorized department, forceful measure from justice and inspection department, sent to justice organization or criminal responsibility, inspection and administrative penalty from CSRC, or received no access to securities market, administrative penalty from other administration department if being recognized as inappropriate people or public criticize by Shenzhen Stock Exchange.

XII. Particular about CPAs engagement /dismissal and payment for CPAs in report period

According to the resolutions of the 30th Meeting of 6th Board of Directors and Annual Shareholders' General Meeting 2009, Shine Wing Certified Public Accountants Co., Ltd. was appointed as the

financial auditing institution for the Company's financial statement of 2010 with one year term. And authorized management level determined the annual auditing payment comply with industry standards and actual situation of the Company.

XIII. Reception, research and interviews

Reception date	Reception place	Reception way	Reception object	Discussed matter and provided materials
January 13, 2010	Meeting room of the Company	Spot research	Everbright Securities	Production operation of the Company
January 21, 2010	Meeting room of the Company	Spot research	UBS Securities	Production operation of the Company
March 23, 2010	Meeting room of the Company	Spot research	GF Fund	Production operation of the Company
March 25, 2010	Meeting room of the Company	Spot research	Shenyin & Wanguo	Production operation of the Company
April 8, 2010	Meeting room of the Company	Spot research	QFFI Investor Everest Capital	Production operation of the Company
April 28, 2010	Meeting room of the Company	Spot research	Shenyin & Wanguo, UBS International Fund, CITI Securities etc.	Production operation of the Company and relevant information about private placement plan 2010
May 7, 2010	Meeting room of the Company	Spot research	Everbright Securities, Haitong Securities	Production operation of the Company and relevant information about private placement plan 2010
May 21, 2010	Meeting room of the Company	Spot research	Guotai AMC	Production operation of the Company and relevant information about private placement plan 2010
June 8, 2010	Meeting room of the Company	Spot research	Changesheng Fund, Guoyuan Securities	Production operation of the Company and relevant information about private placement plan 2010
June 18, 2010	Meeting room of the Company	Spot research	Securities Times	Production operation of the Company and relevant information about private placement plan 2010
July 15, 2010	Meeting room of the Company	Spot research	Fullgoal Fund, Chang Xin Assets Management	Production operation of the Company and relevant information about private placement plan 2010
August 4, 2010	Meeting room of the Company	Spot research	Shanghai Rosefinch Investment Co., Ltd.	Production operation of the Company and relevant information about private placement plan 2010
August 9, 2010	Meeting room of the Company	Spot research	Changjiang Securities	Production operation of the Company and relevant information about private placement plan 2010
August 12, 2010	Meeting room of the Company	Spot research	CITI Securities	Production operation of the Company and relevant

	Company			information about private placement plan 2010
August 19, 2010	Meeting room of the Company	Spot research	Nanjing Securities	Production operation of the Company and relevant information about private placement plan 2010
August 20, 2010	Meeting room of the Company	Spot research	CICC, Value Partners Group	Production operation of the Company and relevant information about private placement plan 2010
September 15, 2010	Meeting room of the Company	Spot research	Orient Securities Assets management Co., Ltd.	Production operation of the Company and relevant information about private placement plan 2010
November 2, 2010	Meeting room of the Company	Spot research	South Industry Assets management Co., Ltd., Genetic Investment Managers LTD.	Production operation of the Company and relevant information about private placement plan 2010
November 25, 2010	Meeting room of the Company	Spot research	Guotai AMC	Production operation of the Company and relevant information about private placement plan 2010
December 14, 2010	Meeting room of the Company	Spot research	CICC, Penghua Fund, Fullgoal Fund, Orient Fund, Shanghai Zexi Investment Co., Ltd., Lomarda China Fund Management Co., Ltd., Changzhou Investment Group Co., Ltd., UBS SDIC, TX Investment Consulting Co., Ltd.	Production operation of the Company and relevant information about private placement plan 2010

Section X. Financial Report

Auditors' Report

XYZH/2010CDA6020

To the Shareholders of Hefei Meiling Co., Ltd.:

We have audited the Company's consolidated and parent Company's financial statements of Hefei Meiling Co., Ltd. ("the Company"), including balance sheet of 31 December 2010, and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with the Enterprises Accounting Standards and Enterprises Accounting System. The responsibility includes: (1) designing, performing and maintaining internal control related to the preparation and fair presentation of the financial statements, which are free from material misstatements whether due to frauds or errors; (2) choosing and applying right accounting policies; (3) making reasonable accounting estimates.

II. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants' Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present, in all material respects, the financial position of the Company as of December 31, 2010, and its operation results and cash flows for the year ended.

Shine Wing Certified Public Accountants
Co., Ltd.

China Accountant: He Jun

China Accountant: Fan Dayang

Beijing, P.R.C

March 7, 2011

I. Balance Sheet

Prepared by Hefei Meiling Co., Ltd.

December 31, 2010

Unit: RMB

Items	Balance at period-end		Balance at year-begin	
	Consolidated	Parent company	Consolidated	Parent company
Current assets:				
Monetary funds	1,986,440,504.29	1,798,742,365.37	747,572,445.88	579,447,940.41
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	1,194,506,906.44	1,106,438,507.37	892,748,372.08	842,917,722.71
Accounts receivable	372,563,010.12	279,434,051.03	317,114,097.62	201,332,264.42
Accounts paid in advance	187,026,777.59	246,540,102.43	109,721,377.94	134,789,646.12
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable				
Other receivables	61,420,720.54	15,116,164.77	18,325,650.19	13,900,993.24
Purchase restituted finance asset				
Inventories	1,583,313,401.08	1,024,929,999.07	1,052,702,140.26	806,388,957.97
Non-current asset due within one year				
Other current assets				
Total current assets	5,385,271,320.06	4,471,201,190.04	3,138,184,083.97	2,578,777,524.87
Non-current assets:				
Granted entrust loans and advances				
Finance asset available for sales			134,011,570.00	134,011,570.00
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	17,918,060.59	714,774,269.88	37,028,371.63	557,185,228.79
Investment property	18,124,247.39	14,172,470.67	14,423,395.21	10,136,925.05
Fixed assets	865,234,132.54	561,795,751.21	802,671,721.93	592,203,832.78
Construction in progress	75,179,300.94	77,177,425.21	8,930,438.02	19,652,067.31
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	681,869,906.34	525,520,272.58	603,705,411.46	550,011,819.36
Expense on Research and Development	13,505,659.94		15,413,612.97	
Goodwill	10,922,803.73			
Long-term expenses to be apportioned			600,000.00	

Deferred income tax asset	48,138,723.05	46,318,389.98	31,965,504.19	30,546,536.79
Other non-current asset				
Total non-current asset	1,730,892,834.52	1,939,758,579.53	1,648,750,025.41	1,893,747,980.08
Total assets	7,116,164,154.58	6,410,959,769.57	4,786,934,109.38	4,472,525,504.95
Current liabilities:				
Short-term loans	238,923,801.11	218,860,000.00	184,000,000.00	184,000,000.00
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	920,676,239.36	667,338,655.00	404,691,072.19	362,864,725.10
Accounts payable	1,421,456,784.36	1,069,993,584.69	1,157,326,858.96	963,182,987.91
Accounts received in advance	922,047,156.39	847,540,346.80	718,021,736.69	703,731,317.30
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	97,284,277.48	82,061,354.59	70,861,486.07	58,091,040.19
Taxes payable	78,967,865.01	91,232,638.87	65,662,600.35	60,760,397.19
Interest payable				
Dividend payable	738,695.30	738,695.30	1,217,175.42	1,217,175.42
Other accounts payable	410,610,813.51	425,475,184.84	624,779,113.24	598,352,508.10
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liabilities due within 1 year	1,189,452.90	1,145,008.44	3,000,000.00	
Other current liabilities			20,172,100.00	20,172,100.00
Total current liabilities	4,091,895,085.42	3,404,385,468.53	3,249,732,142.92	2,952,372,251.21
Non-current liabilities:				
Long-term loans	14,506,060.00	14,296,400.00	15,247,300.00	15,247,300.00
Bonds payable				
Long-term account payable				
Special accounts payable	33,214,132.26	33,214,132.26	34,223,417.47	34,223,417.47
Projected liabilities	203,421,595.00	203,421,595.00	90,868,730.51	90,868,730.51
Deferred income tax liabilities			19,037,964.60	19,037,964.60
Other non-current liabilities	26,937,022.85	26,937,022.85	28,257,754.52	28,257,754.52
Total non-current liabilities	278,078,810.11	277,869,150.11	187,635,167.10	187,635,167.10
Total liabilities	4,369,973,895.53	3,682,254,618.64	3,437,367,310.02	3,140,007,418.31
Owners' equity(or Shareholders' equity):				
Paid-in capital(or share capital)	530,374,449.00	530,374,449.00	413,642,949.00	413,642,949.00

Capital public reserve	1,610,571,447.17	1,625,421,425.24	660,287,022.53	672,197,136.09
Less: Inventory shares				
Reasonable reserve				
Surplus public reserve	279,597,693.51	279,379,527.83	285,107,714.19	284,889,548.51
Provision of general risk				
Retained profit	296,750,782.08	293,529,748.86	-34,609,778.15	-38,211,546.96
Balance difference of foreign currency translation				
Total owner's equity attributable to parent Company	2,717,294,371.76	2,728,705,150.93	1,324,427,907.57	1,332,518,086.64
Minority interests	28,895,887.29		25,138,891.79	
Total owner's equity	2,746,190,259.05	2,728,705,150.93	1,349,566,799.36	1,332,518,086.64
Total liabilities and owner's equity	7,116,164,154.58	6,410,959,769.57	4,786,934,109.38	4,472,525,504.95

Legal Representative: Zhao Yong Person in Charge of Accounting Works: Yu Wanchun
 Person in Charge of Accounting Organ: Liu Binmin

II. Profit Statement

Prepared by Hefei Meiling Co., Ltd.

Jan. -Dec. 2010

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidated	Parent company	Consolidated	Parent company
I. Total operating income	8,227,076,774.52	6,984,325,760.16	6,324,181,070.70	5,198,805,871.00
Including: Operating income	8,227,076,774.52	6,984,325,760.16	6,324,181,070.70	5,198,805,871.00
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	8,232,652,918.41	6,777,009,848.58	6,235,210,555.41	5,072,646,658.92
Including: Operating cost	6,269,737,662.97	5,237,955,928.55	4,576,188,841.50	3,652,102,479.72
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	31,061,621.57	27,555,777.56	30,437,451.89	28,509,246.48
Sales expenses	1,693,152,108.26	1,361,019,698.99	1,391,701,601.23	1,206,453,966.89
Administration expenses	232,027,041.97	146,151,561.39	184,576,986.43	134,920,076.52
Financial expenses	-12,170,606.41	-9,030,263.04	19,510,257.18	22,584,633.54
Losses of devaluation of asset	18,845,090.05	13,357,145.13	32,795,417.18	28,076,255.77
Add: Changing income of fair value (Loss is listed with "-")				
Investment income	141,416,203.65	141,929,934.48	214,208,073.52	207,433,280.80

(Loss is listed with “-”)				
Including: Investment income on affiliated Company and joint venture	3,589,891.40	4,103,622.23	1,369,602.51	1,369,602.51
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	135,840,059.76	349,245,846.06	303,178,588.81	333,592,492.88
Add: Non-operating income	243,184,425.34	25,250,399.66	57,025,199.59	13,982,841.30
Less: Non-operating expense	2,281,434.50	916,533.99	2,315,970.08	1,789,312.26
Including: Disposal loss of non-current asset	1,240,293.00	916,533.99	1,350,293.88	1,260,942.65
IV. Total Profit (Loss is listed with “-”)	376,743,050.60	373,579,711.73	357,887,818.32	345,786,021.92
Less: Income tax	50,247,580.05	46,564,448.92	56,711,767.53	51,904,424.30
V. Net profit (Net loss is listed with “-”)	326,495,470.55	327,015,262.81	301,176,050.79	293,881,597.62
Net profit attributable to owner’s equity of parent Company	325,850,539.55	327,015,262.81	301,198,313.20	293,881,597.62
Minority shareholders’ gains and losses	644,931.00		-22,262.41	
VI. Earnings per share				
i. Basic earnings per share	0.7878	0.7906	0.7282	0.7105
ii. Diluted earnings per share	0.7878	0.7906	0.7282	0.7105
VII. Other consolidated income	-107,881,799.35	-107,881,799.35	-16,796,200.66	-16,796,200.66
VIII. Total consolidated income	218,613,671.20	219,133,463.46	284,379,850.13	277,085,396.96
Total consolidated income attributable to owners of parent Company	217,968,740.20	219,133,463.46	284,402,112.54	277,085,396.96
Total consolidated income attributable to minority shareholders	644,931.00		-22,262.41	

Net profit realized before be merged by the merged party, enterprise merger under the common control in this year: RMB 00.00

Legal Representative: Zhao Yong Person in Charge of Accounting Works: Yu Wanchun
Person in Charge of Accounting Organ: Liu Binmin

III. Cash Flow Statement

Prepared by Hefei Meiling Co., Ltd.

Jan.-Dec. 2010

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidated	Parent company	Consolidated	Parent company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	4,518,979,205.11	3,477,368,740.58	3,459,563,365.88	2,688,754,534.45
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	40,346,886.48	13,658,255.52	24,094,259.07	4,947,441.88
Other cash received concerning operating activities	237,867,656.24	18,032,529.47	137,179,519.57	55,915,056.26
Subtotal of cash inflow arising from operating activities	4,797,193,747.83	3,509,059,525.57	3,620,837,144.52	2,749,617,032.59
Cash paid for purchasing commodities and receiving labor service	2,670,508,334.09	1,901,835,500.02	2,372,832,370.37	1,661,649,580.69
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	403,347,773.55	264,205,478.32	368,772,487.53	266,665,260.24
Taxes paid	305,246,775.29	270,390,024.89	312,767,302.67	293,548,095.25
Other cash paid concerning operating activities	1,044,023,363.33	762,140,061.09	573,854,783.16	434,383,959.03
Subtotal of cash outflow arising from operating activities	4,423,126,246.26	3,198,571,064.32	3,628,226,943.73	2,656,246,895.21
Net cash flows arising from operating activities	374,067,501.57	310,488,461.25	-7,389,799.21	93,370,137.38

II. Cash flows arising from investing activities:				
Cash received from recovering investment	7,356,806.06	7,091,806.06	12,448,193.94	12,448,193.94
Cash received from investment income	142,186,905.71	142,186,905.71	212,838,471.01	212,838,471.01
Net cash received from disposal of fixed, intangible and other long-term assets	463,660.42	119,978.81	418,531,374.81	468,581,527.64
Net cash received from disposal of subsidiaries and other units				2,018,786.45
Other cash received concerning investing activities	12,698,293.74	10,479,448.01	211,111,997.42	2,963,388.82
Subtotal of cash inflow from investing activities	162,705,665.93	159,878,138.59	854,930,037.18	698,850,367.86
Cash paid for purchasing fixed, intangible and other long-term assets	129,825,577.21	111,653,904.11	199,715,648.08	188,623,366.82
Cash paid for investment	24,944,000.00	433,692,000.00	122,140,272.00	173,440,272.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units	343,989,181.63			
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	498,758,758.84	545,345,904.11	321,855,920.08	362,063,638.82
Net cash flows arising from investing activities	-336,053,092.91	-385,467,765.52	533,074,117.10	336,786,729.04
III. Cash flows arising from financing activities:				
Cash received from absorbing investment	1,191,084,820.00	1,179,499,820.00		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	11,585,000.00			
Cash received from loans	333,419,712.73	328,860,000.00	314,613,741.28	
Cash received from issuing bonds				
Other cash received concerning financing activities		199,000,000.00		314,613,741.28
Subtotal of cash inflow from financing activities	1,524,504,532.73	1,707,359,820.00	314,613,741.28	314,613,741.28
Cash paid for settling debts	309,950,900.00	294,950,900.00	472,098,783.72	442,098,783.72
Cash paid for dividend and profit distributing or	13,613,532.61	11,564,685.10	28,429,372.28	27,326,224.78

interest paying				
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	116,731.50	106,736,731.50	1,536,980.68	1,536,980.68
Subtotal of cash outflow from financing activities	323,681,164.11	413,252,316.60	502,065,136.68	470,961,989.18
Net cash flows arising from financing activities	1,200,823,368.62	1,294,107,503.40	-187,451,395.40	-156,348,247.90
IV. Influence on cash due to fluctuation in exchange rate	30,281.13	166,225.83	-514,443.10	-488,317.25
V. Net increase of cash and cash equivalents	1,238,868,058.41	1,219,294,424.96	337,718,479.39	273,320,301.27
Add: Balance of cash and cash equivalents at the period -begin	747,572,445.88	579,447,940.41	409,853,966.49	306,127,639.14
VI. Balance of cash and cash equivalents at the period -end	1,986,440,504.29	1,798,742,365.37	747,572,445.88	579,447,940.41

Legal Representative: Zhao Yong Person in Charge of Accounting Works: Yu Wanchun
Person in Charge of Accounting Organ: Liu Binmin

IV. Consolidated Statement on Changes of Owners' Equity(1/2)

Prepared by Hefei Meiling Co., Ltd.

2010

Unit: RMB

Items	Amount in this report period									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		
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
Add: Changes of accounting policy										
Error correction of the last period										
Others										
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
III. Increase/ Decrease in this year (Decrease is listed with "-")	116,731,500.00	950,284,424.64			-5,510,020.68		331,360,560.23		3,756,995.50	1,396,623,459.69
(I) Net profit							325,850,539.55		644,931.00	326,495,470.55
(II) Other consolidated income		-107,881,799.35								-107,881,799.35
Subtotal of (I) and (II)		-107,881,799.35					325,850,539.55		644,931.00	218,613,671.20
(III) Owners' devoted and decreased capital	116,731,500.00	1,058,166,223.99							3,112,064.50	1,178,009,788.49
1. Owners' devoted capital	116,731,500.00	1,061,106,088.50								1,177,837,588.50

2. Amount calculated into owners' equity paid in shares									
3. Others		-2,939,864.51						3,112,064.50	172,199.99
(IV) Profit distribution					32,701,526.28	-32,701,526.28			
1. Withdrawal of surplus reserves					32,701,526.28	-32,701,526.28			
2. Withdrawal of general risk provisions									
3. Distribution for owners (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 surplus reserve					-38,211,546.96	38,211,546.96			
4. Others									
(VI) Reasonable reserve									
1. Withdrawal in the report period									
2. Usage in the report period									
(VII) Others									
IV. Balance at the end of the report period	530,374,449.00	1,610,571,447.17			279,597,693.51	296,750,782.08		28,895,887.29	2,746,190,259.05

Legal Representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Organ: Liu Binmin

IV. Statement on Changes of Owners' Equity (2/2)

Prepared by Hefei Meiling Co., Ltd.

2010

Unit: RMB

Items	Amount in last year									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of the last year	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										
Others										
II. Balance at the beginning of this year	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 "-")		-412,881,056.19					301,198,313.20		-22,262.41	-111,705,005.40
(I) Net profit							301,198,313.20		-22,262.41	301,176,050.79
(II) Other consolidated income		-16,796,200.66								-16,796,200.66
Subtotal of (I) and (II)		-16,796,200.66					301,198,313.20		-22,262.41	284,379,850.13
(III) Owners' devoted and decreased capital		-396,084,855.53								-396,084,855.53

1. Owners' devoted capital									
2. Amount calculated into owners' equity paid in shares									
3. Others		-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. Remedying loss with surplus reserve									
4. Others									
(VI) Reasonable reserve									
1. Withdrawal in the report period									
2. Usage in the report period									
(VII) Others									
IV. Balance at the end of	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

the report period									
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Legal Representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Organ: Liu Binmin

V. Statement on Changes of Owners' Equity of Parent Company(1/2)

Prepared by Hefei Meiling Co., Ltd.

2010

Unit: RMB

Items	Amount in this report period							Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	
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
Add: Changes of accounting policy								
Error correction of the last period								
Others							-783,987.67	-783,987.67
II. Balance at the beginning of this year	413,642,949.00	672,197,136.09			284,889,548.51		-38,995,534.63	1,331,734,098.97
III. Increase/ Decrease in this year (Decrease is listed with "-")	116,731,500.00	953,224,289.15			-5,510,020.68		332,525,283.49	1,396,971,051.96
(I) Net profit							327,015,262.81	327,015,262.81
(II) Other consolidated income		-107,881,799.35						-107,881,799.35
Subtotal of (I) and (II)		-107,881,799.35					327,015,262.81	219,133,463.46
(III) Owners' devoted and decreased capital	116,731,500.00	1,061,106,088.50						1,177,837,588.50

1. Owners' investment capitals	116,731,500.00	1,061,106,088.50						1,177,837,588.50
2. Amount of share payment calculated in owners' interest								
3. Others								
(IV) Profit distribution					32,701,526.28		-32,701,526.28	
1. Withdrawal of surplus reserves					32,701,526.28		-32,701,526.28	
2. Withdrawal of general risk provisions								
3. Distribution for owners (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 surplus					-38,211,546.96		38,211,546.96	
4. Others								
(VI) Reasonable reserve								
1. Withdrawal in the report period								

2. Usage in the report period								
(VII) Others								
IV. Balance at the end of the report period	530,374,449.00	1,625,421,425.24			279,379,527.83		293,529,748.86	2,728,705,150.93

Legal Representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Organ: Liu Binmin

V. Statement on Changes of Owners' Equity of Parent Company(2/2)

Prepared by Hefei Meiling Co., Ltd.

2010

Unit: RMB

Items	Amount in last year							Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	
I. Balance at the end of the last year	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								
Others								
II. Balance at the beginning of this year	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 "-")		-28,971,615.50					293,881,597.62	264,909,982.12
(I) Net profit							293,881,597.62	293,881,597.62
(II) Other consolidated		-16,796,200.66						-16,796,200.66

income								
Subtotal of (I) and (II)		-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' investment capitals								
2. Amount of share payment calculated in owners' interest								
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 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. Remedying loss with profit surplus								

4. Others								
(VI) Reasonable reserve								
1. Withdrawal in the report period								
2. Usage in the report period								
(VII) Others								
IV. Balance at the end of the report period	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

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Organ: Liu Binmin

Hefei Meiling Co., Ltd. Financial Statements

January 1, 2010 to December 31, 2010

I. Basic information of the Company

1. Company profile

Hefei Meiling Co., Ltd (hereinafter referred to as “the 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 30 million 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 100 million 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, Hefei Meiling Group Holdings Company Limited (hereinafter abbreviated as Meiling Group) signed “Ownership of Meiling Co., Ltd. (also called as Company) Transfer Agreement” respectively with Sichuan Changhong Electric Co. Ltd (hereinafter abbreviated as Sichuan Changhong) and Sichuan Changhong Electronic Group Co., Ltd (hereinafter abbreviated as Changhong Group), 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, in which, whereas Ownership of Meiling Co., Ltd. Transfer Agreement signed with Meiling Group and 37,852,683 state-owned shares of and held by Meiling Group transferred to Changhong Group, 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:

Share nature or holding enterprise	Before Share Merger Reform		After Share Merger Reform		Note
	Shares held	Proportion %	Shares held	Proportion %	
1. Non-tradable shares	149,012,606	36.02	126,283,055	30.53	Conditional
(1) Sichuan Changhong Electric Co., Ltd.	45,000,000	10.88	38,135,951	9.22	State shares
(2) Hefei 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 held	Proportion %	Shares held	Proportion %	Shares held	Proportion %
Sichuan Changhong Electric Co., Ltd.	38,135,951	9.22	38,135,951	9.22	-	-

Hefei 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	-	-

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, original Meiling Group and Xingtai Holding Company signed Agreement on Equity Transfer Without Payment, in which original Meiling Group 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 aforesaid equity transfer has been accomplished procedure of transferring the ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On October 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 shares (%)	Types	Amount(share)	Proportion in total shares (%)
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 state	32,078,846	7.76
State-owned legal person's shares	69,135,006	16.71	State-owned legal person's shares	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' shares	67,255	0.02
Foreign legal person's shares	-	-	Foreign legal person's shares	-	-

Before release			After release		
Types	Amount(share)	Proportion in total shares (%)	Types	Amount(share)	Proportion in total shares (%)
II. Tradable shares with unconditional subscription	287,292,639	69.45	II. Tradable shares with unconditional subscription	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 others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

On October 29, 2008, Changhong Group Company 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] . Ended Dec. 31, 2008, the aforesaid equity transfer have not been accomplished the procedure of transferring the ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

In year 2008, Sichuan Changhong increased in holding A tradable shares of the Company amounting to 4,277,155 shares through the trading system of Shenzhen Stock Exchange. increased in holding B shares of the Company amounting to 5,888,405 shares through the wholly-funded subsidiary Changhong(Hong Kong) Trade Co., Ltd. In year 2009, increasing in holding B shares of the Company amounting to 6,287,486 shares through Hong Kong Changhong. Ended Dec. 31, 2009, Sichuan Changhong and its accordant actioner Changhong (Hong Kong) Trade Co., Ltd totally held 91,642,767 shares of the Company which accounts for 22.16% in total shares; in which Sichuan Changhong directly held 74,491,952 A shares of the Company accounting for 18.01% in total shares, and Changhong (Hong Kong) Trade Co., Ltd held 17,150,815 B shares of the Company accounting for 4.15% in total shares of the Company.

On January 4, 2010, 74,074,020 tradable shares, the second 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 shares (%)	Types	Amount(share)	Proportion in total shares (%)
I. Tradable shares with conditional subscription	113,806,751	27.51	I. Tradable shares with conditional subscription	39,732,731	9.61
Shares held by state	-	-	Shares held by state	-	-
State-owned legal person' shares	104,461,498	25.25	State-owned legal person' shares	30,387,478	7.35

Before release			After release		
Types	Amount(share)	Proportion in total shares (%)	Types	Amount(share)	Proportion in total shares (%)
Public legal person's shares	9,277,998	2.24	Public legal person's shares	9,277,998	2.24
Senior executives'	67,255	0.02	Senior executives'	67,255	0.02
Foreign legal person's	-	-	Foreign legal person's	-	-
II. Tradable shares with unconditional subscription	299,836,198	72.48	II. Tradable shares with unconditional subscription	373,910,218	90.39
A Public shares	186,736,198	45.14	A Public shares	260,810,218	63.05
B shares	113,100,000	27.34	B shares	113,100,000	27.34
H shares and others	-	-	H shares and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

On January 29, 2010, eight conditional shareholders and Hefei Machinery Mould Plant applied for the payment of consideration paid in advance, which was entrusted the Board to Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shenzhen Branch. Shares amount and proportion after releasing as:

serials	Repayer	Conditional shares held at share reform implementation date		Shares repayment	Releasing shares	
		Total shares(Share)	Proportion in total shares(%)		Total shares(Share)	Proportion in total shares(%)
1	Hefei Machinery Mould Plant	170,775	0.04	26,049	144,726	0.04
2	Taizhou Shuangling Air-conditioner Tube Manufacturing Co., Ltd.	85,387	0.02	13,024	72,363	0.02
3	Anhui Children and the 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 Business Consultation Co., Ltd.	170,775	0.04	26,049	144,726	0.04
6	Yuyao Apparatus Bottom 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 Cinda Asset Management Corporation	1,536,975	0.37	234,442	1,302,533	0.31
9	Ningguo Rural Credit Cooperative Union	85,387	0.02	13,024	72,363	0.02
Total		3,284,312	0.79	500,970	2,783,342	0.67

On March 23, 2010, 2,783,342 tradable shares, the third 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
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Types	Amount(share)	Proportion in total shares (%)	Types	Amount(share)	Proportion in total shares (%)
I. Tradable shares with conditional subscription	39,732,731	9.61	I. Tradable shares with conditional subscription	36,949,389	8.93
Shares held by state	-	-	Shares held by state	-	-
State-owned legal person's shares	30,654,006	7.41	State-owned legal person's shares	29,351,473	7.09
Public legal person's shares	8,902,926	2.15	Public legal person's shares	7,530,661	1.82
Senior executives'	67,255	0.02	Senior executives'	67,255	0.02
Other domestic natural persons' shares	108,544	0.03	Other domestic natural persons' shares	-	-
II. Tradable shares with unconditional subscription	373,910,218	90.39	II. Tradable shares with unconditional subscription	376,693,560	91.07
A Public shares	260,810,218	63.05	A Public shares	263,593,560	63.73
B shares	113,100,000	27.34	B shares	113,100,000	27.34
H shares and others	-	-	H shares and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

On December 15, 2010, 29,127,572 tradable shares, the forth 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 shares (%)	Types	Amount(share)	Proportion in total shares (%)
I. Tradable shares with conditional subscription	36,949,389	8.93	I. Tradable shares with conditional subscription	7,821,817	1.89
Shares held by state	-	-	Shares held by state	-	-
State-owned legal person's shares	29,351,473	7.09	State-owned legal person's shares	500,970	0.12
Public legal person's shares	7,530,661	1.82	Public legal person's shares	7,253,592	1.75

Senior executives' shares	67,255	0.02	Senior executives' shares	67,255	0.02
Others	-	-	Others	-	-
II. Tradable shares with unconditional subscription	376,693,560	91.07	II. Tradable shares with unconditional subscription	405,821,132	98.11
A Public shares	263,593,560	63.73	A Public shares	292,721,132	70.77
B shares	113,100,000	27.34	B shares	113,100,000	27.34
H shares and others	-	-	H shares and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

Pursuit to the approval from the 32nd Meeting of 6th Board held on April 19, 2010, the 2nd Extraordinary Shareholders Meeting 2010 and documentary approval of [ZJXK(2010) No.1715] issued from CSRC on November 26, 2010, the Company offered no more than 130 million A-share to specific investor by private placement. Based on the acquisition, RMB 10.28 per share as final issued price, and 116,731,500 shares for offering this time. Purchaser situation as:

Serials	Name	Shares purchased (share)	Amount purchased(RMB)	Lock-up
1	Sichuan Changhong Electric Co., Ltd.	38,910,500	399,999,940.00	36months
2	China Life Assets Management Co., Ltd. Dragon Life Insurance Co., Ltd.- All-purpose insurance product	20,000,000	205,600,000.00	12 months
3	Fuligoal Fund Management Co., Ltd.	20,000,000	205,600,000.00	12 months
4	Guotai Junan Securities Co., Ltd.	10,000,000	102,800,000.00	12 months
5	Fangzheng Securities Co., Ltd.	9,000,000	92,520,000.00	12 months
6	Ningbo Weichuang Union Investment Co., Ltd.	9,000,000	92,520,000.00	12 months
7	Donghai Securities Co., Ltd	9,000,000	92,520,000.00	12 months
8	Guotai Fund Management Co., Ltd.	821,000	8,439,880.00	12 months
Total		116,731,500	1,199,999,820.00	-

RMB 1,199,999,820 was totally for raised from private placement this time, RMB 1,177,837,589 being raised for net amount after decuting issuing expenses RMB 22,162,232.

The Company have RMB 116,731,500 increased in register capital(share capital), RMB 1,061,106,088.5 increased in capital public reserve(share premium). The capital increased was verified by the verification report [XYZH2010CDA6021] of Shin Wing Certified Public Accountants Co., Ltd. Re-registration of Industrial & Commerce still in process. Shares structure after placement as:

Type of stock	Before change		After change	
	Quantity	Proportion(%)	Quantity	Proportion(%)
I. Restricted shares	7,821,817	1.89	124,553,317	23.48
1. State-owned shares	-	-	-	-
2. State-owned legal person's shares	500,970	0.12	39,411,470	7.43
3. Other domestic shares	7,253,592	1.75	85,074,592	16.04
Including: Domestic non-state-owned legal person's shares	7,253,592	1.75	85,074,592	16.04
Domestic natural person's shares	-	-	-	-
4. Foreign shares	-	-	-	-
Including: Foreign legal person's shares	-	-	-	-
Foreign natural person's shares	-	-	-	-
5. Senior executives' shares	67,255	0.02	67,255	0.01
II. Unrestricted shares	405,821,132	98.11	405,821,132	76.52
1. RMB Ordinary shares	292,721,132	70.77	292,721,132	55.19
2. Domestically listed foreign shares	113,100,000	27.34	113,100,000	21.33
3. Overseas listed foreign shares	-	-	-	-
4. Others	-	-	-	-
III. Total shares	413,642,949	100.00	530,374,449	100.00

As December 31,2010 ended, total share capital of the Company amounting to 530,374,449 shares with ordinary shares in full. Among which, 417,274,449 shares of A-share accounting 78.68% in total shares while B-share with 113,100,000 shares accounting 21.32% in total shares. In total share capital of the Company, conditional A-share owns 124,553,317 shares, un-conditional A-share owns 292,721,132 shares while un-conditional B-share owns 113,100,000 shares.

2. business nature and its business activities

The Company belongsto the manufacture of light industry, and engaged in the production and sale of refrigerator, freezer and air-conditioner.

Registration No. of the Business License of Corporation Legal Person: 340000400001278; Address: No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei City; Legal Representative: Zhao Yong; Business Scope: Manufacture of cooling apparatus, air-conditioner, washing machine, injection plastic machine of computer controlling,

computer heater, plastic products, packaging products and decorations. Business of self-produced products, technology export and import&export of the raw&auxiliary materials, machinery equipment, instrument and technology; department sales and transportation.

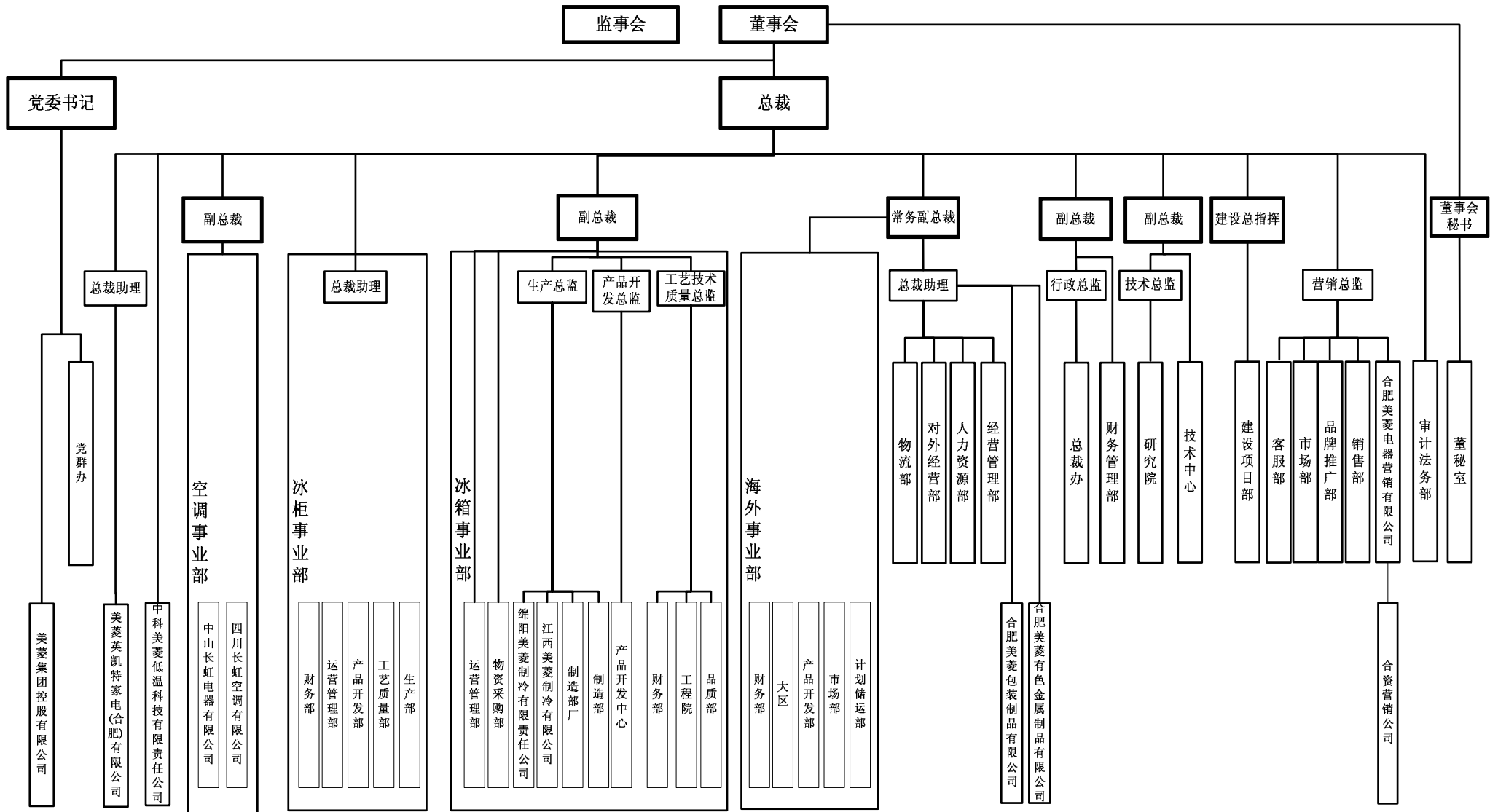
3. Name of the parent Company and final actual controller of the Group

Parent Company of the Company is Sichuan Changhong Electric Co., Ltd., ended Dec. 31, 2010, Sichuan Changhong and its accord actionist totally held 24.62% shares of the Company and is the first largest shareholder; Changhong Group held 849,376,421 shares of Sichuan Changhong accounting for 29.83% 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 final actual controller of the Company. Xingtai Holding Company held 33,210,696 shares of the Company accounting for 6.26% and is the second largest shareholder of the Company.

4. Basis organization frame of the Company

Shareholders' general meeting is the authority organization of the Company which perform its resolution rights on significant matters legally such as operation goal, financing, investment, and profit distribution, etc. The board is responsible for the shareholders' general meeting and perform its decision-making rights on operations of the Company. The management team is responsible for organizing and implementing the resolutions formed in shareholders' general meeting and board, and presides the managements on production and operation of the Company. The functional management departments of the Company include Operation and Management Department, Sales Department, Market Department, Logistic Department, Academic, Technology Center, HR Department and Financial Management Department, etc.

Organizational structure as:



II. Basis for preparation of financial statement

The financial statements of the Company were prepared in accordance with the actual transactions and proceedings, and relevant regulation of Accounting Standards for Enterprise released by the Ministry of Finance, and was on the basis of sustainable operation, and the accounting policy and estimation stated in the IV-“Significant Accounting Policy, Accounting Estimation and Preparation Method for Consolidated Financial Statement”.

III. Statement on Observation of Accounting Standard for Enterprise

The financial statement prepared by the Company applies with the requirements of Accounting Standard for Enterprise, and reflects the financial condition, operational achievements and cash flow of the Company effectively and completely.

IV. Significant Accounting Policy, Accounting Estimation and Preparation Method for Consolidated Financial Statement

1. Accounting period

The accounting period of the Company is the calendar date from 1 January to 31 December.

2. Standard currency for accounting

The Company takes RMB as the standard currency for accounting.

3. Accounting basis and pricing principle

The Company adopts accrual basis accounting as the accounting basis for accounting calculation. Except for the tradable financial assets and financial assets available-for-sale are measured with fair value, historical cost is used as pricing principle.

4. Cash and cash equivalent

The cash reflected in the cash flow statement of the Company represents the inventory cash and the deposit available for payment at any time. And the cash equivalent in the cash flow statement refers to the kind of investment with holding term not exceeding 3 months and strong flow ability. At the same time, the cash equivalent is easy to convert into cash with already-known amount and risk of value change is very small.

5. Foreign currency business and foreign currency financial statement conversion

(1) Foreign currency business

As for the foreign currency business, the Company converts the foreign currency amount into RMB amount pursuant to the spot exchange rate as of the business day. As at the balance sheet date, monetary items expressed by foreign currency are converted into RMB pursuant to the spot exchange rate as of the balance sheet date. The conversion difference occurred is recorded into prevailing gains and losses, other than the disclosure which is made according to capitalization rules for the exchange difference occurred from the special foreign currency borrowings borrowed for constructing and producing the assets satisfying condition of capitalization. As for the foreign currency non-monetary items measured by fair value, the amount is then converted into RMB according to the spot exchange rate as of the confirmation day for fair value. And the conversion difference occurred during the procedure is recorded into prevailing gains and losses directly as change of fair value. As for the foreign currency non-monetary items measured by historical cost, conversion is made with the spot exchange rate as of the business day, with no change in RMB amount.

(2) Conversion of foreign currency financial statement

Spot exchange rate as of the balance sheet date is adopted for conversion of assets and liabilities in foreign currency balance sheet; as for the items in statement of owners' equity except for "Undistributed profit", conversion is made pursuant to the spot exchange rate of business day; income and expense items in income statement then are also converted pursuant to the spot exchange rate of transaction day. Difference arising from the aforementioned conversions shall be listed separately in items of owners' equity. Spot exchange rate as of the occurrence date of cash flow is adopted for conversion of foreign currency cash flow. The amount of cash affected by exchange rate movement shall be listed separately in cash flow statement.

6. Financial assets and financial liabilities

(1) Financial assets

In consideration of investment targets and economic essence, the Company groups the financial assets owned by it as four categories, namely financial assets measured by fair value and whose movement is recorded into prevailing gains and losses, held-to-maturity investment, loans and accounts receivables, as well as financial assets available-for-sale.

1) Financial assets measured by fair value and whose movement is recorded into prevailing gains and losses represent the financial assets which are held mainly for disposal in a short time and listed as tradable financial assets in the balance sheet.

2) Held-to-maturity investment represents the non-derivative financial assets which has fixed maturity day, fixed or available-for-confirmation recovered amount and for which the management has definite intention and ability to hold till maturity.

3) Loans and accounts receivables represent the non-derivative financial assets which have no quotation in an active market and fixed or available-for-confirmation recovered amount.

4) Financial assets available-for-sale include the non-derivative financial assets available-for-sale and the financial assets which have not been grouped as others at the initial confirmation.

Financial assets are initially recognized by fair value. For the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the relevant transaction expense arising from acquisition is recorded into prevailing gains and losses directly, while the relevant transaction expense of other financial assets is recorded into initial recognition amount. When the right endowed by contract for certain financial asset to collect cash flow has ceased or all the risks and remuneration relating to ownership of the financial asset have almost transferred to transferee, recognition for this financial asset shall then be terminated.

Financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, together with financial assets available-for-sale, would have follow-up measurement according to fair value; effective interest method is adopted for loans and accounts receivables and held-to-maturity investment which are shown in amortized cost.

Fair value change of financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses is recorded into gains and losses of fair value change; interests or cash dividend acquired from holding assets are recognized as investment income; when disposing such assets, the difference between their fair value and

initial accounting amount is recognized as investment gains and losses. Meanwhile, gains and losses of fair value shall be adjusted.

Fair value change of financial assets available-for-sale is recorded into shareholders' equity; the interests calculated by effective interest rate method during the holding period are written into investment income; cash dividend obtained from investment by equity instrument available-for-sale is written into investment income at the time when the invested company declares to grant dividend; the difference between the payment received when disposal of such assets and carrying value after deducting the accumulative fair value change which is originally and directly recorded into shareholders' equity, is written into investment gains and losses.

Except for the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the Company will make check in the carrying value of other financial assets as at the balance sheet date. If there is objective evidence proving impairment of certain financial assets, the Company then makes provision for impairment. If a comparatively great or non-temporary decline appears in fair value of financial assets available-for-sale, and then the accumulative losses formed from decline of fair value which is originally recorded into shareholders' equity shall be written into impairment losses.

(2) Financial liabilities

When making the initial recognition for financial liabilities, the Company classifies the financial liabilities into ones which are measured by fair value and whose change is recorded into prevailing gains and losses, and other financial liabilities.

Financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses include tradable financial liabilities and financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses at the initial recognition day. Follow-up measurements are made by fair value. Recorded into prevailing gains and losses are the gains or losses formed through fair value change and dividend and interest expenditure regarding to the financial liabilities.

As for other financial liabilities, effective interest rate method is adopted and follow-up measurement is made according to amortized cost.

(3) Method for recognition of fair value of financial assets and liabilities

For those financial instruments existing in active markets, market quotation in the active market is used to confirm their fair values. In active market, the Company takes the present bid price of already-held financial assets or plan-to-undertake financial liabilities as the fair values of relevant assets and liabilities; the Company takes the present offer price of plan-to-buy financial assets and –already-undertaken liabilities as the fair values of relevant assets and liabilities. In the situation that there are no present bid and offer price for financial assets and liabilities, while there is no material change in economic environment after the latest business day, then fair value of the financial assets and liabilities is to confirm pursuant to the latest business market quotation.

Fair value of the financial instruments which have no active market is confirmed by adoption of estimation technology. Estimation technology includes reference to the price applied by parties which know well situation and are willing to make deals in the latest market business,

reference to the current fair value of other financial assets which are the same in principle, reference to discounted cash flow method and option pricing model.

7. Bad debt provision for accounts receivable

Allowance method is adopted for the bad debt losses which are likely to happen. And bad debt provision is withdrawn at the end of the period, and then recorded into current gains and losses. As for the accounts receivable which are not able to call back through definite evidence, they shall be treated as bad debt losses after approval of the Company according to regulated procedures to offset withdrawn bad debt provision. The following situation as standards for confirmation of bad debt losses of accounts receivable: revoke, bankruptcy, insolvency, serious insufficiency of cash flow of its debit units, or the debit units have to stop production due to serious natural disaster and are not able to settle the debts or in predicted time, or other definite evidence showing that the debt is not available to call back or the possibility of calling back is tiny.

Withdrawal of bad debt provision at period-end:

(1) Account receivable with single significant amount and withdrawal single item bad debt provision

Determine basis or amount standards for single significant amount	Account receivable over RMB20 million at period-end balance, other account receivable over RMB 1 million at period-end balance
withdrawal method for account receivable with single significant amount and withdrawal single item bad debt provision	Impairment test on the current value of predicted future cash flow, bad debt provision withdrawal. If occurred depreciation, independently withdrawal bad debt provision without combination basis; if no depreciation happened, impairment test base on the combination nature that included in the combination.

(2) Account receivable withdrawal bad debt provision based on combination:

Basis for combination recognized	
Combination 1	Account receivable except the reserve loans of employee, investment loans and connected account with related parties
Combination 2	Account receivable of the reserve loans of employee, investment loans and connected account with related parties
Methods on withdrawal of bad debt provision based on combination	
Combination 1	Age analysis
Combination 2	Balance proportion

Combination 1: withdrawal proportion of bad debt provision for account receivable based on age analysis:

Age	withdrawal proportion of account receivable(%)	withdrawal proportion of other account receivable(%)

Within 1year(1year included)	5	5
1-2years	15	15
2-3 years	35	35
3-4 years	55	55
4-5 years	85	85
Over 5 years	100	100

Combination 2: withdrawal proportion of bad debt provision for account receivable based on balance proportion :

Combination	withdrawal proportion of account receivable(%)	withdrawal proportion of other account receivable(%)
Combination 2	0.00%	0.00%

Account receivable in combination 2 have the risk in control and withdrawal no bad debt provision.

(3) Account receivable with single minor amount but withdrawal single item bad debt provision:

Reasons for withdrawal single item bad debt provision	Account with minor amount but have significant inflow risk on predicted future cash flow
withdrawal method for bad debt provision	Impairment test on the current value of predicted future cash flow, bad debt provision withdrawal. If occurred depreciation, independently withdrawal bad debt provision without combination basis; if no depreciation happened, impairment test base on the combination nature that included in the combination.

8. Inventories

Inventories of the Company principally include raw materials, stock goods, work in process, self-made semi-finished product, materials consigned to proceed, low-value consumption goods as well as amortized mould expense, etc. Perpetual inventory system is applicable to inventories. For daily calculation, standard price is adopted for raw materials, low-value consumption goods and stock goods. Switch-back cost of the current month is adjusted by distribution price difference at the end of the month, the dispatched goods will share the cost differences of inventory while in settlement the business income; and low-value consumption goods is carried forward at once when being applied for use; the mould expenses will evenly deferred share based on balance at period-begin plus increase amount in this period divided by 12 months.

Inventory at period-end valued by the Lower-of-value between the cost and net realizable value.

(1) Determined the net realizable value of raw materials on the higher amount between the final price of estimated sale-price deducted cost(about to happened till products finished), estimated sales expense and relevant taxes, and the fair value of external disposal. Recent years, the raw materials are in the high price stage, except the raw materials need for sole depreciation provision withdrawal for damaged, over-time or degrade products, no withdrawal provision for obsolete stocks provided.

(2) Withdrawal obsolete provision for commodity stocks and send-out commodity by the follow proportion:

Grade	Stock duration	Withdrawal proportion for obsolete provision
Grade-A	Within 3 months	0%
	4-6 months	5%
	7-12 months	15%
	1-2 years	25%
	2-3 years	40%
	Over 3 years	100%
Qualified		40%
Grade-B		50%
Grade-C		60%
Disposal		65%
Unqualified		60%
Sample machine		30%
Special user type that exceed the order quantity		50%

The Company re-check the above mentioned proportion at every end of the year. Calculated the net realizable value by difference between the estimated sale price less the estimated sales expense and relevant taxation; after comparison with the book value of commodity stocks and sent-out commodity, determined whether adjusted the proportion or not.

(3) the present products produced according to the market requirement usually, and without significant obsolete evidence in short-term, so withdrawal no obsolete provision.

(4) Mould expense will amortize in instalment in usual times. Once the use-life of mould being terminated, than transfer its remaining cost into gains/losses, and no withdrawal of obsolete provision at period-end.

9. Long-term equity investment

Long-term equity investment mainly includes the equity investment which entitles the Company to conduct control, common control or significant influence over the invested units, and the equity investment which couldn't entitle the Company to conduct control, common control or significant influence over the invested units and which have no quotation price in active market and whose fair value could not be able to measured surely.

Common control refers to the control jointly enjoyed upon certain economic activity according to regulations of contract. The reference to confirm a common control mainly refers to that any single party of a joint-venture entity has no possibility to individually control the production operation of the joint-venture; any decision relating to basic operation activity of joint-venture entity all requires unanimous agreement from each party.

Significant influence equals to that investor has right to participate in making decision for finance and operational strategy of invested unit, while it has no right to control or jointly control with other parties upon formation of these strategies. As long as the Company directly

or indirectly holds through its subsidiaries over 20% but less than 50% voting shares of the invested unit, then it could be called a significant influence. However, if there is obvious evidence showing that the Company is not qualified in participating in making production and operation decisions of the invested one, then no significant influence could stand up.

In situation of a long-term equity investment acquired by the Company through business combination under common control, the carrying value of the owners' equity of the acquired company as at the combination date is deemed as initial investment cost for this long-term equity investment. In situation of a long-term equity investment acquired by the Company through business combination not under common control, the combination cost is recognized according to the fair value of assets, liabilities occurred or undertaken, and equity securities issued as at the combination (purchase) date for obtaining control right over the acquired (purchased) party.

Excluding the long-term equity investment acquired through business combination, there is also a kind of long-term equity investment acquired through cash payment, for which the actual payment for the purchase shall be initial investment cost; If Long-term equity investments are acquired by issuing equity securities, fair value of issuing equity investment shall be initial investment cost; for Long-term equity investments which are invested by investors, the agreed price in investment contract or agreement shall be initial investment cost; and for long-term equity investment which is acquired through debt reorganization and non-monetary assets exchange, regulations of relevant accounting standards shall be referred to for confirming initial investment cost.

The Company adopts cost method for investment in subsidiaries and makes adjustment by equity method when preparing combined financial statement; makes calculation for investments in joint-ventures and associates by equity method; make calculation by cost method for long-term equity investment upon which the Company has no control, common control or significant influence and which have no quotation price in active market and whose fair value could not be able to measured surely; and for the long-term equity investment upon which the Company has no control, common control or significant influence while which do have quotation price in active market and whose fair value could be able to measured surely, the Company calculate it as financial asset available-for-sale.

When calculated by cost method, long-term equity investment is priced according to its initial investment cost, and cost of the investment is adjusted when making additional investment or writing off investment. When calculated by equity method, current investment gains and losses represent the proportion of the net gains and losses realized by the invested unit in current year attributable to or undertaken by the investor. When the Company is believed to enjoy proportion of net gains and losses of invested unit, gain and losses attributable to the Company according to its shareholding ratio is to computer out according to the accounting policy and accounting period of the Company, on the basis of the fair value of various recognizable assets of the invested unit as at the date of obtaining of the investment, after offset of gains and losses arising from internal transactions with associates and joint-ventures, and finally to make confirmation after adjustment of net profit of the invested unit. Confirmation on gains and losses from the long-term equity investment in associates and joint-ventures held by the Company prior to the first execution day, could only stand up with the precedent condition that debit balance of equity investment straightly amortized according to its original remaining term has already been deducted, if the aforementioned balance relating to the investment do exist.

The Company switches to cost method for calculating the long-term equity investments which do not entitle the Company to have common control or significant influence over the invested units and which have no quotation in active market and whose fair value could not be able to measured surely due to decrease of investments by the Company; and also switches to cost method for calculating the long-term equity investments which entitles the Company to have conduct control over the invested units due to its additional investments; and switches to equity method for calculating the long-term equity investments which entitles the Company to conduct common control or significant influence, while no control over the invested units due to its additional investments, or the long-term equity investments which entitles the Company with no control over the invested units any longer while with common control or significant influence.

When disposing long-term equity investment, the balance between its carrying value and effective price for obtaining shall be recorded into current investment income. When disposing long-term equity investment which are calculated by equity method, the proportion originally recorded in owners' equity shall be transferred to current investment income according to relevant ratio, except for that other movements of owners' equity excluding net gains and losses of the invested units shall be recorded into owners' equity.

10. Investment real estate

The investment real estate of the Company includes leased houses and buildings, and is accounted value by its cost. Cost of purchased-in investment real estate consists of payment for purchase, relevant taxes and other expenditure which is attributable to the assets directly; while cost of self-built investment real estate is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state.

Consequent measurement of investment estate shall be measured by cost method. Depreciation is provided with average service life method pursuant to the predicted service life and net rate of salvage value. The predicted service life and net rate of salvage value and annual depreciation are listed as follows:

Type	Depreciation term (year)	Predicted rate of salvage value (%)	Depreciation rate per annum (%)
Houses and buildings	30-40 years	4%	2.40%-3.20%

When investment real estate turns to be used by holders, it shall switch to fixed assets or intangible assets commencing from the date of such turning. And when self-used real estate turns to be leased out for rental or additional capital, the fixed assets or intangible assets shall switch to investment real estate commencing from the date of such turning. In situation of switch, the carrying value before the switch shall be deemed as the credit value after the switch.

When investment is disposed, or out of utilization forever and no economic benefit would be predicted to obtain through the disposal, the Company shall terminate recognition of such investment real estate. The amount of income from disposal, transfer, discarding as scrap or damage of investment real estate after deducting the asset' s carrying value and relevant taxation shall be written into current gains and losses.

11. Fixed assets

Fixed assets of the Company represent the tangible assets and assets package: held by the Company for purpose of producing commodities, providing labor service, leasing or operational management, service life exceeds one year, and unit price exceeds RMB 2,000. Including four categories of houses and buildings, machinery equipments, transportation equipments and other equipments.

Their credit value are determined on the basis of the cost taken for obtaining them. Of which, cost of purchased-in fixed assets include bidding price and import duty and relevant taxes, and other expenditure which occurs before the fixed assets arrive at the state of predicted utilization and which could be directly attributable to the assets; while cost of self-built fixed asset is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state; credit value of the fixed assets injected by investors is determined based on the agreed value of investment contracts or agreements, while as for the agreed value of investment contracts or agreements which is not fair, it shall take its fair value as credit value; and for fixed assets which are leased in through finance leasing, credit value is the lower of fair value of leased assets and present value of minimized leasing payment as at the commencing date of leasing.

Consequent expenditure related to fixed assets consists of expenditures for repair and update reform. For those meeting requirements for recognition of fixed assets, they would be accounted as fixed asset cost; and for the part which is replaced, recognition of its carrying value shall cease; for those not meeting requirements for recognition of fixed assets, they shall be accounted in current gains and losses as long as they occur. When fixed asset is disposed, or no economic benefit would be predicted to obtain through utilization or disposal of the asset, the Company shall terminate recognition of such fixed asset. The amount of income from disposal, transfer, discarding as scrap or damage of fixed asset after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

The Company withdraws depreciation for all fixed assets except for those which have been fully depreciated while continuing to use. It adopts average service life method for withdrawing depreciation which is treated respectively as cost or current expense of relevant assets according to purpose of use. The depreciation term, predicted rate of salvage value and depreciation rate applied to fixed assets of the Company are as follows:

No.	Type	Depreciation term	Predicted rate of salvage value	Depreciation rate per annum
1	Houses and buildings	30-40years	4%	3.20%-2.40%
2	Machinery equipments	10-14 years	4%	9.60%-6.86%
3	Transportation equipments	5-12 years	4%	19.00%-8.00%
4	Other equipments	8-12 years	4%	12.00%-8.00%

The Company makes re-examination on predicted service life, predicted rate of salvage value and depreciation method at each year-end. Any change will be treated as accounting estimation change.

12. Construction in process

Construction in process is measured with effective cost. Self-operated constructions projects are measured with direct materials, direct salaries and direct construction expense; construction projects undertaken by external are measured with the engineering payment payable; and engineering cost (income abatement) of equipment-installation projects is confirmed with consideration of value of the equipments, installation fee, and expenditure arising from trial operation of the projects. Borrowing expense and exchange gains and losses which should be capitalized are also included in cost of construction in process.

Commencing from the date when construction in process reaches condition for predicted purpose of use, the Company carries forward the estimated value of the construction to fixed assets, pursuant to engineering budget, engineering cost or effective cost, and starts depreciation withdraw from the next month. As long as procedure for completion settlement is transacted, the Company shall make adjustment to difference of original value of the fixed asset.

13. Borrowing expense

Borrowing expenses include interest expense, amortization of discount or premium, auxiliary expenses and exchange difference due to borrowing in foreign currency. The borrowing expense which could be directly attributable to purchase or production of assets satisfying capitalization condition, starts capitalization when capital expenditure and borrowing expense occur and when necessary purchase or production conducted for promoting assets to reach the predicted available-for-use or available-for-sale state; and capitalization shall cease when purchased or produced assets satisfying capitalization condition have reached the predicted available-for-use or available-for-sale state. Other borrowing expense is recognized as expense during the occurrence period.

Capitalization shall be exercised for interest expense actually occurred from special borrowings in current period after deduction of the interest income arising from unutilized borrowing capital which is saved in banks or deduction of investment income obtained from temporary investment; For recognition of capitalized amount of common borrowing, it equals to the weighted average of the assets whose accumulated expense or capital disburse is more than common borrowing times capitalization rate of occupied common borrowing. Capitalization rate is determined according to weighted average interest rate of common borrowing.

Assets satisfying capitalization principle generally refer to fixed assets, investment real estate and inventories which can only arrive at predicted available-for-use and available-for-sale state after quite a long time (generally over one year) in purchase or production activities.

If abnormal interruption happens during purchase or production of assets satisfying capitalization principle and the interruption lasts over 3 months, the capitalization for the borrowing expense shall pause until the purchase or production restarts.

14. Intangible assets

The Company holds intangible assets including land use right, trademark, patent technology and non-patent technology. Intangible assets are measured according to the effective costs paid for obtaining the assets. For those intangible assets purchased in by the Company, their effective cost consist of actual payment and relevant other expenditure; for the intangible

assets input by investors, effective cost is determined according to the value agreed in investment contracts and agreements, while if the agreed value is not fair, then effective value is confirmed according to fair value.

Land use right is averagely amortized according to its transfer term commencing from the sate of transfer; trademark use-rights averagely amortized by 10 years; patent technology, non-patent technology and other intangible assets is averagely amortized according to the shortest of their predicted sevice life, beneficial term concluded by contract and effective term regulated by laws. Amortization amount is recorded in assets cost and current gains and losses relevant to beneficial objectives.

Re-examination on predicted service life and amortization method of the intangible assets which have limited service life shall be conducted at the end of each year. If changed, it would be treated as change of accounting estimation. Re-examination on predicted service life of intangible assets which have uncertained service life shall be conducted. For any evidence proving that service life of intangible assets is limited, then the service life shall be estimated and the Company shall make amortization within the predicted service life period.

15. Research and development

As for expenditure for research and development, the Company classifies it into expenditure on research phase and development phase, based on nature of the expenditure and that whether the final intangible assets formed by research & development is of great uncertainty. Expenditure arising during research should be recorded in current gains and losses upon occurance; expenditure arising during development is confirmed as intangible assets when satisfying the following conditions:

- (1)Completion of the intangible assets make it available for application or sell in technology;
- (2)Equipped with plan to complete the intangible asset and apply or sell it;
- (3)There is market for products produced with this intangible assets or the intangible asset itself;
- (4)Have sufficient technology, financial resource and other resources to support development of the intangible assets, and have ability to apply or sell the assets;
- (5)Expenditure attributable to development of the intangible assets could be reliablyly measured.

Expenditure arising during development not satisfying the above conditions shall be recorded in current gains and losses upon occurance. Development expenditure which had been recorded in gains and losses in previous period would not be recognized as assets in later period. Expenditure arising during development phase which has been starting capitalization is listed in balance sheet as development expenditure, and transferred to intangible assets since the project reaches at predicted utilization state.

16. Impairment of non-financial long-term assets

As at each balance sheet date, the Company has inspection on long-term equity investment, fixed assets, construction in process and intangible assets with limited service life. When the following indications appear, assets may be impaired, and the Company would have impairment test. As for goodwill and intangible assets which have uncertained service life, no matter there is impairment or not, impairment test shall be conducted at the end of every year. If it is hard to make test on recoverable amount of single asset, test is expected to make on the basis of the assets group or assets group portfolio where such asset belongs to.

After impairment test, if the carrying value exceeds the recoverable amount of the asset, the balance is recognized as impairment loss. As long as impairment loss of the aforementioned

assets is recognized, it couldn't be switched back in later accounting periods. Recoverable amount of assets refers to the higher of fair value of assets net disposal expense and present value of predicted cash flow of the asset.

Indications for impairment are as follows:

- (1)Market value of asset drops a lot in current period, the drop scope is obviously greater than the predicted drop due to move-on of times or normal utilization;
- (2)Economy, technology or law environment where enterprise operates or market where asset is located will have significant change in current or recent periods, which brings negative influence to enterprise;
- (3)Market interest rate or returning rate of other market investments have risen in current period, which brings influence in calculating discount rate of present value of predicted future cash flow of assets, which leads to a great drop in recoverable amount of such assets;
- (4)Evidence proving that asset is obsolete and out of time or its entity has been damaged;
- (5)Asset has been or will be keep aside, terminating utilization or disposed advancely;
- (6)Internal report of enterprise shows that economic performance of asset has been or will be lower than prediction, such as that net cash flow created by asset or operation profit (or loss) realized by asset is greatly lower (or higher) than the predicted amount;
- (7)Other indications showing possible impairment of assets.

17. Goodwill

Goodwill represents balance between equity investment cost or business combination cost under no common control exceeding the attributable part or fair value of recognizable net assets of party invested or purchased (obtained through business combination) as of acquisition day or purchase day.

Goodwill relating to subsidiaries is separately listed in consolidated financial statement. And goodwill relating to associates and joint-ventures is included in carrying value of long-term equity investment.

18. Long-term deferred expenses

Long-term deferred expenses of the Company refers to the expense which has been paid out while should be amortized from the current period and periods thereafter, with amortization term over 1 year(excluding 1 year). Such expense is averagely amortized during the beneficial period. If such long-term deferred expense could not bring benefit to following accounting periods, the unamortized value of the item shall be fully transferred to current gains and losses.

19. Staff remuneration

The Company recognizes staff remuneration payable as liabilities during the accounting period when staff provide services, and records it to relevant assets cost and expense based on beneficial objectives of services provided by staff. Compensation for dismiss labor relationship with employee shall be recorded in current gains and losses.

Staff remuneration principally includes salary, bonus, allowance, subsidy, welfare, social insurance, housing public fund, labor union fee and special charge for education, etc, and expenditure relevant to obtaining services provided by employee.

If the Company determines to cancel labor relationship with employee before due of

contracts, or offers compensation for encouraging employee who are willing to accept personnel reduction, if the Company has already set official plan of cancellation of labor relationship or presented willing reduction recommendation which are going to be executed, at the same time, the Company is not able to cancel dismiss of labor relationship or reduction recommendation, the projected liabilities arising from compensation for dismiss of labor relationship is recorded in current gains and losses.

20. Estimated liabilities

If the business in connection with such contingencies as a security involving a foreign party, commercial acceptance bill discount, pending litigation or arbitration, product quality assurance, etc. meets all of the following conditions, the Company will confirm the aforesaid as liabilities: the obligation is an existing obligation of the Company; performance of the obligation is likely to cause economic benefits to flow out of the enterprise; the amount of the obligation is reliably measurable.

The Company predicted the maintenance fee for ten-year-free repairing on major parts of country-oriented refrigerator based on the "Three Guarantee" and the implemented of "Three Guarantee" policy of the Nation: Concerning the refrigerator of "Three Guarantee" policy, calculated based on the 1% of current sales income, less current maintenance fee, the insufficient part will predicted reckoned into predicted liability. Concerning the country-oriented refrigerator based on the promise of ten-year-free repairing, withdrawal methods and basis as:

Predicted liability of ten-year-free repairing = maintenance probability from 4 to 10 years sales volume × overhaul proportion × overhaul fee per unit

Among which: maintenance probability from 4 to 10 years sales volume × proportion with major or medium repairing will base on the historical maintenance data under the policy of "Three Guarantee", being combine with technical analysis, speculated that the maintenance probability from 4 to 7 years was the half of the maintenance proportion under "Three Guarantee" policy; maintenance probability from 7 to 10 years was twice of the maintenance proportion under "Three Guarantee" policy, the maintenance probability from 4 to 10 years calculated by the rounded number from the above total. Overhaul proportion under "Three Guarantee" will take the rounded number based on 50% up as the 4 to 10 years maintenance overhaul proportion; overhaul fee per unit including transport fee, vehicle fee, maintenance fee and fitting fee, which will calculated based on the maintenance agreement signed between the Company and after-sale service office.

Taken the predicted maintenance fee annually which calculated un-stably, and the uncertainly factors during 10 years into consideration, the Company provided no discount on predicted liability temporary. Re-checking the above mentioned withdrawal basis based on the actual maintenance fee on every balance sheet date, the Company will adjust book value for perfect presentation currently.

21. Principle of recognition of revenue

The Company's sales revenue is mainly comprised of revenue from sale of goods and revenue from assignment of asset use rights. The principle of recognition of such revenue is as follows:

(1) Revenue from the sale of goods shall be recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it

is probable that the associated economic benefits will flow into the Company; and the associated costs incurred or to be incurred can be measured reliably.

(2) the economy benefit of use-right of transfer assets probably will inflow to the Company, if the income can be measure accountability, than use-right income of transfer assets recognized.

22. Subsidies of government

Government subsidy at the Company be able to meet its attached conditions, and can be confirmed when received. Government grants for monetary assets, in accordance with the measurement of the amount actually received, according to a fixed quota for the allocation of the grant criteria, in accordance with the amount of accounts receivable measurement; government subsidies for non-monetary assets, in accordance with the fair value, fair value should not reliably achieved, in accordance with the notional amount (RMB 1.00) measurement.

Asset-related government grants recognized as deferred income, and average life of related assets included in the current profit and loss distribution. With the proceeds of the relevant government subsidies to compensate for the period after the relevant costs or losses recognized as deferred income and, while recognizing the associated costs included in current period profit and loss; for compensation related costs that have occurred or loss, directly gains and losses included in the current period.

23. Deferred Income Tax Assets and Deferred Income Tax Liabilities

A deferred tax asset and deferred tax liability shall be determined by a difference (temporary difference) between the carrying amount of an asset or liability and its tax base. The deferred tax asset shall be recognized for the carry forward of unused deductible losses and tax credits to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. At the balance sheet date, deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Company shall recognize the corresponding deferred tax asset for deductible temporary differences as no higher than the taxable profits that will be available in the future, against which the temporary difference can be utilized. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount shall be reversed to the extent that it becomes probable that sufficient taxable profits will be available.

24. Lease

The Company categorizes the lease into the financial lease and the operating lease.

The financial lease is the lease in which all risks and returns related to the ownership of assets are transferred in substance. The Company as a lease holder, on the date of lease, the financial lease is recognized as the fixed asset at lower cost of fair value of the rental asset and the NPV of minimum payment of leasing. The minimum payment of leasing is recognized as long-term payable and the difference is accounted into unrecognized financing expense.

The operating lease is the lease apart from the financial lease. The Company, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Company, as a leaser, accounts the rental income into current period by straight

line method during the term of the lease.

25. Income tax accounting

The Company accounted the income tax in a method of debit in balance sheet. The income tax expenses include income tax in the current year and deferred income tax. The income tax associated with the events and transactions directly included in the owners' equity shall be included in the owners' equity; and the deferred income tax derived from business combination shall be included in the carrying amount of goodwill, except for that above, the income tax expense shall be included in the profit or loss in the current period.

The income tax expense in the current year refers to the tax payable, which is calculated according to the tax laws on the events and transactions incurred in the current period. The deferred income tax refers to the difference between the carrying amount and the deferred tax assets and deferred tax liabilities at the year-end recognized in the method of debit in the balance sheet.

26. Segment information

The business segment recognized base on the internal organization structure, management requirement and internal report system, and report segment recognized based on business segment. The business segment refers to the components that required the followed conditions: the components have the ability of income generated and expenses generated in daily activities; management evaluate the component's business results and decided resource allocation and performance evaluation; accounting information of financial status, business results and cash flow of the components are required for obtained by the Company. Business segment was the major reporting form of the Company, which divided into 4 parts: air-conditioner, refrigerators and freezers, washing machine and others. The transfer price among the segments will recognize based on the market price, common costs will allocated by income proportion between segments except for the parts that without reasonable allocation.

27. Discontinued operation

Discontinued operation refers to the component that has been disposed of or classified as held for sale by the Company and that can be separately identified during operations and preparation of financial statements. Such component is disposed of as a whole or partially according to the Company's plans.

The Company's component meeting the following conditions at the same time is classified as held for sale: the Company has made a resolution as to dispose of such component; the Company has signed a unrevocable transfer agreement with the transferee and such transfer will be completed within one year.

28. Transfer of financial assets and methods for accounting of securitization business of non-financial assets

Where a financial asset is transferred, judgment is made according to the transfer of nearly all of the risks and rewards related to the ownership of the financial asset: if such risks and rewards are all transferred, such financial asset is derecognized; if nearly all of the risks and rewards related to the ownership of the financial asset are not transferred and retained, derecognition is not made; if nearly all of the risks and rewards related to the ownership of the financial asset are neither transferred nor retained, then whether derecognition is conducted is determined according to the involvement of control over such financial asset: if control over such financial asset is waived, then such financial asset is derecognized; if control over such financial asset is not waived, then such financial asset is recognized according to the extent of continuous involvement into such financial asset and relevant liabilities are confirmed accordingly. If the financial asset is in compliance with the overall

derecognition, the difference between the consideration received upon transfer and the corresponding book value is included into the current period's profits and losses and the accumulated change amount of the fair value of the relevant financial asset originally recorded into owner's equity is also transferred into the current period's profits and losses; if the transfer of partial financial asset satisfies the conditions to derecognize, the entire book value of the transferred asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value and the portion involving in partial transfer is accounted as compared to the overall transfer based on the book value upon apportionment. With respect to those not satisfying the conditions to derecognize, the consideration received is recognized as a financial liability.

29. Business Combination

Business combination refers to the event or transaction that the Company combines two or more separate enterprises as one reporting entity. The Company shall recognize the assets and liabilities derived from business combination at the combination date or acquisition date. A combination date or acquisition date is the date on which the Company effectively obtains control of the company being absorbed.

The assets and liabilities acquired through a business combination involving an enterprise under common control shall be measured by the acquirer according to the carrying amount recorded by the acquirer's at the combination date. The difference between the consideration of combination and the carrying amount of the acquired net assets shall be included in capital surplus, or it shall be included in retained earnings continuously if the capital surplus is not sufficient.

The cost of business combinations not involving an enterprise under common control is the aggregate of the fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. When the costs of business combinations exceed the acquirer's identifiable net assets, the difference shall be recognized as goodwill, if not, the differences shall be included in the profit or loss in the current period.

30. Measures on Preparation of Consolidated Financial Statements

(1) Recognized principals of consolidated areas

The Company shall put subsidiaries which it controlling totally, main body with special purpose into consolidated financial statements.

(2) Accounting method for Consolidated Financial Statements:

Consolidated financial statements have been prepared in accordance with the ASBEs No. 33 - Consolidated Financial Statements and relevant supplementary regulations. All significant transactions and balances between the Company and its subsidiaries are eliminated for the purpose of consolidation. The equity of subsidiaries not held by the parent company shall be presented separately as minority shareholders' equity in consolidated shareholders' equity.

Any difference arising from the inconformity of accounting year or accounting policies between the subsidiaries and the Company shall be adjusted in the consolidated financial statements.

When preparing the consolidated financial statements, if the Company acquired the subsidiary through business combination not involving under common control, the separate

financial statements shall be adjusted based on the fair value of identifiable net assets at the acquisition date. If the subsidiary is acquired through business combination involving common control, the consolidated financial statements shall include the carrying amount of assets, liabilities, operating result and cash flow of the subsidiary at the beginning of the current period.

V. Changes of accounting policies and accounting estimates and correction of previous errors

1. Changes of accounting policies and effects: Nil
2. Contents and reasons of changes of accounting estimates: Nil
3. Correction of previous errors and effect: Nil

VI. Taxations

1. Major taxes(expenses) and tax rates

Tax(expenses)	Tax base	Tax rate
VAT	Income from sales of goods and from processing	17%
Business tax	Rental income and off-price expense	5%
Urban maintenance and construction tax	Turnover tax	5% or 7%
Education surcharge	Turnover tax	3%
Local education	Turnover tax	1%
Corporate income tax	Taxable income	15% or 25%
House Property Tax	Original Book value of house property×(1-30%) or annual rent income	1.2% or 12%

Other taxes(tax of land-use, stamp tax, embankment maintenance fee and flood-protection fee etc.) will pay accordance with local taxation(expenses) rate.

2. Tax preferences and approval documents

Tax preference of enterprise income tax

According to the Notice regarding Announcing the List of the 2nd Batch of High-tech Enterprises (Ke Gao (2009) No. 13) jointly promulgated by Anhui Science & Technology Department, Anhui Finance Department, Anhui Provincial Office, SAT, and Local Bureau of Taxation of Anhui Province, the Company and its controlling subsidiary China-tech Meiling Freezer Technology Co., Ltd. were recognized as the 2nd batch of high-tech enterprises of Anhui Province in 2008, and were granted the Certificate of High-tech Enterprise respectively (issued date: December 5, 2008; certificate No: GR200834000169 and GR200834000177 respectively with a maturity of three years). The Company and its controlling subsidiary Zhongke Meiling Cryogenics Co., Ltd. enjoyed the preferential policies of preferential enterprise income tax as the State's high-tech enterprises with 15% rate of the enterprise income tax.

In addition, the Company's controlling subsidiary Zhongshan Changhong Apparatus Co., Ltd. was recognized as one the 1st batch of high-tech enterprises of Guangdong Province in 2008, and was granted the *Certificate of High-tech Enterprise* (certificate No.: GR200844000760 with a maturity of three years) and was subject to enterprise income tax at a rate of 15%.

VII. Business combination and consolidated financial statements

(I) Subsidiary (major subsidiary of level II and level III)

Name	Type	Registration place	Business nature	Registered capital (RMB'0000)	Business scope	Investment amount at year-end (RMB'0000)	Balance of other items materially forming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Subsidiaries established through direct investment													
Zhongke Meiling Cryogenics Co., Ltd. (1)	Limited Company	Hefei	Manufacturing and sales	6,000.00	Research, development, production, sales and service of low temperature refrigeration equipment and products, self-operation and agency of import and export business of various commodities and technologies	4,200.00	-	70.00	70.00	Yes	17,935,101.79	-	-
Jiangxi Meiling Refrigeration Co., Ltd. (2)	Limited Company	Jingde Town	Manufacturing and sales	4,000.00	R&D, manufacturing and sales of refrigeration appliances, electronic products and fittings	4,500.00	-	90.00	97.00	Yes	79,471.01	-	-
Mianyang Meiling Refrigeration Co., Ltd. (3)	Limited Company	Mianyang	Manufacturing and sales	5,000.00	R&D, manufacturing and sales of refrigeration appliances, electronic products and fittings	4,500.00	-	90.00	97.00	Yes	-113,184.28	-	-
Hefei Meiling Electric Marketing Co., Ltd. (4)	Limited Company	Hefei	sales	5,500.00	Refrigeration appliances, air conditioners, washing machines, computer numerically controlled injection moulding machine, computer water heaters, plastic products, packaging materials and accessories, electronic products and accessories, general merchandise sales	5,490.00	-	99.82	99.99	Yes	10,994,498.78	-	-
Subsidiaries obtained through business combination under the same control													
Sichuan Changhong Air-conditioners Co., Ltd. (5)	Limited Company	Mianyang	Manufacturing and sales	20,000.00	R&D, manufacturing, sales and after-sales services of air conditioners and parts, external processing services of spare parts, and sales of metal materials (excluding gold and silver)	30,560.00	-	100.00	100.00	Yes	-	-	-

Zhongshan Changhong Electric Co., Ltd. (6)	Limited Company	Zhongshan	Manufacturing and sales	8,000.00	Mainly engaged in production, processing, sale of air conditioners, television sets, laser disc players, audio equipments, computers and spare parts of these products	7,625.00	-	90.00	100.00	Yes	-	-	-
Subsidiaries(sub-subsidiary) obtained through business combination under the different control													
Hefei Meiling Group Holding Co., Ltd.(7)	Limited Company	Hefei	Holding Company	8,000.00	Manufacture of washing machine, plastic products, fine welded pipe, cooling fittings, package products and decoration products; Self-produced products and raw&auxiliary materials, machinery equipment, instrument and general merchandise sales	11,363.00	-	100.00	100.00	Yes	-	-	-
Meiling Yingkaite Appliance (Hefei) Co., Ltd.(8)	Limited Company	Hefei	Manufacturing and sales	2,479.31	Research, manufacture and sales of Roller washing machine, wave automatically washing machine, wave double-tube washing machine and other appliance; Manufactures and sales of the controller and matching line of refrigerator, washing machine, air-conditioner and other household appliance	1,859.49	-	100.00	100.00	Yes	-	-	-
Hefei Yingkaite Apparatus Co., Ltd. (9)	Limited Company	Hefei	Manufacturing and sales	1,200.00	Manufacture and operation on cooling appliance, washing machine and plastic products; operational of the self-produced products on raw&auxiliary materials as well as import&export business(projects limited by the national excluded)	867.06	-	100.00	100.00	Yes	-	-	-
Meiling Non-ferrous Metal Products Co., Ltd. (10)	Limited Company	Hefei	Manufacturing and sales	2,428.68	Manufacture and sales various copper tube, line materials and other metal products	2,199.64	-	100.00	100.00	Yes	-	-	-
Hefei Meiling Precision Tube Co., Ltd. (11)	Limited Company	Hefei	Manufacturing and sales	100.00	Manufacture and sales of fine welded pipe and cooling fittings	80.00	-	100.00	100.00	Yes	-	-	-
Hefei Meiling Package Products Co., ltd.(12)	Limited Company	Hefei	Manufacturing and sales	1,840.00	Manufacture and sales of corrugated board, paper boxes, paper element, EPS, foam package materials and aluminum foil sealing tape	952.00	-	51.72	100.00	Yes	-	-	-
Hefei Meiling Envirommet-friendly Package Materials Co., Ltd. (13)	Limited Company	Hefei	Manufacturing and sales	80.00	Manufacture and sales of belt, EPS, foam products, PP hollow profile, molded pulp, honeycomb paperboard and materials of granulation package(products need for specific approved, should not be operation until approved)	64.00	-	100.00	100.00	Yes	-	-	-

Hefei Meiling Appliance Industry&Commerce Co., Ltd. (14)	Limited Company	Hefei	sales	500.00	Manufacture and sales of household apparatus (products need for specific approved, should not be operation until approved)	300.00	-	100.00	100.00	Yes	-	-	-
Hefei Maston Appliance Co., Ltd (15)	Limited Company	Hefei	sales	398.00	R&D, manufacture and sale of refrigerator and small appliance and other appliance	485.97	-	100.00	100.00	Yes	-	-	-

Note: "Investment amount at year-end" and "holding proportion" listed above refers to the amount and shares that directly invested and held by the parent company of the above said company;"Voting right proportion" refers to the total of proportion hold directly and indirectly by the Company.

(1) Zhongke Meiling Cryogenics Co., Ltd. (hereinafter referred to as Zhongke Meiling Company) was established on Oct. 29, 2002 by the company and CAS's Physical & Chemical technology Research, whose registered capital was RMB60,000,000 including material contribution of RMB 35,573,719.70 which accounted for 70% of registered capital and cash contribution of RMB 6,426,280.30. CAS's Physical & Chemical technology Research made contributions by New mixed throttle refrigeration technology and technical License of Application research in super low temperature storage box that was appraised RMB 18,000,000 accounting for 30% of registered capital. The actual received of the register capital have been verified by verification report of [Huazheng Yanzi No.(2002) B157] issued by Huazheng CPAs Co., Ltd..

Registration No. of the Business License of Corporation Legal Person: 3401001006416; Legal Representative: Wang Yong; Address: Meiling Economy Development Zone, Feidong Longgang, Hefei City. Business Scope: R & D, exploitation, manufacture, sales and service of cryogenic cooling equipment and products; self-operating and agency for the import&export business of various commerce and technology(Commerce and technology that forbidden for business or import & export regulated by the Country excluded).

(2) Jiangxi Meiling Refrigeration Co., Ltd. (hereinafter referred to as Jiangxi Meiling Company), a company jointly set up by the Company and China-tech Meiling Company, was founded on Nov. 6, 2007. Its registered capital was RMB 20 million upon establishment, of which, the Company invested RMB 18,000,000, accounting for 90% of the registered capital; while China-tech Meiling Company invested RMB 2,000,000, accounting for 10% of the registered capital. On Dec. 10, 2008, Jiangxi Meiling Company increased its capital and shares, after which, its registered capital and paid-in capital were changed to RMB 40 million, including the cash investment of RMB 45 million from the Company, among which RMB 36 million was input as registered capital, accounting for 90% of the registered capital, and RMB 9 million was recorded into capital reserve of Jiangxi Meiling Company; and China-tech Meiling Company invested cash RMB 5 million, among which RMB 4 million was input as registered capital, accounting for 10% of the registered capital and RMB 1 million was recorded into capital reserve of Jiangxi Meiling Company. The procedures for registration of its change in registered capital in the Industry and Commerce Administration Bureau were completed in 2008. The above mentioned capital-increased have been verified by [Gangjingde Yanzi No.(2008) 354] issued by Jiangxi Jingde CPAs Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 360200110000441; Address: No.558 Cidu Road, Jingde Town City; Legal Representative: Li Daijiang; Business Scope: R & D, manufacture and sales of cooling apparatus, electronic products and other fittings.

(3) Mianyang Meiling Refrigeration Co., Ltd. (hereinafter referred to as Mianyang Meiling Company), a limited liability company jointly set up by the Company and China-tech Meiling Company, was founded on Mar. 6, 2009. Its registered capital and paid-in capital was RMB 50 million upon establishment, of which, the Company invested RMB 45 million, accounting for 90% of the registered capital; Zhongke Meiling Company invested RMB 5 million, accounting for 10% of the registered capital. The capital receipt was verified by the verification report [CXKY (2009) No. 008] of Sichuan Xingrui Certified Public Accountants.

Registration No. of the Business License of Corporation Legal Person: 510706000014939; Address: No.35 Mianxing Easet Road, Gaoxin District, Mianyang City, Sichuan Province; Legal Representative: Li Daijiang; Business Scope: R & D, manufacture and sales of cooling apparatus, electronic products and other fittings.

(4) Hefei Meiling Electric Marketing Co., Ltd. (hereinafter referred to as Meiling Marketing Company), a limited liability company jointly set up by the Company and Mianyang Meiling Company, was founded on Oct. 21, 2009. Its registered capital and paid-in capital was RMB 10 million upon establishment, of which, the Company invested RMB 9.90 million, accounting for

99% of the registered capital, and Mianyang Meiling Company invested RMB 0.10 million, accounting for 1% of the registered capital. The registered capital receipt was verified by the verification report [WALXDYZ (2009) No. 074] of Anhui Anlian Xinda Certified Public Accountants Co., Ltd. On November 25, 2010, RMB 45 million increased by the Japan Company, the register capital came to RMB 55 million. Among which, RMB 54.9 million from the Company, account 99.82% of the register capital while RMB0.1 million from Mianyang Meiling, account 0.18% of the register capital. The above mentioned capital-increased have been verified by [Wanhuashen Zhengdakuai Yanzi No.(2010) 1514] issued by Anhui Huashen Zhengda CPAs Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 340107000030092; Address: Woyun Road North, Lianhua Road East, Economy and Technology Development Zone, Hefei ; Legal Representative: Wang Yong; Business Scope: Refrigeration appliances, air conditioners, washing machines, computer numerically controlled injection moulding machine, computer water heaters, plastic products, packaging materials and accessories, electronic products and accessories, general merchandise sales

(5) Sichuan Changhong Air-conditioners Co., Ltd.(Changhong Air-conditioner for short), a limited liability company jointly set up by Sichuan Changhong and Changhong Chuangtuo, was founded on November 28, 2008. Its registered capital was RMB 200 million upon establishment, of which, Sichuan Changhong invested RMB 298 million(RMB 210,088,900 invested by monetary capital while RMB 87,911,100 invested by real materla), equivalent to RMB 198 million shares, accounting for 99% of the registered capital; and Changhong Chuangtuo invested RMB 3 million, accounting for 1% of the registered capital with equivalent of RMB 2 million shares. The registered capital receipt was verified by the verification report [CGYYZ (2008) No. 177] of Sichuan Guangyuan Certified Public Accountants Co., Ltd. and [HLTHYZ(2008) No. 12-006] of Sichuan Henglitai Certified Public Accountants Co., Ltd. In December 2009, the Company obtained 100% equity of Changhong Air-conditioner by consolidated under the same control.

Registration No. of the Business License of Corporation Legal Person: 510706000013788; Address: No.35, Mianxing East Road, Gaoxin District, Mianyang City; Legal Representative: Wang Yong; Business Scope: R&D, manufacturing, sales and after-sales services of air conditioners and parts, external processing services of spare parts, and sales of metal materials (excluding gold and silver)

(6) Zhongshan Changhong Electric Co., Ltd.(Zhongshan Changhong for short), was the original Guangdong Changhong Electric Co., Ltd., and is a limited liability company jointly set up by Sichuan Changhong and China Minmetals on May 22, 2001. Its registered capital was RMB 80 million upon establishment, of which, Sichuan Changhong invested RMB 72 million, including RMB 69.3 million bidding for the estate/ non-estate from original Zhongshan Sanrong Air-conditioner Co., Ltd. And its patent use-right of RMB2.7 million, accounting for 90% of the registered capital; Chine Minmetals invested RMB 8 million in monerary capital accounting 10% of the registered capital. The Company changed its name originally from Guangdong Changhong Electric Co., Ltd in July 2003. In December 2009, the Company obtained 90% equity of Zhongshan Changhong by consolidated under same control. 10% equity held by China Minmetals have been transferred by Changhong Air-conditioner on April 11, 2010.

Registration No. of the Business License of Corporation Legal Person: 442000000290879; Address: Central Nantou Avenue, Nantou Town, Zhongshan City; Legal Representative: Li Jin; Business Scope: Mainly engaged in production, processing, sale of air conditioners, television sets, laser disc players, audio equipments, computers and spare parts of these products

(7) Hefei Meiling Group Holding Co., Ltd(Meiling Group for short), was the state-owned company originally approved by People's Government of Hefei Province and established authorized by SASAC of Hefei City. On July 14, 2008, 100% state-owned equity of Meiling Group have freely transferred to

Xingtai Holding by Hefei SASAC. Agreement by the approval of < State-owned property agreement transfer from Meiling Group> [HGZCQ(2010) No.34] of Hefei SASAC on April 9, 2010, 100% state-owned property of Meiling Group after partial assets and liabilities separated transferred to the Company from Xingtai Holding as amount of RMB 113.2 million. The re-registration of industrial and commercial procedure for Meiling Group after separated partial assets liability have finished on July 28, 2010. The new Meiling Group has register capital of RMB 80 million, and have been verified by the [AD(2010)YZD No. 016] from Anhui Anding CPAs Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 340100000010841; Address: Main plant of 2# South, Tangkou Road, Lianhua Road East, Economy&Technology Development Zone, Hefei; Legal Representative: Wang Jiazhang; Business Scope: Manufacture of washing machine, plastic products, fine welded pipe, cooling fittings, package products and decoration products; Self-produced products and raw&auxiliary materials, machinery equipment, instrument and department sales.

(8) Meiling Yingkaite Appliance (Hefei) Co., Ltd.(Yingkaite Appliance for short) was the sino-foreign joint venture jointly set up by original Meiling Group and EQUATOR INVESTMENTS (USA) INC.(EQUATOR for short), which have been approved by the [SWZWFZZ(2004) No.0103] of Approval Certificate of Foreign Enterprise from People's Government of Anhui Province. Its registered capital was US\$ 3 million upon establishment, of which, sino company invested US\$ 2.25 million in machinery equipment, accounting 75% of the registered capital while foreign company invested US\$ 0.5 million in monetary capital and US\$ 0.25 million in intangible assets, amounting to US\$0.75 million, accounting 25% of the registered capital. The above mentioned investment verified by the verification report of [WYAYZ (2004) No. 135] from Anhui Yongan CPAs Co., Ltd. In July 2007, approved by [HWJ(2007) No.136] from Foreign Trade Economic Cooperation Bureau of Hefei City, 25% equity held by EQUATOR transferred to Anhui Meiling Electric Co., Ltd. Totally. The Company's register capital came into RMB 24,793,200 after transference, and was not the joint-venture any more. 25% equity owned by Anhui Meiling Electric Co., Ltd have been transferred totally to original Meiling Group in July 2009.

Registration No. of the Business License of Corporation Legal Person: 340100000004040; Address: Meiling Industry Zone, Development Zone, Feidong Xinchang, Hefei City; Legal Representative: Wang Yong; Business Scope: Research, manufacture and sales of Roller washing machine, wave automatically washing machine, wave double-tube washing machine and other appliance; Manufactures and sales of the controller and matching line of refrigerator, washing machine, air-conditioner and other household appliance

(9) Hefei Yingkaite Apparatus Co., Ltd.(Yingkaite Apparatus for short) was jointly set up by original Meiling Group and Yingkaite Appliance on September 26, 2007. It's regiater capital was RMB 12 million, among which, original Meiling Group invested RMB 8,670,600 in monetary capital, accounting 72.255% in registered capital; Yingkaite Appliance invested RMB 3,329,400 in the assessment value of intangible assets(land-use right), accounting 27.745% of total registered capital. The investment being verified by [WYAZ(2004) No. 135] from Anhui Yongan CPAs Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 340122000001532; Address: (No.15 Jinyang Road) Meiling Industrial Zone, Development Zone, Feidong Xinchang, Hefei City; Legal Representative: Liu Shiquan; Business Scope: Manufacture and operation on cooling appliance, washing machine and plastic products; operational of the self-produced products on raw&auxiliary materials as well as import&export business(projects limted by the national excluded)

(10) Meiling Non-ferrous Metal Products Co., Ltd. (Non-ferrous Metal for short) was the sino-foreign joint venture jointly set up by original Meiling Group, Hefei Meiling Copper Co., Ltd. And Singapore Kim Shin Development Co., Ltd., which have been originally approved by the [WJMWFFZZ(1996) No.349] of Foreign Trade and Economic Committee of Anhui Province. Its registered capital was US\$ 2.92 million upon establishment, of which, original Meiling Group invested US\$ 1.46 million(monetary capital), accounting 50% of the registered capital, Hefei Meiling Copper Co., Ltd invested US\$ 0.584 million (monetary capital of RMB 0.18 million and real assets of US\$ 0.404

million), accounting 20% of registered capital while Singapore Kim Shin Development Co., Ltd invested US\$ 0.876 million(monetary capital), accounting 30% of the registered capital. The above mentioned investment verified by the verification report of [HSWZ(1995) No. 0737], [HSWZ(1996) No. 328] and [HSWZ(1998) No. 088] from Anhui CPAs Co., Ltd. In July 2008, approved by [HWS(2008) No.53] from Foreign Trade Economic Cooperation Bureau of Hefei City, 30% equity and 20% equity held by Singapore Kim Shin Development Co., Ltd and Hefei Meiling Copper Co., Ltd respectively transferred to original Meiling Group Totally. The Company's register capital came into RMB 24,286,808.00 after transference, and was not the joint-venture any more.

Registration No. of the Business License of Corporation Legal Person: 340100000111925; Address: Meiling Industrial Zone, Changjiang East Road,Hefei City; Legal Representative: Huang Danian; Business Scope: Manufacture and sales various copper tube, line materials and other metal products

(11) Hefei Meiling Precision Tube Co., Ltd. (Precision Tube for short) was set up in March 2004 with RMB 1 million register capital. Among which, the original Meiling Group invested RMB0.8 million in monetary capital accounting 80% of register vcapital while Anhui Meiling Electric Co., Ltd. Invested RMB 0.2 million in monetary capital accounting 20% of register capital. The investment being verified by [WYAYZ(2004) No. 041] from Anhui Yongan CPAs Co., Ltd. 20% euiqty owned by Meiling Electric have been transferred totally to original Meiling Group on August 20, 2009.

Registration No. of the Business License of Corporation Legal Person: 340122000010759; Address: Meiling Industry Zone, Development Zone, Feidong Xinchang, Hefei City; Legal Representative: Zhao Yong; Business Scope: Manufacture and sales of fine welded pipe and cooling fittings

(12) Hefei Meiling Package Products Co., ltd(Package Products for short) was the sino-foreign joint venture jointly set up by Hefei Paper Box Plant, original Meiling Group and Singapore Anda Development Co., Ltd in December 1993, which approved by [HWJZ(1993) No. 0444] of Foreign Trade and Economic Committee of Hefei City with its register capital of US\$ 3.067 million. The register capital while established have been verified by [HKHY(1995) No. 5] from original Hefei CPAs Co., Ltd. On December 30, 2002, being approved by [HWJ(2002) No. 259] of foreign trade Economic Cooperation Bureau of Hefei City, 48.28% equity owned by Hefei Paper Box Plant transferred to the Company. On June 17, 2005, 25% equity owned by Singapore Anda Development Co., Ltd transferred to original Meiling Group freely by one-time. The Company turned into domestic-capital enterprice from foreign-capital enterprise with changed registered capital of RMB 18.4 million. The re-register of register capital being verified by [WCQYZ(2005) No. 256] from Anhui CHengqin CPAs Co., Ltd. After equity transferred, the Company invested RMB 8.88 million accounting 48.28% in register capital while Meiling Group invested RMB9.52 million with 51.72% in register capital.

Registration No. of the Business License of Corporation Legal Person: 3401001007135; Address: Meiling Industry Zone,Dong twenty bu, Hefei City; Legal Representative: Huang Danian; Business Scope: Manufacture and sales of corrugated board, paper boxes, paper element, EPS, foam package materials and aluminum foil sealing tape

(13) Hefei Meiling Enviornmet-friendly Package Materials Co., Ltd. (Enviornmet-friendly Packageforshort) was set up on May 11, 2005 with register capital of RMB 0.8 million. The original Meiling Group invested RMB 0.64 million, accounting 80% of register capital. RMB 0.16 million was invested by Hefei meiling Economy Development Co., Ltd. As monetary capital, accounting 20% of register capital. Hefei meiling Economy Development Co., Ltd. Transferred its 20% equity to original Meiling Group on July 20, 2009.

Registration No. of the Business License of Corporation Legal Person: 340122000010381; Address: Meiling Industry Zone,Dong twenty bu, Hefei City; Legal Representative: Sun Qingfeng; Manufacture and sales of belt, EPS, foam products, PP hollow profile, molded pulp, honeycomb paperboard and materials of granulation package(products need for specific approved, should not be operation until approved)

(14) Hefei Meiling Appliance Industy&Commerce Co., Ltd. (Appliance Industy&Commerce for shott)was set up on June 17, 2003 with register capital of RMB 2 million. Among which, original

Meiling Group invested RMB 1.2 million in monetary capital, accounting 60% of register capital; Hefei Meiling Grant Hotel invested 0.6 million in monetary capital, accounting 30% of register capital and Hefei Meiling Washing Machine Co., Ltd. Invested RMB 0.2 million in monetary capital, accounting 10% of register capital. The investment being verified by [WDHYZ(2003) No. 1117] of Anhui Ludong CPAs Co., Ltd. On April 8, 2005, the original shareholder increased RMB 3 million(including RMB 857,823 monetary capital and RMB 2,142,177 undistribution profit) in the company. The investment proportion remain the same as usual. The capital increasement verified by [WDHYZ(2005) No. 1095] of Anhui Ludong CPAs Co., Ltd. On September 23, 2008, 30% equity and 10% equity owned by Hefei Meiling Grant Hotel and Hefei Meiling Washing Machine Co., Ltd respectively transferred to original Meiling Group in total.

Registration No. of the Business License of Corporation Legal Person: 340122000001039; Address: Feidong Xincheng Development Zone, Hefei City; Legal Representative: Jiang Chanzhi; Business scope: Manufacture and sales of household apparatus (products need for specific approved, should not be operation until approved)

(15) Hefei Maston Appliance Co., Ltd (Maston for short) was set up in November 2004 with registercapital of RMB 3 million. Among which, original Meiling Group invested RMB 0.7 million with 23.33% equity held. Liu Shikun(individual person) invested 0.94 million with 31.33% equity held while Li Xunzhu (individual person) invested RMB 1.36 million with 45.34% equity held. The investment being verified by [WDHYZ(2005) No. 1063] of Anhui Ludong CPAs Co., Ltd. The increased register capital of RMB 0.98 million on December 31, 2006. Among which, original Meiling Group increased RMB 0.25 million, Liu Shikun increased RMB 0.22 million while Li Xunzhu increased RMB0.51 million. The register capital after increasing will be RMB 3.98 million. On July 29, 2009, 29.15% and 46.98% equity owned by Liu Shikun and Li Xunzhu respectively transferred to original Meiling Group.

Registration No. of the Business License of Corporation Legal Person: 340106000034030; Address: No.669, Changjiang West Road, Hefei City; Legal Representative: Jiang Chanzhi; Business scope: R&D, manufacture and sale of refrigerator and small appliance and other appliance

(II) Special purpose entities or the operating entities with controlling rights formed through entrusted operations or leases: Nil

(III) Changes in the consolidation scope of the consolidated financial statements of the year

1. The companies newly consolidated during the year

Name	Reason	Holdin g propor tion (%)	Net assets at year-end	Net profit of the year
Subsidiary newly consolidated in the year				
Hefei Meiling Group Holding Co., Ltd. ^{Note1}	Consolidated by holding	100.00	44,029,186.28	-19,897,152.28
Sub-subsidiary newly consolidated in the year				
Meiling Yingkaite Appliance (Hefei) Co., Ltd.	Subsidiary of MeilingGroup	100.00	-23,825,630.28	-4,439,583.09
Hefei Yingkaite Apparatus Co., Ltd.	Subsidiary of MeilingGroup	100.00	4,493,498.30	-3,504,212.25
Hefei Meiling Non-ferrous Metal Products Co., Ltd.	Subsidiary of MeilingGroup	100.00	11,970,970.53	1,542,206.29

Hefei Meiling Precision Tube Co., Ltd.	Subsidiary of Meiling Group	100.00	-3,454,644.77	-1,819,775.53
Hefei Meiling Package Products Co., Ltd. ^{Note2}	Subsidiary of Meiling Group	51.72	51,735,185.76	-380,262.24
Hefei Meiling Environment-friendly Package Materials Co., Ltd.	Subsidiary of Meiling Group	100.00	1,051,937.30	51,828.87
Hefei Maston Appliance Co., Ltd.	Subsidiary of Meiling Group	100.00	4,113,939.57	-512,812.40
Hefei Meiling Appliance Industry & Trading Co., Ltd.	Subsidiary of Meiling Group	100.00	-68,843.54	-3,608,221.34
Xinxiang Meiling Apparatus Marketing Co., Ltd. ^{Note3}	Sub-subsidiary of newly joint venture	39.00	2,492,108.67	-1,007,891.33
Bengbu Meiling Apparatus Marketing Co., Ltd. ^{Note4}	Sub-subsidiary of newly joint venture	85.00	3,000,000.00	-
Wuhu Meiling Apparatus Marketing Co., Ltd. ^{Note5}	Sub-subsidiary of newly joint venture	36.00	6,000,000.00	-
Changchun Meiling Apparatus Marketing Co., Ltd. ^{Note6}	Sub-subsidiary of newly joint venture	97.00	3,000,000.00	-
Luohe Meiling Apparatus Marketing Co., Ltd. ^{Note7}	Sub-subsidiary of newly joint venture	37.00	5,000,000.00	-
Hengyang Meiling Apparatus Marketing Co., Ltd. ^{Note8}	Sub-subsidiary of newly joint venture	36.00	3,000,000.00	-

Note1: net assets and net profit this year for Meiling Group was the data listed in consolidated statement.

Note2: 51.72% equity of Package Products was held by Meiling Group, and the Company held other 48.28% equity, therefore, the Company with 100% equity of Package Products held indirectly/directly.

Note3: Xinxiang Meiling Apparatus Marketing Co., Ltd was established on May 17, 2010 with register capital of RMB3.5 million. Among which, Meiling Marketing invested RMB1,365,000 with 39% in total register capital; nature of the enterprise was other Limited Company; Address for business: 8# Building, Jiahe Yangguang Yuan, Gangli Company, No. 169, Xihua Revenue; Legal representative L Yue Chaoyang; Business scope: whole sales and retails of apparatus.

Note4: Bengbu Meiling Apparatus Marketing Co., Ltd was established on December 27, 2010 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB2.25 million with 85% in total register capital; nature of the enterprise was other Limited Company; Address for business: East House of 16 Floor, Office Building, East part, 9-18 Floor, New Centry Plaza, Huihe Road, Bengbu City; Legal representative: Cui Lianbin; Business scope: sales and maintenance of household apparatus.

Note5: Wuhu Meiling Apparatus Marketing Co., Ltd was established on December 24, 2010 with register capital of RMB 6 million. Among which, Meiling Marketing invested RMB2.16 million with 36% in total register capital; nature of the enterprise was other Limited Company; Address for business: No. 1002, Qiaohong International Commercial Town, Jinhu District, Wuhu City; Legal representative: Cui Lianbin; Business scope: sales and maintenance of household apparatus.

Note6: Changchun Meiling Apparatus Marketing Co.,Ltd was established on December 22, 2010 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB2.91 million with 97% in total register capital; nature of the enterprise was other Limited Company; Address for business: 301 South part, No. 21, Ximinzhu Street, Chaoyang District, Changchun City; Legal representative: Tang Yiliang; Business scope: sales and maintenance of household apparatus.

Note7: Luohe Meiling Apparatus Marketing Co.,Ltd.was established on December 10, 2010 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB1.85 million with 37% in total register capital; nature of the enterprise was other Limited Company; Address for business: Middle part, Huanghe Road, Yancheng District, Luohe City; Legal representative: Guo Gang; Business scope: sales and maintenance of household apparatus.

Note8: Hengyang Meiling Apparatus Marketing Co.,Ltd.was established on December 24, 2010 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB1.08 million with 36% in total register capital; nature of the enterprise was other Limited Company; Address for business: No.302, Yujia Community, Yujiazhu, Jiangdong Village, ZHuhui District, Hengyang City; Legal representative: Zhu Pu; Business scope: sales and maintenance of household apparatus.

2. The companies deconsolidated in the year: Nil

(IV) Business combination during the year

1. The subsidiaries obtained through business combination under the same control: Nil

2. The subsidiaries obtained through business combination under the different control

Name	Registration place	Registered capital	Investment amount	Holding proportion	Business scope
Hefei MeilingGroup Holding Co., Ltd.	Hefei	80,000,000	113,630,000	100%	Manufacture of washing machine, plastic products, fine welded pipe, cooling fittings, package products and decoration products; Self-produced products and raw&auxiliary materials, machinery equipment, instrument and general merchandise sales

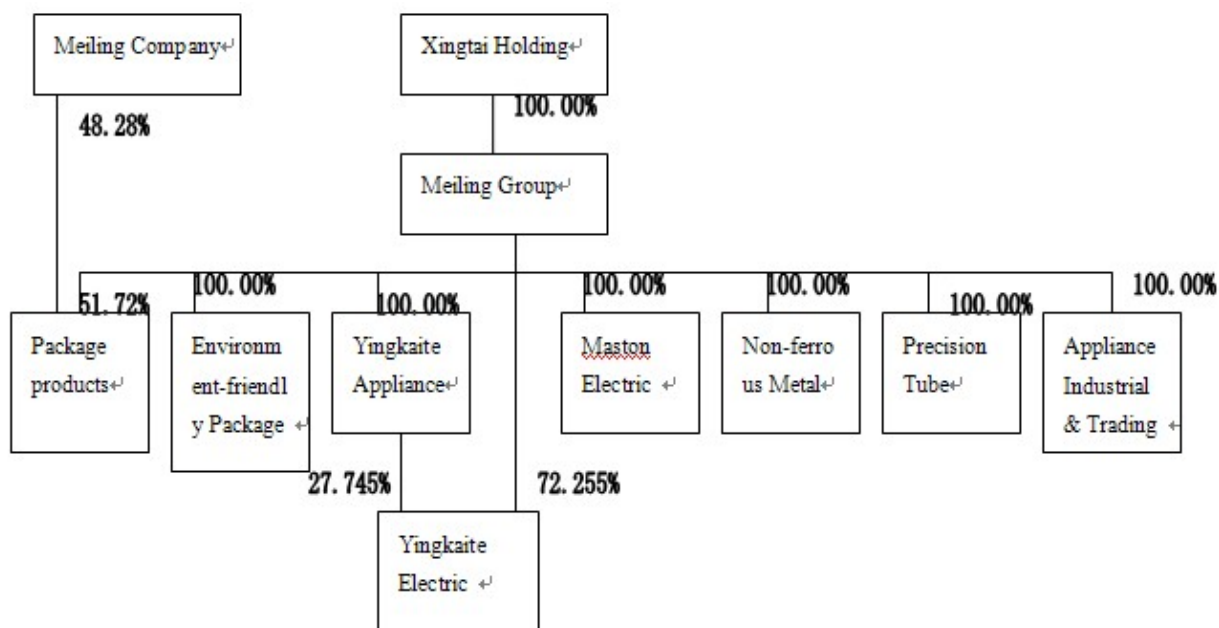
(1) Profiel of subsidiary

The original Hefei MeilingGroup Holding Co., Ltd came from original Hefei Second Light Industry Machinery Plant, and changed its name to Hefei Refregirator General Plant in 80's. Use the "Meiling " trademark since from 1984. and on May 10, 1990, the Hefei MeilingGroup Holding Co., Ltd established with the core of Hefei Refregirator General Plant. In 1992, the Company was established, and original Meiling Group was the controlling shareholders of the Company. 20.03% equity of the Company held by original Meiling Group was tranfered to Sichan Changhong and Changhong Group on May 18, 2006, than Sichuan Changhong came to the controlling shareholder of the Company. On May 29, 2008, 100% state-owned equity of original Meiling Group, including 7.49% equity of the Company, freely transferred to Xingtai Holdings by SASAC of Hefei City.

The Company entered into the *Transference Contract of Property Rights* with Xingtai Holding

on March 25, 2010. and agreed to transfer 100% State-owned property after partial assets liability separated of Meiling Group owned by Xingtai Holding. Meiling Group transference of property rights including the follow assets:

① Long-term equity investment: 100% state-owned equity of Hefei Meiling Appliance Industry & Trading Co., Ltd., Meiling Yingkaite Appliance (Hefei) Co., Ltd., Hefei Yingkaite Apparatus Co., Ltd., Hefei Meiling Non-ferrous Metal Products Co., Ltd., Hefei Mailing Precision Tube Co., Ltd., Hefei Meiling Environment-Friendly Package Materials Co., Ltd. and Hefei Meston Appliance Co., Ltd.; 51.72% state-owned equity of Hefei Meiling Package Products Co., Ltd. Equity structure of the above subsidiary before transferred:



② Intangible assts: exclusive right of register trademark of “Meiling” and its trade name. There are 28 categories commercials registered under the trademark of “Meiling”. Meiling Group owns the exclusive right of register trademark of “Meiling” excluding the commercials listed in numer category 11. At the same time, owns the free use rights of “Meiling” for 23-year in numer category 11 except the refrigerator, freezer and air-conditioner.

The transference registration procedures of Industry and Commerce concerning the equity transfer of Meiling Group have finished on July 28, 2010. After ownership transference finished, the Company owns 100% equity of new Meiling Group after partial assets liabilities separation.

(2) July 28, 2010 was the purchased date of holding consolidation under different control, basis for recognition:

① Enterprise consolidate contract or agreement have been approved by Shareholders’ General Meeting: On April 12, 2010, proposal of transferred 100% state-owned property of Meiling Group has been approved by 1st Extraordinary Shareholders’ general Meeting 2010 of the Company

②Enterprise consolidation should approved by relevant state departments: On April 9, 2010, SASAC of Hefei City approved that agreed to transfer 100% State-owned property after partial assets liability seperation of Meiling Group owned by Xingtai Holding to the Company.

③ Property transfer procedures: the transference registration procedures of Industry and Commerce concerning the equity transfer of Meiling Group have finished on July 28, 2010.

④Consolidator or purchaser have paid most of the amount(generally more than 50%) and have the ability for paying the remaining amount in schedule: The Company paid RMB 20 million on March 31, 2010 and rest of RMB 93.2 million have been paid on June 30, 2010.

⑤ Consolidator or purchaser actually have controlled the financial and business strategy of the consolidate or acquiree, and shares corresponding benefits and bear corresponding risk: *Transference Contract of Property Rights* agreed that: “after transferred amount totally in paid to seller, the seller should assistant the buyer in procedure of ownership transfer. Business gains/losses of transferred target during the time from contract signed to ownership transfer should enjoyed ot bear by the buyer. ”

Therefore, till the end of July 28, 2010, the re-registration of industrial and commercial under the name of Meiling Group has finished while qualify the transferring of actual controlling right.

(3) Liability of recognized asets of acquiree

Items	July 28, 2010(acquisition date)	
	Book value	Fair value
Long-term equity investment	15,956,200	54,000,800
Intangible assets(trademark)	34,257,200	48,706,400
Total	50,113,400	102,707,200

(4) Pursuit to the *Transference Contract of Property Rights*, the Company purchased Meiling Group with RMB113.2 million, relevant auditing and evaluation fee amounting to RMB 0.43 million, totally acquisition cost was RMB 113.63 million, which was paid by monetary capital. The evaluation report of (WGXPBZ[2010] No. 148) from Anhui Guoxin Assets Evaluation Company Limited stated that relevant assts on June 30, 2010 and evecalation result under relevant premise was RMB 104,797,800. Based on the avaluated fair value on the base date, adjusted the book value of recognizable assets liability item dated July 28, 2010(purchased date) to fair value of RMB 102,707,200. After adjustment, the differences of RMB 10,922,800 between RMB 11,363,000 consolidation cost and RMB 102,707,200 fair value of recognizable net assets gained from Meiling Group will recognize as goodwill.

(5) particular about business after acquisition date of acquiree

Items	July 28, 2010(acquisition date)- December 31, 2010
Business income	169,364,215.20
Net profit	-19,897,152.28

Net cash flow arising from operating activities	-29,137,142.54
Net cash flow	-9,935,078.45

(V) Translation of foreign currency statements: Nil

VIII. Notes to the major items in the consolidated financial statements

With respect to the financial statements figures disclosed below, unless otherwise specified, “year-beginning” refers to Jan. 1, 2010; “year-end” refers to Dec. 31, 2010; “the year” refers to Jan. 1 to Dec. 31, 2010; “the last year” refers to Jan. 1 to Dec. 31, 2009; the currency is RMB.

Annotation 1. Monetary fund

Item	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
Cash holdings			315,125.48			109,910.06
RMB	315,125.48		315,125.48	109,910.06		109,910.06
Bank deposit			1,711,459,024.44			590,487,924.37
RMB	1,681,969,769.91		1,681,969,769.91	578,401,640.58		578,401,640.58
USD	4,252,397.72	6.6227	28,162,354.38	1,743,498.87	6.8282	11,904,958.98
EUR	136,031.58	8.8065	1,197,962.10	16,807.28	9.7971	164,662.60
GBP	-		-	21.63	10.978	237.45
JPY	20.00	0.0816	1.63	211,215.00	0.0738	15,587.67
HKD	151,524.12	0.8509	128,936.42	950.71	0.8805	837.09
Other monetary fund			274,666,354.37			156,974,611.45
RMB	252,374,879.88		252,374,879.88	125,248,411.02		125,248,411.02
USD	3,261,604.39	6.6227	21,600,627.38	3,669,437.82	6.8282	25,055,651.65
EUR	78,447.41	8.8065	690,847.11	680,559.01	9.7971	6,667,504.63
AUD	-		-	496.65	6.1294	3,044.15

Item	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
Total			1,986,440,504.29			747,572,445.88

Monetary fund increased RMB 1,238,868,058.41 at year-end as compared with that of year-beginning, primarily due to the accounts that received from private placement RMB 1,177,954,320.00 received in account on December 24, 2010.

Other monetary fund mainly included acceptance draft deposit and foreign exchange bank deposit which still needed verification. Except deposit, no such following funds were included in the aforementioned monetary fund: fund whose cashing procedure could be restricted by mortgage or frozen, fund which was kept abroad and fund which could not be callback potentially as well.

Annotation 2. Notes receivable

(1) Category of notes receivable

Category	Amount at year-end	Amount at year-beginning
Bank acceptance notes	1,194,506,906.44	891,395,483.60
Commercial acceptance	-	1,352,888.48
Total	1,194,506,906.44	892,748,372.08

Notes receivable increased 33.80% to RMB 301,758,534.36 at year-end as compared to year-beginning, primarily due to decrease in notes discount caused from expanded sales, increase in collection of sales amounts and the decrease of indorsement and discount.

(2) Notes receivable mortgaged by end of the year amounting to RMB 19,260,000.00, details as:

Category	Issuing company	Issuing	Maturity	Amount
Bank acceptance	Jiangsu Five-star Apparatus Co., Ltd.	2010-7-16	2011-1-16	11,350,000.00
Bank acceptance	Jiangsu Five-star Apparatus Co., Ltd.	2010-7-5	2011-1-5	7,110,000.00
Bank acceptance	Jiangsu Yaguang Metal Products Co., Ltd.	2010-8-25	2011-2-25	300,000.00
Bank acceptance	Shandong Longji Machinery Holding Co., Ltd.	2010-8-26	2011-2-26	200,000.00

Bank acceptance	Shanxi Dazhai Drinks Co., Ltd.	2010-8-27	2011-2-27	100,000.00
Bank acceptance	Yancheng Boyang Commerce Trading Co., Ltd.	2010-9-25	2011-3-25	100,000.00
Bank acceptance	Shucheng Lande Chemical IndustryCO., Ltd.	2010-9-28	2011-3-28	100,000.00
Total				19,260,000.00

(3) Notes endorsed to others but not yet due at the end of the year amounting to RMB 38,203,286.32, details for large amount as:

Category	Issuing company	Issuing	Maturity	Amount	Note Serials
Bank acceptance	Jiangsu Five-star Apparatus Co., Ltd.	2010-8-16	2011-2-16	13,140,000.00	816000362221
Bank acceptance	Electrolux (China) Electric Co., Ltd.	2010-11-15	2011-2-15	2,563,201.00	AA0110208965
Bank acceptance	Xinjiang Gome Electric Co., Ltd.	2010-9-25	2011-3-25	2,218,040.73	GB0102337603
Bank acceptance	Bazhou Xinya Metal Products Co., Ltd.	2010-7-19	2011-1-19	2,000,000.00	GA0105129855
Bank acceptance	Tianjin Longshen Xinda Metal Materials Co., Ltd.	2010-8-11	2011-2-11	2,000,000.00	GA0106716316
Bank acceptance	Bazhou Tianli Tube Co., Ltd.	2010-9-20	2011-3-20	2,000,000.00	GA0105131508
Bank acceptance	Shanxi Huatong Road & Bridge Maintenance Co., Ltd.	2010-11-26	2011-5-25	2,000,000.00	GB0103930999
Bank acceptance	Chengdu Dicheng Mechanical Electronics Co., Ltd.	2010-11-25	2011-5-25	2,000,000.00	GA0105893980
Bank acceptance	Chongqing Gome Electric Co., Ltd.	2010-9-3	2011-3-2	1,982,044.59	GA0105702028
Total				29,903,286.32	

Annotation 3. Accounts receivable

(1) Accounts receivable classify by account age

Item	Amount at year-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	381,516,498.19	96.64	17,089,751.23	76.99	318,680,142.47	92.43	10,972,111.15	39.65
1-2 years	6,815,713.12	1.73	861,812.90	3.88	6,950,868.08	2.02	1,042,630.21	3.77
2-3 years	2,425,433.81	0.61	2,109,034.22	9.50	7,462,079.14	2.16	3,971,833.66	14.35

Item	Amount at year-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
3-4 years	3,336,760.22	0.85	2,078,759.50	9.37	6,174,003.82	1.79	6,167,067.62	22.29
4-5 years	21,703.00	0.01	21,703.00	0.10	3,817,036.35	1.11	3,816,389.60	13.79
Over 5 years	642,946.08	0.16	34,983.45	0.16	1,702,265.73	0.49	1,702,265.73	6.15
Total	394,759,054.42	100.00	22,196,044.30	100.00	344,786,395.59	100.00	27,672,297.97	100.00
Net value	372,563,010.12				317,114,097.62			

(2) Disclosure of accounts receivable by category

Item	Amount at year-end				Amount at year-beginning			
	Book balance		Reserve for bad		Book balance		Reserve for bad	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant account receivable and withdrawal bad debt provision singly	-	-	-	-	76,776,775.28	22.27	3,838,838.76	5.00

Account receivable withdrawal bad debt provision by combination

Account contact except with related parties	350,825,120.23	88.87	19,663,114.97	5.60	153,036,228.63	44.39	9,926,735.13	6.49
account contact with related parties	41,401,004.86	10.49	-	-	101,066,667.60	29.31	-	-
Subtotal of combination	392,226,125.09	99.36	19,663,114.97	5.01	254,102,896.23	73.70	9,926,735.13	3.91
Account receivable with single minor amount but withdrawal bad debt provision singly	2,532,929.33	0.64	2,532,929.33	100.00	13,906,724.08	4.03	13,906,724.08	100.00
Total	394,759,054.42	100.00	22,196,044.30	5.62	344,786,395.59	100.00	27,672,297.97	8.03
Net value	372,563,010.12				317,114,097.62			

(3) Account receivable with single major amount but withdrawal bad debt provision singly: Nil

(4) In combinations, withdrawal bad debt provision of account that except the connection with related parties by account age analysts:

Age	Amount at year-end			Amount at year-beginning		
	Amount	Percentage (%)	bad debt provision	Amount	Percentage (%)	bad debt provision
With 1year	341,795,024.33	5	17,089,751.23	140,836,699.59	5	7,041,834.98
1-2years	5,745,419.25	15	861,812.89	6,950,868.08	15	1,042,630.21
2-3 years	484,807.82	35	169,682.74	5,228,935.50	35	1,830,127.43
3-4 years	2,795,557.15	55	1,537,556.43	15,413.78	55	8,477.58
4-5 years	-	85	-	4,311.68	85	3,664.93
Over 5 years	4,311.68	100	4,311.68	-	100	-
Total	350,825,120.23		19,663,114.97	153,036,228.63		9,926,735.13
Net value	331,162,005.26			143,109,493.50		

(5) Account connect with related parties in combination:

Combination	Book balance	Provision proportion(%)	Bad debt provision
Account connect with related parties	14,054,424.56	-	-
Letter of Credit	20,283,503.19	-	-
Account receivable insured	5,638,118.29	-	-
Other	1,424,958.82	-	-
Total	41,401,004.86		

(6) Account receivable with single minor amount but withdrwal bad debt provision singly at year-end

Details of account receivable	Book balance	Bad debt provision	Provision proportion(%)	Reasons
Weifang Branch of replacing of user receiver	40.00	40.00	100%	Cease business
Nanjing Central Emporium Co., Ltd,	512,925.85	512,925.85	100%	contact for 2 to 3 years;
Zhejiang Yongle Appliance Co., Ltd.(Taizhou)	95,090.82	95,090.82	100%	predicted un-receivable for failue
Gaomi Sanhe Appliance Sales Co., Ltd.	610,458.57	610,458.57	100%	urging

Cifeng Baixin Apparatus Co., Ltd.	271,114.97	271,114.97	100%	
Jilin Gome Electrical Appliance Co., Ltd. anji	228,980.32	228,980.32	100%	
Helong Bajiazi Zaolin Apparatus	2,231.60	2,231.60	100%	
Yichun Jixing Household Appliance Mall	218,509.36	218,509.36	100%	
Department Store of Wendeng City Shandong Province	129,051.14	129,051.14	100%	
Shanxi Yongle-Dazhong Life Apparatus Company	94,067.09	94,067.09	100%	
Jiangsu Zhenjiang GomeElectrical Appliance Co., Ltd.	176,425.61	176,425.61	100%	
Jilin Gome Electrical Appliance Co., Ltd.(Ulan Bator)	90,071.23	90,071.23	100%	
Liuzhou Minyu Hardware Business Department	51,588.00	51,588.00	100%	
Hongtaiyang Apparatus Mall of Longsha Distric, Qiqihaer	1,470.00	1,470.00	100%	
Jinhua Suning Appliance Co., Ltd.	7,122.00	7,122.00	100%	
Jiangxi HongtaiAppliance Industry Trading Co., Ltd.	2,698.00	2,698.00	100%	predicted un-receivable for long account age
Tongliao WantongApparatus Commerce Trading Co., Ltd.	10,413.00	10,413.00	100%	
Linlong Hygiene Products Co., Ltd.	6,222.00	6,222.00	100%	
Hefei Greatwall Refrigeration Technology Co., Ltd.	24,449.77	24,449.77	100%	
Total	2,532,929.33	2,532,929.33		

(7) switch-back of bad debt provision: Nil

(8) Account receivable received before 2010 which have been verified: Nil

(9) Being approved by the 33th Meeting of 6th Board, totally 84 companies have been verified for their account receivables in the year due to bankruptcy or cease business contact with over 3 years and un-receivable. Verified account receivable amounting to RMB 8,036,080.78 which arised from non-related transactions.

(10) Arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company

Company	Amount at year-end		Amount at year-beginning	
	Amount in	Provision	Amount in	Provision
Sichuan Changhong Electric Co., Ltd.	417,189.59	-	71,448,305.06	-

(11) Particular about Top five accounts receivable

Company	Relationship with the Company	Amount	Age	Percentage in total accounts receivable
Suning Appliance Co., Ltd.(Nanjing)	Non-related party	90,681,843.92	Within one year	22.71%
Electrolux (China) Electric Co., Ltd.	Non-related party	17,132,131.98	Within one year	4.29%
Chengdu Gome Electrical Appliance Co., Ltd.	Non-related party	14,415,073.90	Within one year	3.61%
Jiangsu Five Star Apparatus Co., Ltd.	Non-related party	10,943,178.21	Within one year	2.74%
Beijing Dazhong Household Apparatus Chain	Non-related party	10,158,980.22	Within one year	2.54%
Total		143,331,208.23		35.89%

(12) Details of account receivable from related parties foundn in (III) of Annotation 9

(13) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	7,846,228.46	6.6227	51,963,217.22	4,205,809.36	6.8282	28,718,107.47
EUR	29,025.24	8.8065	255,610.78	328,721.23	9.7971	3,220,514.76
AUD	851,315.96	6.7139	5,715,650.22	-	-	-
Total			57,934,478.22			31,938,622.23

(14) No derecognition account receivable.

Annotation 4.Accounts paid in advance

(1) Account paid in advance classify according to age structure

Item	Amount at year-end		Amount at year-beginning	
	Amount	Percentage	Amount	Percentage
Within 1 year	182,900,811.86	97.79	101,230,842.68	92.26
1—2 years	327,345.28	0.18	5,311,572.76	4.84

2—3 years	76,300.02	0.04	-	-
Over 3 years	3,722,320.43	1.99	3,178,962.50	2.90
Total	187,026,777.59	100.00	109,721,377.94	100.00

(2) Account of top five companies paid in advance

Company	Relationship with the Company	Amount	Age	Reason for unsettlement
Anhui BaosteelSteel Distribution Co., Ltd.	Non-related parties supplier	44,230,980.24	Within 1 year	Goods not received
Huntsman Polyurethanes Shanghai Ltd.	Non-related parties supplier	33,756,893.01	Within 1 year	Goods not received
Yantai WanHua Polyurethanes Co., Ltd.	Non-related parties supplier	17,992,755.67	Within 1 year	Goods not received
KIEFEL GMBH(Kiefel)	Non-related parties supplier	11,471,342.58	Within 1 year	Pending for settlement
CANNON FAR EAST PTE LTD	Non-related parties supplier	8,309,448.34	Within 1 year	Goods not received
Total		115,761,419.84		

(3) The accounts paid in advance at the end of the year did not include any arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company.

(4) Balance of the accounts paid in advance in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	1,830,316.92	6.6227	12,121,639.87	545,863.65	6.8282	3,727,266.18
EUR	2,164,502.01	8.8065	19,061,686.95	31,165.69	9.7971	305,333.37
Total			31,183,326.82			4,032,599.55

Annotation 5. Other accounts receivable

(1) Other account receivable classify by age structure

Item	Amount at year-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	39,208,026.45	60.08	760,165.28	19.78	16,612,315.89	69.23	772,660.35	13.63

1-2years	22,347,466.57	34.24	227,459.29	5.92	1,829,922.54	7.63	193,938.38	3.42
2-3 years	770,794.75	1.17	269,778.17	7.01	846,638.88	3.53	280,223.61	4.94
3-4 years	501,908.48	0.77	258,282.62	6.72	285,990.00	1.19	36,294.50	0.64
4-5 years	154,731.00	0.24	46,521.35	1.21	2,299,075.05	9.58	2,265,175.33	39.96
Over 5years	2,281,621.65	3.50	2,281,621.65	59.36	2,120,591.33	8.84	2,120,591.33	37.41
Total	65,264,548.90	100.00	3,843,828.36	100.00	23,994,533.69	100.00	5,668,883.50	100.00
Net value	61,420,720.54				18,325,650.19			

(2) Other accounts receivable increased RMB 43,095,070.35 at the end of the year as compared to the beginning of the year. Among which, RMB 19,417,314.93 was the export tax rebate from Zhongshan Changhong, RMB 22,009,000.00 was provided by Apparatus Marketing Company to Joint-venture marketing company as invested capital, the Joint-venture company still in the process of business license handling, so reckon into other account receivable.

(3) Other account receivables classify by category

Item	Amount at year-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant account receivable and withdrawal bad debt provision singly	-	-	-	-	2,073,076.93	8.64	2,073,076.93	100.00
Account receivable withdrawal bad debt provision by combination								
Accounts except the reserve loans, investment loans and connected account with related parties	18,699,890.11	28.65	1,776,211.40	9.50	17,827,479.93	74.30	1,475,215.24	8.27
Accounts of reserve loans, investment loans and connected account with related parties	44,497,041.83	68.18	-	-	1,973,385.50	8.22	-	-
Subtotal of combination	63,196,931.94	96.83	1,776,211.40	2.81	19,800,865.43	82.52	1,475,215.24	7.45
Account receivable with single minor amount but withdrawal bad debt provision singly	2,067,616.96	3.17	2,067,616.96	100.00	2,120,591.33	8.84	2,120,591.33	100.00

Total	65,264,548.90	100.00	3,843,828.36	5.89	23,994,533.69	100.00	5,668,883.50	23.63
Net value	61,420,720.54				18,325,650.19			

(4) Significant other account receivable and withdrawal bad debt provision singly: Nil

(5) Among combinations, the withdrawal of bad debt provision by age analysts on accounts except the reserve loans, investment loans and connected account with related parties:

Age	Amount at year-end			Amount at year-beginning		
	Amount	Percentage (%)	Reserve for bad debts	Amount	Percentage (%)	Reserve for bad debts
within 1 year	15,725,972.20	5	786,298.61	15,453,207.00	5	772,660.35
1-2 years	1,561,541.94	15	234,231.30	1,292,922.53	15	193,938.38
2-3 years	748,371.50	35	261,930.03	789,362.28	35	280,223.61
3-4 years	360,329.70	55	198,181.34	65,990.00	55	36,294.50
4-5 years	54,031.00	85	45,926.35	225,998.12	85	192,098.40
over 5 years	249,643.77	100	249,643.77	-	100	-
Total	18,699,890.11		1,776,211.40	17,827,479.93		1,475,215.24
Net value	16,923,678.71			16,352,264.69		

(6) Among combinations, accounts of reserve loans, investment loans and connected account with related parties

Combination	Book balance	Withdrawal proportion	Bad debt provision	Age
Employee's reserve loans	22,488,041.83	-	-	within 1 year
Investment loans	22,009,000.00	-	-	within 1 year
Total	44,497,041.83	-	-	

(7) Other account receivable with single minor amount but withdrawal bad debt provision singly at year-end

Details of other account receivable	Book balance	Bad debt provision	Withdrawal proportion	Reasons
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Resignation staff	1,796,019.96	1,796,019.96	100%	Un-recoverable
Hubei MeilingTransport team	271,597.00	271,597.00	100%	Lawsuit failue ,unrecover
Total	2,067,616.96	2,067,616.96		

(8) Reversal of reserve for bad debts: Nil

(9) Other account receivable received before 2010 which have been verified: Nil

(10) Other account receivables verified this year approved by the 33rd Meeting of 6th Board:

Company	Nature of account	Verified amount	Reasons	Raised from related transaction Yes/No
Jiangxi Kesheng Industry& Trading Co., Ltd.	Loans	2,073,076.93	Difficulty in receiving	No

(11) Other receivables at the end of the year did not include the arrears of the shareholders holding more than 5% (including 5%) of shares with voting rights of the Company.

(12) Top five of other account receivable

Company	Relationship with the Company	Amount	Age	Proportion in total other receivables
Meiling Appratus marketing-investment paid in advance	Related party	22,009,000.00	within1 year	33.72%
Export tax refund	Non-related party	19,417,314.93	within1 year	29.75%
Reserve fund of Jinan branch	Marketing branch	811,219.41	within1 year	1.24%
Reserve fund of Shenyang branch	Marketing branch	778,713.85	within1 year	1.19%
Reserve fund of Changsha branch	Marketing branch	659,298.88	within1 year	1.01%
Total		43,675,547.07		66.91%

(13) Other account receivable from related parties: Nil

(14) Derecognition of other account receivable: Nil

Annotation 6. Inventories

(1) Classification of inventories

Item	Amount at year-end			Amount at year-beginning		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Raw materials	211,396,131.40	12,194,478.76	199,201,652.64	121,717,700.47	1,059,300.55	120,658,399.92
Stock commodities	1,206,099,840.88	66,645,310.66	1,139,454,530.22	728,277,821.44	62,122,441.19	666,155,380.25
Low value consumable articles	9,213,036.97	-	9,213,036.97	2,944,921.07	-	2,944,921.07
Goods in transit	145,342,435.25	2,483,014.63	142,859,420.62	189,767,136.17	-	189,767,136.17
Goods-in-process	78,035,957.67	1,116,977.45	76,918,980.22	59,535,475.82	376,628.57	59,158,847.25
Deferred expense for entrust process materials	15,520,346.20	-	15,520,346.20	14,017,455.60	-	14,017,455.60
	860,323.76	714,889.55	145,434.21	-	-	-
Total	1,666,468,072.13	83,154,671.05	1,583,313,401.08	1,116,260,510.57	63,558,370.31	1,052,702,140.26

(2) Provision for impairment of inventories

Item	Amount at the year-beginning	Increase during the year	Decrease during the year		Amount at the year-end
			reversal	Switch-back	
Raw materials	1,059,300.55	11,845,671.52	-	710,493.31	12,194,478.76
Goods in process	376,628.57	740,348.88	-	-	1,116,977.45
Stock commodities	62,122,441.19	4,522,869.47	-	-	66,645,310.66
Goods in transit	-	2,483,014.63	-	-	2,483,014.63
Entrust process materials	-	714,889.55	-	-	714,889.55
Total	63,558,370.31	20,306,794.05	-	710,493.31	83,154,671.05

(3) Provision for impairment of inventories provided

Item	Provision basis	Reason for reversal during the year	Proportion of the reversal amount during the year in the period-end balance of the inventory
Raw materials	Compare the book cost and realizable net value of the inventory by category; provide or reverse provision for impairment of inventory at the balance of realizable net value lower than the book cost	-	
Goods in process		-	-
Stock commodities		-	-

Annotation 7. Available-for-sale financial assets

(1) Classification of available-for-sale financial assets

Item	Fair value at year-end	Fair value at year-beginning
Bonds available for sale	-	-
Equity instruments available for sale	-	134,011,570.00
Other	-	-
Total	-	134,011,570.00

The Company held 3,703,00 legal person shares of Anhui USTC Iflytek Co., Ltd. (abbreviated name: USTC Iflytek; stock code: 002230) at the beginning of the year with share cost of RMB 7,091,806.06. In 2010, the Company sale all the above shares gradually through the bidding transaction system of Shenzhen Stock Exchange with average price of RMB 39.08 per share. The Company held no shares of USTC Iflytek at the end of this year.

Annotation 8. Long-term equity investment

(1) Classification of long-term equity investment

Item	Amount at year-end	Amount at year-beginning
Long-term equity investment accounted in the cost method	11,270,000.00	10,260,000.00
Long-term equity investment accounted in the equity method	6,648,060.59	28,428,371.63
Total long-term equity investment	17,918,060.59	38,688,371.63
Less: Provision for impairment of long-term equity investment	-	1,660,000.00
Value of long-term equity investment	17,918,060.59	37,028,371.63

(2) Long-term equity investment accounted in the cost method and the equity method

Invested company	Holdin g propor tion (%)	Voting right propor tion (%)	Initial amount	Amount at year-beginnin g	Increase during the year	Decrease during the year	Amount at year-end	Cash dividend for the year
Accounting in the cost method								
1. Huishang Bank Co., Ltd.	1.15	1.15	5,000,000.00	5,000,000.00	-	-	5,000,000.00	4,360,593.46
2. Hefei Meiling Sigma Appliance Co., Ltd. ^{Note1}	20.00	20.00	1,660,000.00	1,660,000.00	-	1,660,000.00	-	-
3. Jiujiang Meiling Electric Marketing Co., Ltd. ^{Note2}	19.00	19.00	1,000,000.00	1,000,000.00	-	50,000.00	950,000.00	-
4. Chaohu Meiling Electric Marketing Co., Ltd. ^{Note2}	18.00	18.00	1,000,000.00	1,000,000.00	-	100,000.00	900,000.00	-
5. Haozhou Meiling Electric Marketing Co., Ltd. ^{Note2}	18.00	18.00	800,000.00	800,000.00	-	80,000.00	720,000.00	-
6. Guangyuan Meiling Electric Marketing Co., Ltd.	20.00	20.00	800,000.00	800,000.00	-	-	800,000.00	-
7. Guangxi Meiling Household Apparatus Co., Ltd.	20.00	20.00	1,000,000.00	-	1,000,000.00	-	1,000,000.00	-
8. Changzhou Meiling Electric Marketing Co., Ltd.	20.00	20.00	600,000.00	-	600,000.00	-	600,000.00	-
9. Xuancheng Meiling Electric Marketing Co., Ltd.	16.00	16.00	800,000.00	-	800,000.00	-	800,000.00	-
10. Buyang Meiling Electric Marketing Co., Ltd.	10.00	10.00	500,000.00	-	500,000.00	-	500,000.00	-
Subtotal	-	-	13,160,000.00	10,260,000.00	2,900,000.00	1,890,000.00	11,270,000.00	4,360,593.46
Accounting in the equity method								
1. Hefei Meiling Packing Products Co., Ltd. ^{Note3}	48.28	48.28	25,055,600.00	25,839,587.67	-	25,839,587.67	-	-
2. Anhui United Technology Property Exchange Co., Ltd.	28.57	28.57	1,000,000.00	2,588,783.96	-	256,971.23	2,331,812.72	-
3. Hefei Meiling Solar Energy Technology Co., Ltd. ⁴	32.75	32.75	3,111,400.00	-	4,316,247.87	-	4,316,247.87	-
Subtotal			29,167,000.00	28,428,371.63	4,316,247.87	26,096,558.91	6,648,060.59	-
Total			42,327,000.00	38,688,371.63	7,216,247.87	27,986,558.91	17,918,060.59	4,360,593.46

Note1: Business license of Hefei Meiling Sigma Appliance Co., Ltd. have been withdrwal. And verified required by the 33rd Meeting of 6th Board.

Note2: With the purpose of adapting to current appliance's market environment, the Company exploit new marketing mode and platform. In second half of 2009, the Company plan in the implementation of joint-venture. Till the end of December 31, 2010, 10 joint-ventures with different ways have been established gradually which realized the forwarding of sales platform and cost reduction. Comply with the investment agreement of joint-venture, the Company transferred RMB 50,000 equity of Jiujiang Meiling Apparatus Co., Ltd. to employee of the joint-venture, Liu Xiaohong; the Company transferred RMB 100,000 equity of Chaohu Meiling Apparatus Co., Ltd. to employee of the joint-venture, Zi Shiguang; the Company transferred RMB 80,000 equity of Haozhou Meiling Apparatus Co., Ltd. to employee of the joint-venture, Peng Yuzhi and Deng Zhenggang.

Note3: remaining 51.72% equity of Package Products Company was held by the Company indirectly

due to the Meiling Group holding consolidation under different control. Package Products Company came into the wholly-owned subsidiary of the Company, calculated based on cost method and off-setting consolidation.

Note: 4 Hefei Meiling Solar Energy Technology Co., Ltd., register capital was RMB9.5 million., among which, RMB 4,472,000 was invested by Hefei Huayi Investmetn Co., Ltd. with 47.07% in investment proportion; RMB 1,916,600 was invested by Hefei Xingtai Assets management Co., Ltd. with 20.18% in investment proportion and RMB 3,111,400 was invested by Hefei Maston Appliance Co., Ltd. with 32.75% in investment proportion.

(2) Investment in associated companies

Invested company	Business type	Registration place	Legal representative	Business quality	Registered capital	Holding proportion (%)	Voting right proportion (%)
Anhui United Technology Property Exchange Co., Ltd.	Limited Company	Hefei City	Chen Hua	Property trading	RMB50 million	28.57	28.57
Hefei Meiling Solar Energy Technology Co., Ltd.	Limited Company	Feidong County	Ren Sheming	Manufacture and sales	RMB 9.5 million	32.75	32.75

(continued)

Invested company	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total operating income of the year	Net profit of the year
Anhui United Technology Property Exchange Co., Ltd.	8,097,989.38	1,840,671.31	6,257,318.07	566,500.00	-899,444.27
Hefei Meiling Solar Energy Technology Co., Ltd.	53,509,621.94	40,335,891.78	13,173,730.16	60,875,512.54	2,125,329.89

(3) Provision for impairment of long-term equity investment

Invested company	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end	Reason for decrease
Hefei Meiling Sigma Appliance Co., Ltd.	1,660,000.00	-	1,660,000.00	-	Revoking the business license

Annotation 9. Investment properties

(1) Investment properties measured at costs

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Original value	18,858,648.21	5,200,216.00	-	24,058,864.21
Houses and buildings	17,941,956.83	5,200,216.00	-	23,142,172.83
Land use rights	916,691.38	-	-	916,691.38

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Accumulated	4,435,253.00	1,499,363.82	-	5,934,616.82
Houses and buildings	4,249,034.87	1,460,995.26	-	5,710,030.13
Land use rights	186,218.13	38,368.56	-	224,586.69
Provision for	-	-	-	-
Houses and buildings	-	-	-	-
Land use rights	-	-	-	-
Book value	14,423,395.21	-	-	18,124,247.39
Houses and buildings	13,692,921.96	-	-	17,432,142.70
Land use rights	730,473.25	-	-	692,104.69

(2) Particular about mortgage of investment property

Items	Land certificate serials	Area (M ²)	Net book value	Mortgage bank
Nantou Village, Nantou Town, Zhongshan City	Yue Real Estate Zhengzi No. C1628036	5,153.32	3,259,672.03	Foshan Branch of China Merchants Bank
Nantou Village, Nantou Town, Zhongshan City	Zhong Fuguoyong No. (2003) 020642	845.00	692,104.69	Foshan Branch of China Merchants Bank
Total		5,998.32	3,951,776.72	

Annotation 10.Fixed assets

(1) Classification of fixed assets by item

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Original value	1,267,747,876.12	254,855,167.00	26,071,160.31	1,496,531,882.81
Houses and buildings	376,730,987.50	107,216,541.88	5,335,697.00	478,611,832.38
Mechanical equipment	802,434,002.04	128,806,521.18	17,790,107.62	913,450,415.60
Transport equipment	25,511,879.29	6,947,668.69	2,833,170.80	29,626,377.18
Others	63,071,007.29	11,884,435.25	112,184.89	74,843,257.65

Item	Amount at year-beginning	Increase during the year		Decrease during the year	Amount at year-end
		Newly added	Withdrawal this year		
Accumulated depreciation	445,929,541.36			12,082,006.25	612,127,597.26
Houses and buildings	44,581,912.50	17,896,779.65	18,337,450.17	846,247.68	79,969,894.64
Mechanical equipment	372,987,216.71	38,418,453.38	89,111,866.33	8,781,696.63	491,735,839.79
Transport	13,553,535.25	1,982,038.07	3,033,876.83	2,411,640.05	16,157,810.10
Others	14,806,876.90	1,897,827.51	7,601,770.21	42,421.89	24,264,052.73
Provision for	19,146,612.83		5,643,504.22	5,619,964.04	19,170,153.01
Houses and buildings	950,000.00		900,000.00	-	1,850,000.00
Mechanical equipment	15,817,245.24		3,388,838.31	5,619,964.04	13,586,119.51
Transport equipment	596,067.96		-	-	596,067.96
Others	1,783,299.63		1,354,665.91	-	3,137,965.54
Book value	802,671,721.93		-	-	865,234,132.54
Houses and buildings	331,199,075.00		-	-	396,791,937.74
Mechanical equipment	413,629,540.09		-	-	408,128,456.30
Transport equipment	11,362,276.08		-	-	12,872,499.12
Others	46,480,830.76		-	-	47,441,239.38

In the fixed assets increased in the year, the amount transferred from construction in progress was RMB 21,951,315.86; the accumulated depreciation increased in the year due to the acquisition of Meiling Group of RMB 60,195,098.61, and withdrawal RMB 118,084,963.54 in this year.

In the fixed assets decreased in the year, original value decreased by RMB 26,071,160.31 in the year, including: ① rejection of fixed assets decreased original value of RMB 13,566,216.57 and

accumulated depreciation of RMB 6,022,613.45; ② RMB 5,200,216.0 was transferred to investment properties; ③ the breakdown of fixed assets was adjusted by RMB 2,484,980.34; ④ other decrease was mainly due to the disposal of fixed assets.

The fixed assets provided impairment provision in the year were the equipments that could not be used normally and were planned to be rejected.

(2) Fixed assets temporary idle

Items	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	9,987,628.68	3,825,747.65	703,496.48	5,458,384.55
Transport equipment	52,258.98	8,244.05	-	44,014.93
Others	3,415.02	2,989.17	255.10	170.75
Total	10,043,302.68	3,836,980.87	703,751.58	5,502,570.23

(3) Fixed assets leased through operating lease:

Items	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	23,446,795.39	5,067,194.03	-	18,379,601.36
Others	22,737.50	-	-	22,737.50
Total	23,469,532.89	5,067,194.03	-	18,402,338.86

(4) Fixed assets used for mortgage

Name	Property certificate serials	Original value	Net value	Bank for mortgage
Preparation plant of ice-cube plant	Property Ownership Right (FD) No.028130	2,700,875.74	1,752,972.30	Export-Import Bank of China, Nanjing Branch
Sheet metal warehouse(preparation warehouse)	Property Ownership Right (FD) No.028131	1,223,777.68	945,303.12	
Office building of multi-floor warehouse	Property Ownership Right (FD) No.028132	2,289,662.37	1,605,373.34	
Ice-cube warehouse	Property Ownership Right (FD) No.028133	1,168,591.33	899,813.48	
Plant of 4# workshop	Property Ownership Right (FD) No.028134	8,989,230.09	5,977,671.01	
Central warehouse	Real Estate Tazheng FD Zi No. 2009209\	22,228,826.09	13,656,805.56	

1# Industrial plant	Property Ownership Right (FD) Zi 1005350	15,658,341.29	14,446,577.24	China Everbright Bank, Hefei Branch
1# office building	Property Ownership Right (FD) Zi 1005351	6,180,980.52	5,815,976.92	
Office building	YFDZZ No.C1628036	5,502,888.45	3,165,859.46	China Merchants Bank, Foshan Branch
1#,2# and 3# dormitory building	YFDZZ No.C1652755 YFDZZ No.C1652821	4,910,007.80	2,600,851.54	
4# dormitory building	YFDZZ No.C1652754	1,519,062.18	804,653.48	
Canteen	YFDZZ No.C1652823	1,178,632.00	625,645.50	
Warehouse		1,897,142.05	1,007,047.64	
4 # plant	YFDZZ No.C1652820	1,212,957.95	643,866.61	
3# plant	YFDZZ No.C1628037	11,472,517.36	6,089,882.12	
1# plant	YFDZZ No.C1628035	6,692,733.68	3,396,711.58	
2# plant	YFDZZ No.C1628035	2,230,911.23	1,132,237.06	
5# plant		6,988,913.36	5,245,862.32	
6# temporary inventory		382,020.00	129,992.91	
transport gallery		297,144.31	225,953.48	
Business house, No. 24 Heng Street, Xinchang Country		232,999.20	231,769.48	
Commercial house Room 211, 1# No.24, Xianheng Street, Xinchang		529,236.00	526,442.81	
Total		105,487,450.68	70,927,268.96	

(5) Fixed assets without property certificate—House and buildings

Assets	Original value
Warehouse	2,796,137.00
Plate-squeeze and plastic-sucking	5,703,173.86
Raw material storehouse	13,301,033.98
R&D center	9,463,060.80
Administration center	9,423,819.69
Marketing center	9,417,988.69
Multi-function center	9,425,025.06
circulating water pump house/ equipment house	1,308,241.16
No.6 workshop	17,137,155.80
1# dormitory building	4,913,840.64
2# dormitory building	4,844,585.04
Canteen	2,301,962.73
1# dormitory building for cadremen	7,270,694.55
2# dormitory building for cadremen	7,269,012.29
Total	104,575,731.29

Annotation 11. Construction in progress**(1) Breakdown of construction in progress**

Item	Amount at year-end			Amount at year-beginning		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Phase II of Changhong Meiling industry park	582,704.23	-	582,704.23	1,976,901.20	-	1,976,901.20
Construction of South part of Industry park	59,875,062.86	-	59,875,062.86	522.00	-	522.00
Equipments pending for	12,402,080.06	-	12,402,080.06	5,939,138.73	124,500.00	5,814,638.73
Other minor projects etc.	2,319,453.79	-	2,319,453.79	1,138,376.09	-	1,138,376.09
Total	75,179,300.94	-	75,179,300.94	9,054,938.02	124,500.00	8,930,438.02

(2) Changes in significant construction in progress

Name	Amount at year-beginning	Increase during the year	Decrease during the year		Amount at year-end
			Transfer to fixed	Other	
Phase II of Changhong Meiling industry park	1,976,901.20	2,020,885.41	3,415,082.38	-	582,704.23
Construction of South part of Industry park	522.00	59,874,540.86	-	-	59,875,062.86

(continued)

Name	Budget	Proportion of project investment in budget (%)	Progress	Accumulated amount of interest capitalization	Including: interest capitalized amount of the year	Interest capitalization rate of the year (%)	Capital source
Phase II of Changhong Meiling industry park	0.28 billion	72.44	99%	723,142.19	-	-	Loan
Construction of South part of Industry park	0.215 billion	24.32	24%	-	-	-	Self-financing

(3) Provision for impairment of construction in progress

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end	Reason for provision
Equipment pending for installation (bender)	124,500.00	-	124,500.00	-	The equipment technology relatively backward

Annotation 12. Intangible assets

(1) Items of intangible assets are set out as follows:

Item	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end
Original price of intangible assets	693,859,336.10	281,447,313.48	9,000,000.00	966,306,649.58
Land use right	593,889,312.37	50,357,954.43	-	644,247,266.80
Trademark special right	73,711,036.84	209,581,402.50	-	283,292,439.34
patent technology	9,000,000.00	2,066,100.00	9,000,000.00	2,066,100.00
Non-patent technology	17,258,986.89	19,441,856.55	-	36,700,843.44
Accumulated amortization	90,153,924.64	202,370,291.10	9,000,000.00	283,524,215.74
Land use right	37,834,496.10	15,090,451.31	-	52,924,947.41
Trademark special right	39,023,490.09	175,929,317.50	-	214,952,807.59
patent technology	6,750,000.00	3,403,572.50	9,000,000.00	1,153,572.50
Non-patent technology	6,545,938.45	7,946,949.79	-	14,492,888.24
Provision for impairment	-	912,527.50	-	912,527.50
Land use right		-	-	-
Trademark special right		-	-	-
patent technology		912,527.50	-	912,527.50
Non-patent technology		-	-	-
Book value	603,705,411.46	-	-	681,869,906.34
Land use right	556,054,816.27			591,322,319.39
Trademark special right	34,687,546.75			68,339,631.75

patent technology	2,250,000.00			-
Non-patent technology	10,713,048.44			22,207,955.20

Concerning the accumulated amortization increased in the year, RMB 38,227,241.32 have been amortized. Other increased due to the consolidation after MeilingGroup acquisition, impairment provision of patent technology RMB912,527.50 added by the acquisition of Meiling Group.

(2) Details of land-use right

Company held	Certificate serials	Original value	Book value	Note
The Company	HGY (2007) Zi No. 061	352,569,599.58	320,680,266.68	Note ¹
	HGY (2007) Zi No.076	170,916,716.00	156,219,109.12	Note ¹
	DGY (2002) Zi No.0257	36,407,000.00	26,941,180.00	
	DGY (2002) Zi No.0258			
	DGY (2002) Zi No.0259			
	DGY (2004) Zi No.0200			
Jiangxi Meiling	JTGY NO. (2010) 0121	31,084,385.00	29,255,891.73	Note ²
Package products	DGY (2009) Zi No.1775	7,289,974.87	20,657,050.91	
Precision tube	DGY (2005) Zi No.181	775,374.70	758,518.78	
Non-ferrous metal	DGY (2005) Zi No.180	1,513,311.82	1,369,574.31	Mortgage loan of RMB 4 million
Yingkaite Appliance	DGY (2008) Zi No.0367	3,157,460.98	2,986,285.90	
Yingkaite Apparatus	DGY (2008) Zi No.0366	3,239,765.72	3,168,431.48	
Zhongshan Changhong	ZFGY (2003) 020639	12,895,108.62	10,305,504.28	Credit mortgage of 90 million
	ZFGY (2003) 020640			
	ZFGY (2003) 020641			
	ZFGY (2003) 020642			
	ZFGY (2003) 020643			
	ZFGY (2003) 020644			
Total		619,848,697.29	572,341,813.19	

Note1: In 2004, the Company replaced the development land of original Meiling Group with its account

receivable. And original Meiling Group and Meiling Washing Co., offset the earrs owned to eh Company with land-use right of development zone on December 31, 2005.

Note2: Jiangxi Meiling bidding for the bankcrapcy assets from Jingdezheng Huayi Apparatus General Plant Refrigerator.

(3) exclusive right of trademark

The Company entered into *Transference Contract of Trademark* with original Meiling Group on April 29, 2002 concerning refregirators, freezers and trademark listed in relevant trademark registration certificated. Agreed that transferred 6 piece of Meiling Trademark including words and graph to the Company. The above mentioned exclusive trademark was evaluated by Anhui Guoxin Assets Assessment Co., Ltd. based on income present worth method as RMB 0.325 billion with assets assessment report of [WGXPBZ(2002) No. 121]. Being approved by [CQ(2002) No. 325] of *Approval of Assets Assessment Project Transferred from Hefei Meiling Group Holding Co., Ltd.*, trademark transference will be determined by the contribution from original Meiling Group and the Company. The recognized amount transferred to the Company was RMB 0.13 billion and amortized in 10 years from 2002. Except for the above mentioned trademark transference, original Meiling Group reckon RMB 0.195 billion of other trademark into account based on evaluation value. Amortized in 10 years after plus the register capital of RMB 32,000 which have been capitalized.

In 2010, the Company consolidated Meiling Group by diferrent control and realized the unify control of “Meiling ” trademark and tradename. The Company heretige the trademark authorized agreement of original Meiling Group that signed externally, till end the of this repot period, Hefei Meiling Sole Energy Technology Co., Ltd. and Hefei meiling Vechicle Industry Co., Ltd. and other 7 companies still shares the trademark and tradename of “Meiling”. The Company have gradually pursuit to law procedures for the exclusive use-right of trademark and tradename.

(4) Patent technology

①The “new-type mixtures of throttle refrigeration technology and application research in ultra-low temperture storage” was the intangible assets invested in Zhongke Meiling from Technical Institute of Physics and Chemistry. CAS in 2002 which have been evaluated as RMB 18 million, 30% in total equity of Zhongke Meiling. The amortized term will be 8 years according to the agreement. On January 1, 2007 when implemented the new Accounting Standards for Business Enterprises, amortized value of RMB 9 million will consider as the initial cost for accounting.

②Yingkaite Appliance, subsidiary of Meiling Group, was established in 2004. at that time the foreigner shareholder EQUATOR invested by exclusive technology which have been evaluated by Anhui Anyong CPAs Co., Ltd as fair value of RMB 2,651,700 in 5 years beneficial terms based on income present worth method. The two parties are negotiated as US\$0.25million, calculated based on exchange rate of that date 1: 8.2644, RMB 2,066,100 was reckon into account for 10 years amortization. Before consolidated, net value of RMB 912,527 on exclusive technology was totally for impairment provision withdrwal by the Company due to its failue actual value.

(5) As of the end of 2010, security of intangible assets is as follows:

Details of intangible assets	Property certificate serials	Area	Net book value	Note
Office building, plant and dormitory land	ZFGY (2003) 020639	100,786.58M ²	10,305,504.28	China MerchantsBank Foshan Branch
	ZFGY (2003) 020640			
	ZFGY (2003) 020641			
	ZFGY (2003) 020642			
	ZFGY (2003) 020643			
Land use for industrial	DGY (2005) Zi. No. 180	30,051.3M ²	1,369,574.31	Bank of Communications Hefei LinquanRoad Su-branch
Total			11,675,078.59	

Annotation 13. Development expense

Item	Amount at year-beginning	Increase during the year	Decrease during the year		Amount at year-end
			Record into current gains and losses	Confirm as intangible assets	
Technology development for Changhong Air Conditioner	15,275,946.99	19,409,496.08	1,737,926.58	19,441,856.55	13,505,659.94
Design for the new appearance of Zhongshan Changhong	137,665.98	220,123.89	357,789.87	-	-
Total	15,413,612.97	19,629,619.97	2,095,716.45	19,441,856.55	13,505,659.94

Annotation 14. Goodwill

Invested company	Amount at year-beginning	Increase during the year	Decrease during the year	Amount at year-end	Depreciation reserves at year-end
Hefei Meiling Group Holding Co., Ltd.	-	10,922,803.73	-	10,922,803.73	-

Assets of Meiling Group, that consolidated in the year, including long-term equity investment of Yingkaite Appliance and other 6 subsidiaries and Package Products Co., as well as intangible assets—exclusive rights of trademark. On the date of consolidation, the Company divided assets of Meiling Group into A\B\C\D four assets groups by the following considerations: whether benefit from the consolidation synergistic effect, whether generated cash inflow and use of the assets and disposal plan of the assets purchased. Amortized goodwill according to the proportion of fair value in total fair values.

Items		Assets group	Basis for recognition of assets group	Apportion Goodwill
Long-term investment	Yingkaite Appliance	Assets group A	Synergy benefit, able to generated cash inflow independently, plans to consolidated into a company	846,742.35
	Yingkaite Apparatus			
	Precision tube	Assets group B	Synergy benefit, able to generated cash inflow independently, plans to consolidated into a company	2,706,625.42
	Non-ferrous metal			
	Package products	Assets group C	Synergy benefit, able to generated cash inflow independently, plans to consolidated into a company	1,839,593.87
	Environment-friendly Package			
	Appliance Industry & Trading	No synergistic effect		-
Maston				
Intangible assets	Trademark special right	Assets group D	Synergy benefit, able to generated cash inflow independely unless sold solely	5,529,842.09
Toal				10,922,803.73

At the end of this year, concerning assets group of A\B\C, calculated the probability cash flow in future 5 years based on historical business data and business plan; Concerning assets group D, calculated the probability cash flow based on the predicted business status in authorized period, according to the use

rage of trademark authorization, and rate of trademark usage. For the comparison between present value of future cash flows of assets group and the assets group's value with goodwill contained, the present value calculated at period-end will adopt the same discount rate of 11% as fair value determined at consolidated date. There have no goodwill impairment happened at year-end by the above calculation.

Annotation 15. Long-term amortized expense

Item	Amount at year-beginning	Increase during the year	Amortization during the year	Other decrease during the year	Amount at year-end	Reason for other decrease
R3 informaton	600,000.00	-	600,000.00	-	-	

Annotation 16. Deferred income tax assets and deferred income tax liabilities

(1) Recognized deferred income tax assets and deferred income tax liabilities

Item	Amount at year-end	Amount at year-beginning
Deferred income tax assets		
Provision for impairment of assets	17,522,071.66	18,128,370.33
Projected liability	30,513,239.25	13,630,309.58
Expense for long-term apportion(tax law owns long period in apportion over accounting's)	103,412.14	206,824.28
Total	48,138,723.05	31,965,504.19
Deferred income tax liabilities		
Valuation of tradable financial instrument and derivative financial instrument	-	-
Change of fair value of financial assets available-for-sale, written into capital reserve	-	19,037,964.60
Total	-	19,037,964.60

(2) Unrecognized deferred income tax assets

Item	Amount at year-end	Amount at year-beginning
Deductable temporary difference	13,603,591.04	1,383,379.73
Deductable loss	61,982,485.24	5,522,300.23
Total	75,586,076.28	6,905,679.96

Due to that whether the future income obtained by Meiling Group and Mianyang Meiling, the subsidiaries of the Company, could be sufficient for being subject to taxation, such uncertainty led to no recognition for deferred income tax assets.

(3) Items of taxable difference and withholding difference

Items	Amount
Items of taxable differece	
Projected liability	203,421,595.00
Subtotal	203,421,595.00

Items of withholding difference	
Bad debt reserve for accounts receivable	20,401,436.69
Bad debt reserve for other receivables	3,707,221.64
Depreciation reserve for inventory	77,913,826.06
Impairment provision for long-term equity investment	-
Impairment provision for construction in progress	-
Impairment provision for fixed assets	12,148,968.20
Expense for long-term apportionment (tax law owns long period in apportion over accounting's)	689,414.26
Total	114,860,866.85

Annotation 17. Impairment provision for assets

Item	Amount at year-beginning	Increase during the year	Decrease during the year		Amount at year-end
			Reversing	Other transfer-out	
Bad debt reserve	33,341,181.47	3,473,865.76	-	10,775,174.57	26,039,872.66
Inventory falling price reserves	63,558,370.31	20,306,794.05	-	710,493.31	83,154,671.05
Depreciation reserve for financial asset available-for-sale	-	-	-	-	-
Depreciation reserve for held-to-maturity investment	-	-	-	-	-
Depreciation reserve for long-term equity investment	1,660,000.00	-	-	1,660,000.00	-
Depreciation reserve for investment of real estate	-	-	-	-	-
Depreciation reserve for fixed asset	19,146,612.83	5,643,504.22	-	5,619,964.04	19,170,153.01
Depreciation reserve for project material	-	-	-	-	-
Depreciation reserve for construction in process	124,500.00	-	-	124,500.00	-
Depreciation reserve for capitalized biological asset	-	-	-	-	-
Including: depreciation reserve for matured capitalized biological asset	-	-	-	-	-
Depreciation reserve for oil and gas asset	-	-	-	-	-
Depreciation reserve for intangible asset	-	912,527.50	-	-	912,527.50
Depreciation reserve for goodwill	-	-	-	-	-
Others	-	-	-	-	-
Total	117,830,664.61	30,336,691.53	-	18,890,131.92	129,277,224.22

The impairment provision for assets increased in the year including: RMB 2,709,177.51 bad debt provision from consolidation with Meiling Group, RMB3,581,058.16 inventory provision, RMB4,164,338.31 impairment provision for fixed assets, RMB 912,527.50 impairment provision for intangible assets, which amounting to RMB 11,367,101.48. and RMB 124,500.00 impairment provision for projects in process of Zhongshan Changhong, the projects have been finished in the report period than transfer into corresponding impairment provision for fixed assets.

Annotation 18. Short-term loans

Kinds of loans	Amount at year-end	Amount at year-beginning
Loan in pledge	2,563,801.11	-
Loan in mortgage	123,000,000.00	9,000,000.00
Loan in assurance	64,500,000.00	175,000,000.00
Loan in credit	48,860,000.00	-
Total	238,923,801.11	184,000,000.00

No undue outstanding short-term loans at year-end.

Annotation 19. Notes payable

(1) Listed according to types of notes

Type	Amount at year-end	Amount at year-beginning
Bank acceptance bill	913,750,239.36	404,691,072.19
Commercial acceptance bill	6,926,000.00	-
Total	920,676,239.36	404,691,072.19

The notes payable increased in the period, mainly due to the settlement of acceptance bill from the increase of materials purchase. Balance of notes payable as of the end of this year would all be due within the next accounting period.

Annotation 20. Account payable

(1) Account payable

Item	Amount at year-end	Amount at year-beginning
Total	1,421,456,784.36	1,157,326,858.96
Including: over 1 year	31,393,432.37	4,856,442.30

(2) Accounts payable to shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at year-end	Amount at year-beginning
Sichuan Changhong Electrical Appliance Co., Ltd.	348,245.58	5,769,505.99

(3) Account payable denominated in foreign currency

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
USD	5,076,865.51	6.6227	33,622,557.21	101,933.53	6.8282	696,022.54

EUR	3,789.67	8.8065	33,373.73	-	-	-
JPY	34,078,100.00	0.0812	2,769,186.41	40,324,770.27	0.0738	2,975,242.20
Total			36,425,117.35			3,671,264.74

(4) Account payable for related parties found in (III) of Annotation 9.

Annotation 21. Account received in advance

(1) Account received in advance

Item	Amount at year-end	Amount at year-beginning
Total	922,047,156.39	718,021,736.69
Including: over 1 year	37,019,790.49	40,337,297.60

(2)Accounts received in advance from shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at year-end	Amount at year-beginning
Sichuan Changhong Electrical Appliance Co., Ltd.	26,883,141.49	4,681,218.92

(3)Account received in advance denominated in foreign currency

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
AUD	1,334.24	6.7139	8,957.95	-	-	-
EUR	10,923.75	8.8065	96,200.00	18,884.62	9.7971	185,014.51
USD	6,334,878.19	6.6227	41,953,997.79	4,320,142.04	6.8282	29,498,793.88
Total	-	-	42,059,155.74	-	-	29,683,808.39

(4) Account receivable from related parties found in (III) of Annotation 9.

Annotation 22. Wages payable

Item	Amount at year-beginning	Increase in this year	Decrease in this year	Amount at year-end
Salary, bonus, allowance and subsidy	22,316,079.72	318,856,323.37	302,097,057.68	39,075,345.41
Welfare for workers and staff	21,000.00	18,101,250.01	18,037,995.69	84,254.32
Social insurance	6,044,357.38	49,316,218.88	48,281,845.58	7,078,730.68
Including: Medical insurance	173,223.66	10,905,354.71	10,899,127.81	179,450.56
Basic endowment insurance	5,697,235.60	34,478,370.10	33,713,951.04	6,461,654.66

.Unemployment insurance	147,624.79	2,326,572.67	2,048,616.20	425,581.26
Work injury insurance	15,325.62	854,485.97	869,757.29	54.30
Maternity insurance	10,947.71	751,435.43	750,393.24	11,989.90
Housing accumulation fund	4,633,058.85	25,344,728.82	25,278,492.03	4,699,295.64
Labor union expenditure and	471,546.63	1,581,046.53	780,374.32	1,272,218.84
Non-monetary welfare	-	-	-	-
Dismiss welfare*	36,353,487.94	14,976,756.12	7,983,354.34	43,346,889.72
Others	1,021,955.55	813,543.93	107,956.61	1,727,542.87
Including: shares payment settled with cash	-	-	-	-
Total	70,861,486.07	428,989,867.66	402,567,076.25	97,284,277.48

Referring to the employee inner advance retire policy made by the Company and the resolution made in the 29th meeting of the 5th session Board of Directors on Jan 28th of 2008, the female employee above 45 years old and male employee above 48 can retire in advance if the Company and themselves all agree. The dismiss welfare of wages and social insurances which should be enjoyed to the retire time by the employees who have already made inner retire, amounting to RMB 14,976,756.12 for this year. Since the Company has committed that it would make corresponding improvement for treatment of the inner retired employees as the lowest life security climbs. When calculating expense of wages and social insurances received by the inner retired employees, the Company was subject to present standard, without consideration of discount.

Among the amount of wages payable at year-end, RMB 39,075,345.41 for salary, bonus and subsidy were withheld for retained. Parts of the bonus and whole salary have been paid in January 2011, remainings predicted pay in February 2011 in full, and without arrears of salary exists.

Annotation 23. Tax payable

Item	Amount at year-end	Amount at year-beginning
Value-added tax	-18,712,080.31	7,659,079.78
Business tax	206,335.45	108,452.68
Enterprise income tax	83,584,879.23	50,364,171.13
Individual income tax	1,305,739.68	1,948,106.37
Urban maintenance and construction tax	3,490,835.72	1,767,330.82
House property tax	1,207,424.93	854,921.87
Land-use right tax	3,012,746.92	531,328.86
Educational surtax	2,249,843.21	1,006,341.02
Stamp tax	1,193,518.60	329,088.92
Construction fund of Water Conservancy Projects	547,466.57	682,917.39
Fund for coarse adjustment	338,708.19	156,037.62
Fund for flood prevention	513,642.05	238,436.77
Staudamm fee	28,804.77	16,387.12
Total	78,967,865.01	65,662,600.35

Annotation 24. Dividends payable

Name of unit	Amount at year-end	Amount at year-beginning	Reason for unsettlement over one year
Hefei Meiling Group (Holdings) Co., Ltd	-	167,506.42	
International Business Department of Industry and Commercial Bank of China of Anhui Branch	153,697.50	153,697.50	No extract procedure required by counterparty
Provincial Technic Import and Export Company	-	153,697.50	
Bank of Communications, Hefei Branch	153,697.50	153,697.50	No extract procedure required by counterparty
Other piecemeal units	431,300.30	588,576.50	No extract procedure
Total	738,695.30	1,217,175.42	

Annotation 25. Other payable

(1) Other payable

Item	Amount at year-end	Amount at year-beginning
Total	410,610,813.51	624,779,113.24
Including: over 1 year	78,794,251.84	42,859,491.14

Balance of other payable as at year-end has decreased in comparison of the amount of year-begin mainly due to the account of equity acquisition of Changhong Air-conditioner and Zhongshan Changhong; account with over 1 year age mainly was the margin payable for suppliers.

(2) Other payable to shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at year-end	Amount at year-beginning
Sichuan Changhong Electrical Appliance Co., Ltd.	605,555.10	286,242,599.05

(3) Other account received denominated in foreign currency

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
USD	565,938.75	6.6227	3,524,100.59	-	-	-
EUR	13,558.83	8.8065	119,405.84	-	-	-
AUD	42,000.00	6.7139	281,983.80	-	-	-
Total			3,925,490.23			-

Annotation 26. Non-current liability due within one year

Item	Amount at year-end	Amount at year-beginning
Long-term loans due within one year	-	3,000,000.00
Bonds payable due within one year	-	-
Long-term accounts payable due within one year	-	-
Deferred income transfer to gains and losses within one year	1,189,452.90	-
Total	1,189,452.90	3,000,000.00

Annotation 27. Other current liabilities

Item	Amount at year-end	Amount at year-beginning
Incentive capital received from government in advance	-	20,172,100.00

Among which, particular about government subsidy:

Type of subsidy	Book balance at year-end	Amount reckon into current gains/losses	Amount returned this year	Reasons for return
Bonus from Hefei Finance Bureau	-	15,247,100.00	4,925,000.00	Received more capital than actual bonus

Annotation 28. Long-term loans**(1) Classification of long-term loans**

Type	Amount at year-end	Amount at year-beginning
Loan in pledge	-	-
Loan in mortgage	7,040,000.00	7,040,000.00
Loan in assurance	-	-
Loan in credit	7,466,060.00	8,207,300.00
Total	14,506,060.00	15,247,300.00

(2) Top 5 long-term loans as at year-end

Loan unit	Borrowing day	Returning day	Currency	Interest rate (%)	Amount at year-end		Amount at year-beginning	
					Amount in foreign currency	Amount in standard currency	Amount in foreign currency	Amount in standard currency

Ministry of Finance Hefei ^{Note1}	of	2006-11-09	2021-11-08	RMB	4.44	-	7,040,000.00	-	7,040,000.00
Ministry of Finance Hefei ^{Note2}	of	2002-11-21	2017-11-20	RMB	2.82	-	4,556,400.00	-	5,207,300.00
Ministry of Finance Hefei ^{Note3}	of	2002-12-10	2017-12-10	RMB	2.82	-	2,700,000.00	-	3,000,000.00
Ministry of Finance Hefei ^{Note4}	of			RMB	-	-	209,660.00	-	-
Total							14,506,060.00		15,247,300.00

Note1: In August of 2006, the Company signed Asset Mortgage Agreement with Ministry of Finance of Hefei. It takes five industry crusher chambers which cover an area of 2,322.98 square meters (Details could be found in Fixed assets for mortgage in the Appendix VIII and X) as mortgage for the Company to get the lending of treasury bond fund which has 15-year term and worthy of RMB 7,040,000 from the Ministry of Finance of Hefei. The capital on-lending began to bear interest from the appropriate date (November 9, 2006), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, during which the annual interest rate was subject to floating interest rate (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). The interest payable in this year was RMB179,500.00.

Note2: On November 1, 2002, the Company signed Agreement on Lending of Treasury Bond for Building Project fund with Ministry of Finance of Hefei, which promised that Ministry of Finance of Hefei lending treasury bond RMB 7,160,000 of the technology reform project of nanometer preservation material to the Company with the return time limit of 15 years. The capital on-lending began to calculate the interest from the appropriate date (November 21, 2002), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, in which the annual interest rate was subject to floating interest rate after year 1999 (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). The principal repaid in this year was RMB 650,900.00, and interest was RMB132,800.00.

Note3: It was the special treasury bond capital appropriated by Ministry of Finance of Hefei for enterprises' information reform, received on Dec. 10th, 2004. The principal repaid in this year was RMB 300,000.00, and interest was RMB 76,500.00.

Note4: the long-term loans jointed from Package Products—subsidiary of Meiling Group, which consolidated by holding this year.

Annotation 29. Special payable

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Governmental subsidy for relocation	34,223,417.47		1,009,285.21	33,214,132.26

In September 2006, the Company entered into Agreement on Recovery of State-owned Land Use Right with Hefei Land Reserve Center (hereinafter referred to as Reserve Center). Reserve center paid to the Company for recovering state-owned land use right over two pieces of land held by the Company (No. 33 and No. 48 land located in Wuhu road, Hefei) with aggregate

area of 119,400 square meters. Pursuant to the Agreement, Ministry of Finance of Hefei would pay the Company as compensation for land recovery (including dismantling, relocation and setting) within 6 months since the land is listed for trade. The detailed compensation is computered according to 65% of total transaction amount of the land less taxation and bank interest (including valuation fee) arising from bank pledge with the land of Reserve Center. In June 2009, the forementioned two pieces of land have been listed and traded. Pursuant to Supplementary Agreement on Recovery of State-owned Land Use Right signed by the Company, Ministry of Finance of Hefei, Hefei State-owned Assets Supervision and Management Committee, Hefei Economy Committee and Hefei Land Reserve Center dated 10 December 2009, after common negotiation, it was agreed for Ministry of Finance of Hefei to pay RMB 422,511,200 as land compensation (including dismantling, relocation and setting) to the Company which has already received the amount on 15 December 2009. RMB 388,287,782.53 have been verified in 2009, among which: (1) RMB 359,450,525.52 which was transferred to expenses for dismantling, relocation and setting from disposal of fixed assets wrote off the aforesaid land compensation; (2)RMB 28,837,257.01 cost for the finished dormitory buildings and affiliated facilities used for arranging employees has been transferred to fixed assets and put into utilization, since transferring to deferred income from special payable. RMB 1,009,285.21 decreased in 2010, among which RMB 969,285.21 was the verified removal compensation of the completed project of welfare facility; RMB 40,000 paid to suppliers due to the assets losses for contract termination of the original plant zone.

Annotation 30. Projected liability

Item	Amount at year-begin	Increase during the year	Carry-forward during the year	Amount at year-end
External guarantee	-	-	-	-
Outstanding lawsuit	-	-	-	-
Product quality guarantee	5,981,396.51	3,335,686.49		9,317,083.00
Specific gurantee fund for quality service of products	84,887,334.00	109,217,178.00	-	194,104,512.00
Reorganization duty	-	-	-	-
Loss contract waiting for execution	-	-	-	-
Other	-	-	-	-
Total	90,868,730.51	112,552,864.49	-	203,421,595.00

Product quality guarantee was the ‘Three Guarantee’ maintenance fee withdrwal according to the ‘Three Guarantee’ policy; Specific gurantee fund for quality service of products was the accrual overhaul expensed of the service activity”ten-year free maintenance for major parts of country-oriented appliance”.

Annotation 31. Other non-current liabilities

Item	Amount at year-end	Amount at year-begin
Deferred income	26,937,022.85	28,257,754.52

(1) The Company received land compensation from government for its relocation. Original value of the dormitory buildings and affiliated facilities used for arranging employees was recognized as deferred income, with amount of RMB 29,806,542.22. Pursuant to the

depreciation term of such dormitory buildings and affiliated facilities, the Company started amortization commencing from the depreciation month since they were transferred to fixed assets. Amortization of RMB 1,145,008.44 as of this report period was carried forward to non-operating income from deferred income. RMB 1,189,452.90 was carried out as non-current liability due within one year in this period.

(2) Particular about government subsidy:

Type of subsidy	Book balance at year-end		Amount reckon into current gain/loss	Amount return this year	Reasons for return
	Amount listed in other non-current liability	Amount listed in other current liability			
Mianyang Financial Bureau, capital from the Country	-	44,444.46	555,555.54	-	
Removal compensation	26,937,022.85	1,145,008.44	1,145,008.44	-	
Total	26,937,022.85	1,189,452.90	1,700,563.98	-	

Annotation 32. Share capital

Shareholders / type	Amount at year-begin		Change during the year					Amount at year-end	
	Amount	Proportion %	New shares issued	Bonus share	Shares transferred from capital reserve	Others (transfer)	Subtotal	Amount	Proportion %
Shares with conditional subscription	113,806,751	27.52	116,731,500	-	-	105,984,934	10,746,566	124,553,317	23.48
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	104,461,498	25.26	38,910,500	-	-	103,960,528	-65,050,028	39,411,470	7.43
Other domestic shares	9,277,998	2.24	77,821,000	-	-	2,024,406	75,796,594	85,074,592	16.04
Including: Domestic legal person shares	9,149,917	2.21	77,821,000	-	-	1,896,325	75,924,675	85,074,592	16.04
Domestic natural person shares	128,081	0.03	-	-	-	128,081	-128,081	-	-
Foreign shares	-	-	-	-	-	-	-	-	-
Including: Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Executives' shares	67,255	0.02	-	-	-	-	-	67,255	0.01
Shares with no restricted condition	299,836,198	72.48	-	-	-	-105,984,934	105,984,934	405,821,132	76.52
RMB common shares	186,736,198	45.14	-	-	-	-105,984,934	105,984,934	292,721,132	55.19

Domestically listed foreign shares	113,100,000	27.34	-	-	-	-	-	113,100,000	21.32
Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total shares	413,642,949	100.00	116,731,500	-	-	-	116,731,500	530,374,449	100.00

Details of the private placement shares issued in the year and release condition on restricted shares found in Company Profile in I.

Annotation 33. Capital reserve

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Share premium	504,324,664.36	1,061,106,088.50	2,939,864.51	1,562,490,888.35
Capital reserve transferred from original system	-	-	-	-
Other capital reserve	155,962,358.17	-	107,881,799.35	48,080,558.82
Total	660,287,022.53	1,061,106,088.50	110,821,663.86	1,610,571,447.17

(1) Share premium increase RMB 1,061,106,088.50 this year mainly due to the stock premium from private placement this year;

(2) Decrease RMB 2,939,864.51 this year. After minority equity of Zhongshan Changhong purchased, differences arising between the new cost of long-term equity investment and recognizable net assets proportion have been adjusted in the item of capital reserve listed in consolidated financial statement.

On January 28, 2010, the proposal of Partial Equity Acquisition from Zhongshan Changhong have been approved by 10th Meeting of 1st Board of Changhong Air-conditioner; Changhong Air-conditioner and equity transferor China Minmetals entered into an Agreement of Equity Transfer on March 2, 2010 with RMB 11,412,800, the evaluation price, for transferring 10% equity of Zhongshan Changhong held by consent; On June 24, 2010, Changhong Air-conditioner paid the account in full by one-time; On May 14, 2010, the registration modification of Industrial and Commerce under the name of Zhongshan Changhong have been finished.

(3) Other capital reserve decrease RMB 107,881,799.35 in this year mainly due to the transfer-out of disposal of financial assets available for sale.

Annotation 34. Surplus reserves

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Statutory surplus reserve	131,288,465.07	32,701,526.28	-	163,989,991.35
Discretionary surplus reserve	153,819,249.12	-	38,211,546.96	115,607,702.16
Reserve fund	-	-	-	-

Fund for enterprise development	-	-	-	-
Other	-	-	-	-
Total	285,107,714.19	32,701,526.28	38,211,546.96	279,597,693.51

(1)the increase of statutory surplus reserve this year refers to the 10% withdrawal from net profit after tax.

(2)the decrease of discretionary surplus reserve this year mainly caused by the deficit coverage of surplus reserve RMB38,211,546.96 pursuant to the proposal of Deficit Coverage of Surplus Reserve which have been approved by 30th Meeting of 6th Board.

Annotation 35. Undistributed profit

Item	Amount	Withdraw or distribution ratio
Amount at the end of last year	-34,609,778.15	
Add: adjustment from undistributed profit at year-begin	-	
Including: change of accounting policy	-	
Correction of former material error	-	
Change of combination scope under common control	-	
Other adjustment factors	-	
Amount at the beginning of this year	-34,609,778.15	
Add: net profit attributable to shareholders of parent company for this year	325,850,539.55	
Deficit coverage of surplus reserve	38,211,546.96	
Less: withdraw of statutory surplus reserve	32,701,526.28	10%
withdraw of discretionary surplus reserve	-	
Withdraw of general risk provision	-	
Dividend payable for ordinary shares	-	
Dividend of ordinary shares transferred to sharecapital	-	
Amount at the end of this year	296,750,782.08	

Annotation 36. Minority shareholder's equity

Subsidiaries	Minority shareholding ratio at year-end	Amount at year-end	Amount at year-begin
Zhongke Meiling Cryogenics Limited Company	30%	17,935,101.79	16,829,423.24
Mianyang Meiling Refrigerating Co., Ltd	3%	-113,184.28	-128,369.89
Jiangxi Meiling Refrigerating Co., Ltd	3%	79,471.01	-35,074.81
Hefei Meiling Appliance Marketing Co., Ltd.	0.0055%	26.70	-22.24
Xinxiang Meiling Appliance Marketing Co., Ltd.	61%	1,544,472.07	-
Luohe Meiling Appliance Marketing Co., Ltd.	63%	3,150,000.00	-
Wuhu Meiling Appliance Marketing Co., Ltd.	64%	3,840,000.00	-
Changchun Meiling Appliance Marketing Co., Ltd.	3%	90,000.00	-
Bengbu Meiling Appliance Marketing Co., Ltd.	15%	450,000.00	-
Hengyang Meiling Appliance Marketing Co., Ltd.	64%	1,920,000.00	-
Zhongshan Changhong Electrical Appliance Co., Ltd.	0%	-	8,472,935.49
Total		28,895,887.29	25,138,891.79

Annotation 37. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for this year	Amount for last year
Main business income	7,710,161,828.29	6,047,062,338.60
Other business income	516,914,946.23	277,118,732.10
Total	8,227,076,774.52	6,324,181,070.70
Main business income	5,810,254,021.82	4,321,115,445.20
Other business income	459,483,641.15	255,073,396.30
Total	6,269,737,662.97	4,576,188,841.50

(2) Main business classified according to product

Product	Amount for this year		Amount for last year	
	Operating income	Operating cost	Operating income	Operating cost
Refrigerator, freezer	5,969,098,638.98	4,238,996,606.72	4,660,314,135.66	3,110,164,101.55
Air conditioner	1,629,360,337.72	1,484,602,248.46	1,386,748,202.94	1,210,951,343.65
Washing machine	69,099,818.19	52,989,510.09	-	-

Other	42,603,033.40	33,665,656.55	-	-
Total	7,710,161,828.29	5,810,254,021.82	6,047,062,338.60	4,321,115,445.20

(3) Main business classified according to sales region

Region	Amount for this year		Amount for last year	
	Operating income	Operating cost	Operating income	Operating cost
Domestic	6,954,240,251.53	5,110,940,276.93	5,486,682,955.52	3,819,892,934.91
Overseas	755,921,576.76	699,313,744.89	560,379,383.08	501,222,510.29
Total	7,710,161,828.29	5,810,254,021.82	6,047,062,338.60	4,321,115,445.2

(4) Sales income received from the top 5 customers this year

Customer	Operating income	Proportion taking in total operating income of the Company (%)
Sichuan Changhong Electric Co. Ltd	833,726,669.70	10.13%
Suning Appliance Co., Ltd. (Nanjing)	612,605,810.61	7.45%
Anhui Baida Appliance Chain Co., Ltd.	82,740,336.76	1.01%
Electrolux (China) Appliance Co., Ltd.	80,923,528.79	0.98%
PT.CHANGHONG ELECTRIC INDONESIA	62,986,318.16	0.77%
Total	1,672,982,664.02	20.34%

Annotation 38. Business tax and extra charges

Item	Amount for this year	Amount for last year
Business tax	586,233.02	242,178.97
City construction tax	18,908,876.50	19,203,168.85
Extra charge for education	11,097,942.97	10,992,104.07
Property House Tax of investment real estate	468,569.08	-
Total	31,061,621.57	30,437,451.89

Annotation 39. Operation expense

Item	Amount for this year	Amount for last year
Market support	514,653,849.35	535,868,145.15
Transport expenses	302,217,997.68	192,717,153.43
National three guarantees expense	101,430,937.99	77,156,104.17

Accrued expense of 10-year guarantee for county-oriented appliance	109,217,178.00	84,887,334.00
Salary and extra charges	171,105,709.20	204,062,633.89
Advertisement expenses	153,461,505.73	67,179,101.81
Air conditioner installation fee	120,617,257.69	29,373,002.01
Operation activities expenses	22,006,789.62	20,436,911.54
Exhibition expenses	51,317,853.55	60,557,986.47
Storage lease expenses	46,217,031.71	30,606,518.81
Traveling expenses	26,839,073.79	26,662,225.06
Meeting organization	20,396,813.40	11,217,628.68
House-lease expenses	8,938,197.70	8,808,838.00
Communication expenses	7,974,431.80	9,043,947.35
Vehicle consumption	5,422,486.97	6,568,316.60
Office expenses	4,260,334.94	3,812,488.95
Consumption of machinery materials	4,114,607.46	1,741,454.03
Depreciation expenses	3,254,089.17	2,731,298.92
Other expenses	19,705,962.51	18,270,512.36
Total	1,693,152,108.26	1,391,701,601.23

Operation expense occurred this year has increased by RMB 301,450,507.03 compared to that of last year, with 21.66% up, which was mainly resulted from the sales scale enlarged and the increase of accrued maintenance fee of “10-year free garanty” for country-oriented refrigerator; Air conditioner installation fee increase dramatically in the period mainly due to the installation settlement policy that use for stimulating the seller’s activity and expande the business.

Annotation 40. Administration expense

Item	Amount for this year	Amount for last year
Salary	83,020,647.85	75,541,163.57
Amortized intangible assets	38,321,300.46	34,495,001.43
Social insurance and Public Housing Reserve Fund	35,584,631.72	27,554,209.92
Tax	16,704,059.81	13,640,066.47
Trial fee of R&D	12,943,887.10	6,157,864.84
Depreciation	10,031,240.59	11,333,878.49
Utilities	3,100,099.52	1,135,132.59
Insection and authentication fee	2,873,159.31	3,271,551.21
Domestic travelling fee	3,984,250.34	3,232,772.82
Use chage of software	1,935,103.00	1,300,000.00
Business activities	1,742,660.91	1,386,741.30
Assets leasing	1,443,953.49	703,584.30
Property insurance	1,391,238.73	901,937.70
Funds of Board	1,146,514.45	1,838,206.73

Office charge	1,106,780.62	1,119,749.63
Others	16,697,514.07	965,125.43
Total	232,027,041.97	184,576,986.43

Annotation 41. Financial expense

Item	Amount for this year	Amount for last year
Interest expenditure	10,376,262.19	29,588,300.49
Less: Interest income	7,655,236.20	7,885,314.96
Add: exchange loss	9,210,130.98	2,911,124.24
Add: procedure charge expenditure	3,244,542.01	2,307,722.94
Add: discount expenditure	-27,611,255.16	-8,064,741.81
Add: other expenditure	264,949.77	653,166.28
Total	-12,170,606.41	19,510,257.18

Financial expense decrease RMB 31,680,863.59 compared to that occurred last year, with the main reasons: decrease of corresponding interest expense from bank loans, and subsidized interest of payment received in advance from partial suppliers increased.

Annotation 42. Assets depreciation reserves

Item	Amount for this year	Amount for last year
Bad debt losses	764,688.25	7,334,433.55
Provision for falling price of inventory	16,725,735.89	18,789,099.55
Provision for devaluation of financial 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	1,479,165.91	6,547,384.08
Provision for devaluation of engineering materials	-	-
Provision for devaluation of construction in progress	-124,500.00	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	18,845,090.05	32,795,417.18

Annotation 43. Investment income

(1) Sources of investment income

Item	Amount for this year	Amount for last year
Long-term equity investment income by cost method	4,360,593.46	-

Long-term equity investment income by equity method	-770,702.06	1,369,602.51
Investment income from disposal of long-term equity investment	-	-
Investment income from period of holding tradable financial assets	-	-
Investment income from period of holding hold-to-maturity investment	-	-
Investment income from period of holding financial assets available for sale	210,000.00	1,897,125.00
Investment income from disposal of tradable financial assets	-	-
Investment income from disposal of hold-to-maturity investment	-	-
Investment income from disposal of financial assets available for sale	137,616,312.25	210,941,346.01
Total	141,416,203.65	214,208,073.52

(2) Long-term equity investment income by cost method

Item	Amount for this year	Amount for last year	Remark
Huishang Bank Corporation Limited	4,360,593.46	-	-

(3) Long-term equity investment income by equity method

Item	Amount for this year	Amount for last year	Remark
Anhui United Technological Property Exchange Co., Ltd.	-256,971.23	295,852.43	
Hefei Meiling Packing Co. Ltd.	-	1,073,750.08	Adjusted to cost method this year
Hefei Meiling Sole Energy Technology Co., Ltd.	-513,730.83	-	Newly added this year
Total	-770,702.06	1,369,602.51	

(4) Investment income from disposal of financial assets available for sale

Profit earned by the Company through disposing equity instruments was in details in VIII-7-Relevant explanation about financial assets available for sale.

Annotation 44. Non-operation revenue

(1)Details about non-operation revenue

Item	Amount for this year	Amount for last year
Gains from disposal of non-current assets	3,060,844.99	398,559.00
Incl.: gains from disposal of fixed assets	3,060,844.99	398,559.00
gains from disposal of Intangible assets	-	-
Gains from debt restructuring	-	-
Gains from exchange of non-monetary capital	-	-
Gains from donation	-	-
Government subsidy	238,864,129.47	56,137,262.38
Income of penalty	581,671.62	208,511.45
Others	677,779.26	280,866.76
Total	243,184,425.34	57,025,199.59

(2)Details about government subsidy

Item	Amount for this year	Amount for last year	Sources and accordance
Bonus for productivity	15,247,100.00	-	Bonus Policy on Promotion of Steady Developmetn of Industrial Economy (HJYX[2009] No. 43)
Tax return for new product	-	2,182,000.00	HF[2000]No.3 document-Decision of People's Government of Hefei on Strengthening Technical Innovation and Accelerating High-tech Industry Development
Post subsidy for poverty enterprise	2,659,820.56	3,718,200.00	Approval Check of Recognition of poverty enterprise influenced by economy crisis
Subsidy in favor of energy-saving air conditioner	212,190,000.00	39,680,000.00	Chuan CT[2010]No.29, CJ [2010]No.32, Notice of Project of Energy-saving, Civil-beneficial, Implementation Regulation on Air-conditioner in Energy-saving Room of Project of Energy-saving, Civil- beneficial
Tax return	665,204.93	1,950,000.00	Taxes returned on individual tax and VAT for capacity transformation technology; deen tax return in last year.
Interest subsidy for loans	-	2,424,200.00	HJZX[2008]No.33 document-Notice of Capital Cash Declaration Works regarding to "Certain Policies on Promoting Revitalization Plan for SME and Solving Current Capital Problem for Enterprises ", HJZ[2009] No.206 document-Certain Conditions Regarding to Cashing of Promoting Revitalization Plan for SME
Government subsidy after disaster	1,125,600.00	-	Report of Planing Project on Reconstruction after Disaster on Industrial Recovery of Wenchuan Earthquake, MCJ [2009]No. 114, MCJ[2010]No. 50
Subsidy for fixed assets	185,550.00	654,700.00	HJM(2007)No.5 document-Notice on Approval of the 2 nd Phase Project of Meiling High-tech Industry Park of Hefei Meiling Co., Ltd., and (2007)No.18document of People's Government of Hefei
Mianyang Financial Bureau, capital from nation	555,555.54	-	MCJ(2009)140Project, GB Capital CJ(2009)134
Other spare government subsidies	6,235,298.44	5,528,162.38	
Total	238,864,129.47	56,137,262.38	

Annotation 45. Non-operating expenditure

Item	Amount for this year	Amount for last year
Loss from disposal of non-current assets	1,240,293.00	1,350,293.88
Incl.: loss from disposal of fixed assets	1,240,293.00	1,350,293.88
loss from disposal of Intangible assets	-	-
Loss from debt restructuring	-	-
Loss from exchange of non-monetary asset capital	-	-
External donation	4,947.27	418,657.78
Penalty and late fee	45,706.80	82,605.62
Others	990,487.43	464,412.80
Total	2,281,434.50	2,315,970.08

Annotation 46. Income tax expenses

Item	Amount for this year	Amount for last year
Current income tax	66,420,798.91	74,961,316.51
Deferred Income Tax	-16,173,218.86	-18,249,548.98
Total	50,247,580.05	56,711,767.53

Current income tax

Item	Amount
Total consolidated profit this year	376,743,050.60
Add: Combined offset	3,088,553.83
Add: Amount increased by taxation adjustmetn	139,209,025.12
Less: Amount decreased by taxation adjustment	99,534,129.06
Add: Domestic deficit coverage by overseas taxable income	-
Less: Deficit coverage for previously years	-
Add: Deficit of subsidiary this year	19,897,152.28
Amount of taxation income this year	439,403,652.78
Including: 25% rate applicable	14,254,061.17
15% rate applicable	425,149,591.60
12.5% rate applicable	-
Income tax paid this year	67,335,954.03
Including: 25% rate applicable	3,563,515.29
15% rate applicable	63,772,438.74
12.5% rate applicable	-
Less: Deduction amount of income tax	-

Item	Amount
Less: Offset amount of income tax	-
Tax payable this year	67,335,954.03
Add: Income tax payable for oversea's income	-
Less: Income tax offset for oversea's income	-
Add: Other adjustment factor	-915,155.12
Current income tax	66,420,798.91

Other adjustment factor refers to the settlement of 2009 offsetting the tax which paid exceeded the payable tax from Zhongke Meiling and Changhong Air-conditioner, subsidiary of the Company.

Annotation 47. Calculation for basic earnings per share and diluted earnings per share

Item	Serials	Amount for this	Amount for last
Net profit attributable to shareholders of parent company	1	325,850,539.55	301,198,313.20
Non-current gains and losses attributable to parent company	2	141,033,550.30	232,298,713.60
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	3=1-2	184,816,989.25	68,899,599.60
Total shares at the beginning of the year	4	413,642,949.00	413,642,949.00
Additional share capital transferred from public reserve or additional shares from shares dividend distribution (I)	5	-	-
Additional shares from issuing new shares or debt-converted shares(II)	6	116,731,500.00	-
Accumulative months of the additional shares(II) commencing from the next month till the end of the year	7	-	-
Decreased shares due to repurchase	8	-	-
Accumulative months of the decreased shares commencing from the next month till the end of the year	9	-	-
Decreased shares due to share shrink	10	-	-
Mouths during the report period	11	12	12
Weighted average of ordinary shares issued	12=4+5+6×7÷11-8×9÷11-10	413,642,949.00	413,642,949.00
Basic earnings per share(I)	13=1÷12	0.7878	0.7282
Basic earnings per share(II)	14=3÷12	0.4468	0.1666
Diluted potential ordinary shares dividend recognized as expense	15	-	-

Conversion expense	16	-	-
Income tax rate	17	15%	15%
weighted average of ordinary shares added through warrant, exercise of option and convertible bonds	18	-	-
Diluted earnings per share(I)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.7878	0.7282
Diluted earnings per share(II)	$20=[3+(15-16)\times(1-17)]\div(12+18)$	0.4468	0.1666

Annotation 48. Other comprehensive income

Item	Amount for this year	Amount for last year
1. gains (losses) arising from financial assets available for sale	-	75,997,903.33
Less: affect of income tax arising from financial assets available for sale	-	11,399,685.50
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period	107,881,799.35	81,394,418.49
Subtotal	-107,881,799.35	-16,796,200.66
2. Share in other comprehensive income of invested units by equity method	-	-
Less: affect of income tax arising from Share in other comprehensive income of invested units by equity method	-	-
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period	-	-
Subtotal	-	-
3. gains (losses) arising from cash flow hedge instruments	-	-
Less: affect of income tax arising from cash flow hedge instruments	-	-
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period	-	-
Adjustment, converted to initial recognition amount of projects in hedge	-	-
Subtotal	-	-
4. Conversion difference arising from foreign currency financial statement	-	-
Less: net, carried forward to gains and losses in current period after disposing overseas operation	-	-
Subtotal	-	-
5. Others	-	-

Less: affect of income tax arising from others which are written in other comprehensive income	-	-
Net, others written in other comprehensive income in previous period and carried forward to gains and losses in current period	-	-
Subtotal	-	-
Total	-107,881,799.35	-16,796,200.66

Annotation 49. Items to cash flow statement

(1) Cash received(paid) from(for) other activities relating to operation/investment/financing

1) Cash received from other activities relating to operation

Item	Amount for this year
Subsidy of Energy-saving, civil-benefit of air-conditioner	212,190,000.00
Bid security received	9,785,753.50
Other government subsidy	7,039,650.44
Insurance indemnity	1,698,312.16
Reserve fund received from employee	957,000.00
Leasing income	734,000.00
Apartment rent received	545,254.80
Other	4,917,685.34
Total	237,867,656.24

2) Cash paid for other activities relating to operation

Item	Amount for this year
Transportation fee paid	220,050,600.85
Market support fee paid	186,306,529.88
Advertisement paid	114,668,287.07
Installation fee paid	76,743,768.61
Storage lease expense paid	67,314,966.53
Three guarantee expense and service fee paid	67,642,701.79
Meeting organization fee paid	69,443,691.52
Domestic travelling fee paid	21,948,894.57
Business activity paid	13,238,612.27
Inspection authentication fee paid	4,491,936.81
Consumption of materials fee paid	4,113,611.58
Promotion fee paid	3,974,900.80
Rent and utilities paid for Changhong Holding	3,871,760.05
R&D paid/ Trail fee	3,803,520.35
Mobilephone charge	3,682,992.81
Utilities paid	3,328,945.82
Vehicle maintenance fee	3,085,211.25
Office charge	2,939,458.38

Gas-consumption charge	2,820,638.72
Consultation charge	2,650,390.43
Service support charge	1,895,992.32
Use charge of software	1,611,959.68
Office phone charge	1,300,685.71
Credit insurance of export	1,046,161.86
Routine buses charge	1,008,000.00
Fund of Board paid	986,050.45
Training charge	985,837.51
Vehicle insurance charge	902,489.50
Other charge paid	158,164,766.21
Total	1,044,023,363.33

3) Cash received from other activities relating to investment

Item	Amount for this year
Interest income arising from bank savings	12,011,473.23
Other	686,820.51
Total	12,698,293.74

4) Cash paid for other activities relating to investment: Nil.

5) Cash received from other activities relating to financing: Nil.

6) Cash paid for other activities relating to financing:

Item	Amount for this year
Registration charge for share issuance	116,731.50

(2) Supplementary information about consolidated cash flow statement

Item	Amount for this year	Amount for last year
1. Net profit is adjusted to cash flow of operation activities:		
Net profit	326,495,470.55	301,176,050.79
Add: provision for depreciation of assets	18,845,090.05	32,795,417.18
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	119,584,327.36	102,860,049.04
Amortization of intangible assets	38,227,241.32	34,456,632.91
Amortization of long-term retained expense	600,000.00	600,000.00
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	-1,820,551.99	1,296,527.45
Loss from discarding fixed assets as useless (gain is listed with "-")	960,459.32	53,766.43

Loss from change of fair value(gain is listed with “-”)	-	-
Financial expense (gain is listed with “-”)	-12,170,606.41	20,599,838.03
Investment loss (gain is listed with “-”)	-141,416,203.65	-214,208,073.52
Decrease of deferred income tax assets (increase is listed with “-”)	-16,173,218.86	-18,249,548.98
Increase of deferred income tax liabilities (decrease is listed with “-”)	-19,037,964.60	-2,964,035.40
Decrease of inventories (increase is listed with “-”)	-530,598,739.56	-487,140,538.90
Decrease of operational accounts receivable (increase is listed with “-”)	-362,599,310.16	-534,813,002.52
Increase of operational accounts payable (decrease is listed with “-”)	953,171,508.20	756,147,118.28
Others	-	-
Net cash flow arising from operation activities	374,067,501.57	-7,389,799.21
2. Significant investment and financing activities with no reference		
Debt convert to capital	-	-
Convertible bond due within one year	-	-
Fixed assets leased in by financing	-	-
3. Net change in cash and cash equivalent:		
Balance of cash at period-end	1,986,440,504.29	747,572,445.88
Less: Balance of cash at period-begin	747,572,445.88	409,853,966.49
Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-begin	-	-
Net increase in cash and cash equivalent	1,238,868,058.41	337,718,479.39

(3) Relevant information about acquiring or disposing subsidiaries or other operation units in previous years

Item	Amount for this year	Amount for last year
Relevant information about acquiring subsidiaries or other operation units		
1. Price for acquiring subsidiaries or other operation units	113,200,000.00	394,032,272.00
2. Cash and cash equivalent paid for acquiring subsidiaries or other operation units	113,200,000.00	118,540,272.00
Less: Cash and cash equivalent held by subsidiaries or other operation units	56,125,618.37	131,535,287.63
3. Net cash paid for acquiring subsidiaries or other operation units	57,074,381.63	-12,995,015.63
4. Acquiring net assets of subsidiaries		390,329,792.65
Current assets	-	561,533,073.10
Non-current assets	50,113,409.35	153,353,055.65
Current liabilities	-	324,556,336.10
Non-current liabilities	-	-
Relevant information about disposing subsidiaries or other operation units		
1. Price for disposing subsidiaries or other operation units	-	-

2. Cash and cash equivalent received from disposing subsidiaries or other operation units	-	2,018,786.45
Less: Cash and cash equivalent held by subsidiaries or other operation	-	2,018,786.45
3. Net cash received from disposing subsidiaries or other operation units	-	-
4. Disposing net assets of subsidiaries	-	13,365,880.15
Current assets	-	1,267,910.06
Non-current assets	-	167,429,519.53
Current liabilities	-	155,331,549.44
Non-current liabilities	-	-

Amount of payment received from subsidiaries or other operation units toally amounting to RMB 343,989,181.63, except RMB 57,074,381.63 received from Meiling Group listed above, also including:

①RMB 275,492,000.00 paid to Sichuan Changhong for paying the remaining amount of equity acquisition of Changhong Air-conditioner and Zhongshan Changhong purchased in 2009;

②RMB 11,422,800.00 paid to China Minmetals for acquisition amount of 10% equity of Zhongshan Changhong.

(4)Cash and cash equivalent

Item	Amount for this year	Amount for last year
Cash	1,986,440,504.29	747,572,445.88
Including: stock cash	315,125.48	109,910.06
Bank deposit available for payment at any time	1,711,459,024.44	590,487,924.37
Other monetary capital available for payment at any time	274,666,354.37	156,974,611.45
Deposit in central bank available for payment	-	-
Deposit from other banks	-	-
Call loans to banks	-	-
Cash equivalent	-	-
Including: bond investment due within 3 months	-	-
Balance of cash and cash equivalent at period-end	1,986,440,504.29	747,572,445.88
Including: restricted cash and cash equivalent used by parent company or subsidiaries	-	-

Annotation 50. Items to statement of change of shareholders'equity

(1) "Other " items of amount at end of last year : Nil adjusted

(2)Other projects with significant amount in "III. (VII) Other " items listed in Statement of Changes of Shareholdres' Equity: Nil

IX. Related parties and related transaction

(I)Relationship of related parties

1. Parent company and terminal controller

(1) Parent company and terminal controller

Parent company and terminal controller	Type of entity	Place of registration	Nature of business	Legal representative	Organization code
Sichuan Changhong Electrical Appliance Co., Ltd.	Stock company	Mianyang	Manufacture and sales	Zhao Yong	20541230-8
Sichuan Changhong Electrical Group Co., Ltd.	Limited company	Mianyang	Manufacture and sales	Zhao Yong	72081866-0

The terminal controller, Mianyang SASAC, provided no financial statement public. The company with financial statement provided and superior than Parent Company similarly closely was Changhong Group.

(2) Register capital and change thereof of parent company

Parent company	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Sichuan Changhong Electrical Appliance Co., Ltd.	1,898,211,418	949,105,709	-	2,847,317,127

(3) Shares held by the parent company and its changes on equity (including shares held directly/indirectly)

Parent company	Amount of shares held		Shareholding ratio (%)	
	Amount at year-end	Amount at year-begin	Ratio at year-end	Ratio at year-begin
Sichuan Changhong Electrical Appliance Co., Ltd.	130,553,267	91,642,767	24.62	22.16

2. Subsidiaries

(1) Subsidiaries

Subsidiaries	Type of entity	Place of registration	Nature of business	Legal representative	Organization code
Zhongke Meiling Cryogenics Limited Company	Limited company	Mianyang	Manufacture of home appliancee	Wang Yong	74309835-2
Jiangxi Meiling Refrigeration Co., Ltd.	Limited company	Jingdezhen	Manufacture of home appliancee	Li Daijiang	66748284-5
Mianyang Meiling Refrigeration Co., Ltd.	Limited company	Mianyang	Manufacture of home appliancee	Li Daijiang	68610561-5

Hefei Meiling Appliance Marketing Co., Ltd.	Limited company	Hefei	Manufacturer of home appliance	Wang Yong	69573778-8
Sichuan Changhong Air Conditioner Co., Ltd.	Limited company	Mianyang	Manufacturer of home appliance	Wang Yong	68236997-1
Zhongshan Changhong Appliance Co., Ltd.	Limited company	Zhongshan	Manufacturer of home appliance	Li Jin	728773292
Hefei Meiling Group Holding Co., Ltd.	Limited company	Hefei	Manufacturer of home appliance	Wang Jiazhang	14918553-3

(2) Register capital and change thereof of subsidiaries

Subsidiaries	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Zhongke Meiling Cryogenics Limited Company	60,000,000.00	-	-	60,000,000.00
Jiangxi Meiling Refrigeration Co., Ltd.	40,000,000.00	-	-	40,000,000.00
Mianyang Meiling Refrigeration Co., Ltd.	50,000,000.00	-	-	50,000,000.00
Hefei Meiling Appliance Marketing Co., Ltd.	10,000,000.00	45,000,000.00	-	55,000,000.00
Sichuan Changhong Air Conditioner Co., Ltd.	200,000,000.00	-	-	200,000,000.00
Zhongshan Changhong Appliance Co., Ltd.	80,000,000.00	-	-	80,000,000.00
Hefei Meiling Group Holding Co., Ltd.	-	80,000,000.00	-	80,000,000.00

(3) Shares held directly of subsidiary and its changes

Subsidiaries	Amount of shares held		Shareholding ratio (%)	
	Amount at year-end	Amount at year-begin	Ratio at year-end	Ratio at year-begin
Zhongke Meiling Cryogenics Limited Company	42,000,000.00	42,000,000.00	70.00%	70.00%
Jiangxi Meiling Refrigeration Co., Ltd.	36,000,000.00	36,000,000.00	90.00%	90.00%
Mianyang Meiling Refrigeration Co., Ltd.	45,000,000.00	45,000,000.00	90.00%	90.00%
Hefei Meiling Appliance Marketing Co., Ltd.	54,900,000.00	9,900,000.00	99.82%	99.00%

Sichuan Changhong Air Conditioner Co., Ltd.	200,000,000.00	200,000,000.00	100.00%	100.00%
Zhongshan Changhong Appliance Co., Ltd.	72,000,000.00	72,000,000.00	90.00%	90.00%
Hefei Meiling Group Holding Co., Ltd.	80,000,000.00	-	100.00%	-

3. Joint-ventures and associates

Invested units	Type of entity	Place of registration	Nature of business	Legal representative	Registered capital	Shareholding ratio	Organization code
Joint-ventures(nil)							
Associates							
Anhui United Technology Property Exchange Co., Ltd.	Limited company	Hefei	Property exchange	Chen Hua	5 million	28.57%	73003846-5
Hefei Meiling Sole Energy Technology Co., Ltd.	Limited company	Feidong County	Manufactures and sales	Ren Sheming	9.5 million	32.751%	73733490-2

4. Other related parties

Type of relation	Related parties	Main business	Organization code
Other enterprises under control from the same parent company or terminal controller			
	PT.CHANGHONG ELECTRIC INDONESIA	Sales	-
	Chengdu Lejiayi Trade Co., Ltd.	Sales	79782546-3
	Fuzhou Lejiayi Trade Co., Ltd.	Sales	67652028-4
	Guangdong Changhong Electron Co., Ltd.	Purchase , Sales	78940429-8
	Guangdong Changhong Digital Technology Co., Ltd.	Utilities provided	78940429-8
	Hefei Changhong Industrial Co., Ltd.	Sales	66621592-1
	Huayi Compressor Co., Ltd.	Purchase , Sales	70562223-x
	Jinan Lejiayi Trade Co., Ltd.	Sales	67227469-6
	Jiangxi Changhong Electrical Technology Development Co., Ltd.	Sales	667483178
	Kunming Yijiahong Trade Co., Ltd.	Sales	67656328-4
	Lejiayi Chain Management Co., Ltd.	Sales	66535156-9
	Mianyang Hongfa Mould Design Manufacture Co., Ltd.	Purchase , Sales	79582077-3
	Mianyang Lejiayi Trade Chain Co.,Ltd.	Sales	665391552
	Sichuan Hong'ou Display Co., Ltd.	Sales	66275681-9
	Sichuan Hongyue Power Co., Ltd.	Sales	68237616-X

Type of relation	Related parties	Main business	Organization code
	Sichuan Hongshi Display Technology Limited	Sales	66968647-0
	Sichuan Hongxin Software Co., Ltd.	Purchase ,labor received	671440445
	Sichuan Changhong Packing Business Limited	Purchase	79399834-0
	Sichuan Changhong Power Supply Limited	Purchase	205418582
	Sichuan Changhong Electrical System Limited	Sales	779839036
	Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	Purchase	795816686
	Sichuan Changhong International Hotel Co., Ltd.	Sales	720818652
	Sichuan Changhong Jijia Precise Co., Ltd.	Purchase , Sales	793998375
	Sichuan Changhong Precise Electrical Technology Limited Company	Purchase, Sales	79399836-7
	Sichuan Changhong Minsheng Logistics Limited Company	Transportation, leasing	79785892-7
	Sichuan Changhong Mould Science & Technology Co., Ltd.	Purchase , Sales	782291526
	Sichuan Changhong Equipment Science & Technology Co., Ltd.	Purchase	793998359
	Sichuan Changhong Xinrui Science & Technology Co., Ltd.	Purchase	66276762-2
	Sichuan Changhong New Energy Science & Technology Co., Ltd.	Purchase , Sales	79399394-5
	Taiyuan Lejiayi Trade Chain Co., Ltd.	Sales	779841582
	Tianjin Lejiayi Trade Co., Ltd.	Sales	67371694-3
	Changhong Appliance (Australia)Co., Ltd.	Sales	-
	Zhongshan Guanghong Mould Technology Co., Ltd.	Purchase	69226840
	Chongqing Hong Life Trade Co., Ltd.	Sales	69226840
	081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	Purchase	205809540
	Mianyang Hongrun Electronic Co., Ltd.	Purchase	769966197
	Changhong (Hong Kong)Trade Co.,Ltd.	Sales	-
	Sichuan Huafeng Group Co., Ltd.	Sales	20540125-4

Type of relation	Related parties	Main business	Organization code
	Sichuan Kuaiyidian Apparatus Service ChainCo., Ltd.	Sales	66744793
	Sichuan Hongyu Metal Production Co., Ltd.	Purchase	665361804

Associates of controlling shareholders and actual controllers

	BVCH Optronics (Sichuan) Corp	Purchase	69226840-2
	Sichuan Jinghong Packing Product Co.,Ltd.	Purchase	779814584
	Sichuan Changhe Science & Technology Co., Ltd.	Purchase	777909555
	Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchase , Sales	779841582

Joint-ventures and associates

	Haozhou Meiling Apparatus Marketing Co., Ltd.	Sales	698966527
	Changzhou Meiling Apparatus Marketing Co., Ltd.	Sales	550268036
	Chaohu Meiling Apparatus Marketing Co., Ltd.	Sales	697390298
	Guangxi Meiling Apparatus Marketing Co., Ltd.	Sales	552250948
	Guangyuan Meiling Apparatus Marketing Co., Ltd.	Sales	699154600
	Jiujiang Meiling Apparatus Marketing Co., Ltd.	Sales	696096089
	Xuancheng Meiling Apparatus Marketing Co., Ltd.	Sales	556318284

(II)Related transaction**1.Purchase commodities**

Type of related parties and names of related parties	Amount this year(RMB'0000)	Amount at last year(RMB'0000)
parent company and terminal controller		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	4,669.14	48,655.20
Joint-ventures and associates		
Including: Hefei Meiling Packing Product Co., Ltd.	3,262.13	5,622.35
Other enterprises under control from the same parent company or terminal controller		

Type of related parties and names of related parties	Amount this year(RMB'0000)	Amount at last year(RMB'0000)
Including: Huayi Compressor Co., Ltd.	39,696.40	43,933.06
Sichuan Changhong Mould Science & Technology Co., Ltd.	20,098.24	12,565.14
Sichuan Changhong Jijia Precise Co., Ltd.	14,618.87	9,469.18
Mianyang Hongfa Mould Design Manufacture Co., Ltd.	24.40	13.81
Sichuan Changhong Packing Business Limited	2,512.77	1,586.53
Sichuan Changhong Power Supply Limited	-	1.40
Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	3,901.02	275.60
Sichuan Changhong Precise Electrical Technology Limited Company	130.25	83.07
Sichuan Changhong Equipment Science & Technology Co., Ltd.	1,610.66	1,224.14
Sichuan Changhong New Energy Science & Technology Co., Ltd.	44.09	29.63
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	539.60	292.47
Mianyang Hongrun Electricals Co., Ltd.	381.22	512.15
Guangdong Changhong Electricals Co., Ltd.	6.60	7.40
Zhongshan Guanghong Mould&Plastic Science & Technology Co., Ltd.	24.03	4.58
Sichuan Hongyu Metal Production Co., Ltd.	50.41	-
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changhe Science & Technology Co., Ltd.	145.74	40.94
Sichuan Changxin Refrigeration Parts Co., Ltd.	8,276.56	4,181.82
Sichuan Jinghong Packing Product Co.,Ltd.	1,188.56	649.37
Total	101,180.69	129,147.84

Concerning good purchasing of the Company, bidding purchase for goods with over RMB 10,000 while bargaining purchase for goods with less than RMB 10,000. The related parties and non-related parties all in the procedures of bidding with the same pricing policy.

2. Sales of commodities

Type of related parties and names of related parties	This year		Last year	
	Amount(RMB '0000)	Ratio	Amount(RMB '0000)	Ratio
parent company and terminal controller				
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	83,372.67	10.13	80,560.09	12.74
Other enterprises under control from the same parent				
Including: PT.CHANGHONG ELECTRIC INDONESIA	6,523.91	0.79	5,021.22	0.79

Sichuan Changhong Jijia Precise Co., Ltd.	3,537.79	0.43	753.09	0.12
Sichuan Changhong Mould Science & Technology Co., Ltd.	7,888.61	0.96	584.14	0.09
Sichuan Hongshi Display Technology Limited	-	-	328.92	0.05
Mianyang Lejiayi Trade Chain Co., Ltd.	328.49	0.04	287.53	0.05
Jiangxi Changhong Electrical Technology Development Co., Ltd.	6.76	0.00	221.91	0.04
Hong Kong (Changhong) Trade Co., Ltd.	-	-	158.42	0.03
Sichuan Changhong Xinrui Science & Technology Co., Ltd.	60.86	0.01	102.3	0.02
Chengdu Lejiayi Trade Co., Ltd.	3.49	0.00	58.34	0.01
Sichuan Changhong International Hotel Co., Ltd.	2.17	0.00	45.45	0.01
Chongqing Hong Life Trade Co., Ltd.	56.88	0.01	36.24	0.01
Tianjin Lejiayi Trade Co., Ltd.	-	-	21.77	0.00
Huayi Compressor Co., Ltd.	-	-	14.77	0.00
Sichuan Changhong Equipment Science & Technology Co., Ltd.	15.25	0.00	9.77	0.00
Kunming Yijiahong Trade Co., Ltd.	11.18	0.00	6.70	0.00
Sichuan Changhong Electrical System Limited	4.07	0.00	6.27	0.00
Fuzhou Lejiayi Trade Co., Ltd.	-0.15	-0.00	3.70	0.00
Tianjin Lejiayi Trade Co., Ltd.	-	-	2.09	0.00
Sichuan Hongrui Power Co., Ltd.	-	-	1.57	0.00
Sichuan Hong'ou Display Co., Ltd.	458.59	0.06	1.46	0.00
Sichuan Changhong New Energy Science & Technology Co., Ltd.	2.69	0.00	0.96	0.00
Guangdong Changhong Electricals Co., Ltd.	47.60	0.01	0.78	0.00
Taiyuan Lejiayi Trade Chain Co., Ltd.	-	-	0.77	0.00
Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	1.11	0.00	0.36	0.00
Changhong Appliance (Australia) Co., Ltd.	1,185.47	0.14	276.23	0.04
Changzhi Photoelectricity(Sichuan) Co., Ltd.	0.19	0.00	-	-
Guangdong Changhong Digital Science & Technology Co., Ltd.	3.92	0.00	-	-
Mianyang Hongfa Mould Design Co., Ltd.	0.07	0.00	-	-
Sichuan Changhong Package Business Co., Ltd.	0.89	0.00	-	-
Sichuan Changhong Precise Electronic Science & Technology Co., Ltd.	125.87	0.02	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	32.70	0.00	-	-
Sichuan Huafeng Group Co., Ltd.	13.03	0.00	-	-
Sichuan Kuaiyidian Apparatus Service Chain Co., Ltd.	4.44	0.00	-	-
Associates of controlling shareholders and actual controllers				

Sichuan Changxin Refrigeration Parts Co., Ltd.	-	-	3.60	-
Joint-ventures and associates				
Haozhou Meiling Apparatus marketing Co., Ltd.	3,240.53	0.39	-	-
Guangyuan Meiling Apparatus marketing Co., Ltd.	2,057.70	0.25	-	-
Changzhou Meiling Apparatus marketing Co., Ltd.	1,367.33	0.17	-	-
Guangxi Meiling Apparatus marketing Co., Ltd.	5,685.41	0.69	-	-
Xuancheng Meiling Apparatus marketing Co., Ltd.	1,479.19	0.18	-	-
Jiujiang Meiling Apparatus marketing Co., Ltd.	3,314.39	0.40	-	-
Chaohu Meiling Apparatus marketing Co., Ltd.	4,510.51	0.55	-	-
Total	125,353.03	15.24	88,508.45	14.00

Business contact with related parties are performed under normal market business regulation and has the same situation towards other enterprises. Concerning the price purchase/sales and other labor provided between the Company and related parties, pricing according to national price, if applicable; pricing according to market price if without national pricing and without marketing pricing, than the price will be negotiated by two parties due to the principle of actual cost plus reasonable expenses. The two parties will negotiate the price on special service while suiting to the principle of "Cost plus expense".

3. Related leasing

Lessor	Lessee	Assets for leasing	Original value of leasing assets
Sichuan Changhong Minsheng Logistics Limited Company	Mianyang Meiling Refrigeration Co., Ltd.	620#, 621#, 622# Plant of Puming District, totally 51,615m ²	26,668,025.28
Hefei Meiling Co., Ltd.	Sichuan Changhong Mould Plastic technology Co., Ltd.	Injection mold plant of 6885 m ² , steel-made sheet of 4590 m ²	3,146,929.72
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Pricise Co., Ltd.	Sheet metal plant of 3240 m ²	2,648,088.00
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Electronic Co., Ltd.	6 floor structure totally of 10704.52 m ² , rented 4096.37 m ²	4,274,055.00
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Digital Technology Co., Ltd.	6 floor structure totally of 10704.52 m ² , rented 939.51 m ²	980,262.00
Zhongshan Changhong Appliance Co., Ltd.	Sichuan Changhong Minsheng Logistics Limited Company, Zhongsahn Branch	6 floor structure totally of 10704.52 m ² , rented 117.44 m ²	122,534.00

(Continued)

Date start for leasing	Date for termination of leasing	Rental income (expense)	Accordance for recognition of rental income	Influence on the Company by rental income
2010-1-1	2010-12-31	4,831,164.00	RMB 7.80 / m ² monthly	Amount was small such that no material influence arised
2010-1-1	2010-12-31	1,089,240.00	Plant leasing contract	Amount was small such that no material influence arised
2010-1-1	2010-12-31	349,920.00	Plant leasing contract	Amount was small such that no material influence arised

2010-1-1	2010-12-31	538,755.00	RMB10.96 / m ² monthly	Amount was small such that no material influence arised
2010-1-1	2010-12-31	123,564.00	RMB10.96 / m ² monthly 月	Amount was small such that no material influence arised
2010-1-1	2010-12-31	15,446.00	RMB10.96 / m ² monthly	Amount was small such that no material influence arised

4. Related guarantee

Party providing guarantee	Party receiving guarantee	Maximized guarantee amount	Date start for guarantee	Due date for guarantee	Whether implemented or not
Hefei Meiling Co., Ltd.	Sichuan Changhong Air-conditioner Co., Ltd.	80,000,000.00	2010-6-1	2011-5-31	No
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited Company	10,000,000.00	2010-6-8	2011-6-8	No
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited Company	12,000,000.00	2010-8-1	2011-8-1	No
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited Company	8,000,000.00	2010-8-1	2011-8-1	No
Hefei Meiling Group Holdings Limited	Meiling Yingkaite Appliance (Hefei) Co., Ltd.	1,000.00	2010-03-22	2011-03-22	No
Hefei Meiling Group Holdings Limited	Meiling Yingkaite Appliance (Hefei) Co., Ltd.	400.00	2009-06-22	2012-06-22	No
Hefei Meiling Group Holdings Limited	Hefei Meiling Yingkaite Electrics Co., Ltd.	200.00	2009-06-22	2012-06-22	No
Hefei Meiling Group Holdings Limited	Hefei Meiling Packing Products Co., Ltd.	1,000.00	2010-07-09	2011-07-09	No
Hefei Meiling Group Holdings Limited	Hefei Meiling Nonferrous Metal Products Co., Ltd.	200.00	2009-03-20	2011-03-20	No
Hefei Meiling Group Holdings Limited	Hefei Meiling Nonferrous Metal Products Co., Ltd.	805.00	2010-04-09	2011-04-09	No
Hefei Meiling Group Holdings Limited	Hefei Meiling Precision Tube Co., Ltd.	350.00	2010-02-24	2011-02-24	No
Total of not Guarantee		149,550,000.00			
Zhongke Meiling Cryogenics Limited Company	Hefei Meiling Co., Ltd.	30,000,000.00	2010-6-8	2012-6-8	No
Sichuan Changhong Air-conditioner Co., Ltd.	Hefei Meiling Co., Ltd.	80,000,000.00	2010-6-15	2012-6-15	No
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	50,000,000.00	2010-7-30	2011-7-29	No
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	35,000,000.00	2009-5-19	2011-5-19	No

Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	80,000,000.00	2010-5-15	2012-5-15	No
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	210,000,000.00	2009-1-4	2011-1-4	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	150,000,000.00	2009-6-1	2010-6-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	250,000,000.00	2009-5-1	2010-5-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	110,000,000.00	2009-4-1	2010-4-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	120,000,000.00	2009-6-30	2010-6-30	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	150,000,000.00	2009-1-1	2010-1-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	120,000,000.00	2009-3-1	2010-3-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	50,000,000.00	2009-4-1	2010-4-1	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	50,000,000.00	2009-5-1	2010-5-1	Yes
Total of not Guarantee		275,000,000.00			

(1) On June 1, 2010, the Company entered into *Contract of Guarantee under the Debt Ceiling* (2010 GX(B)Z No. 01) with Mianyang Branch of ICBC with amount of RMB EIGHTY MILLION ONLY. Changhong Air-conditioner was the debtor (warrantee) with guarantee term from August 1, 2010 to August 1, 2011. The Company offered relevant guarantee for serials debts that occurred during the terms related to loan business of Changhong Air-conditioner. Till recently, guarantee of current currency loan contract, contract of foreign currency loan, bank acceptance agreement, letter of credit agreement/ guarantee agreement, financing agreement in trading. Till the end of Decemeber 31, 2010, the bank acceptance bill undue issued in ceiling guarantee amounting to RMB 59,999,993.02.

On June 15, 2010, the Company entered into *Contract of Counter-Guarantee*, which was unconditional, irrevocable, contributory and with guarantor as the exclusive beneficiary, with Changhong Air-conditioner. Changhong Air-conditioner offered relevant counter-guarantee to the above mentioned *Contract of Guarantee under the Debt Ceiling* (2010 GX(B)Z No. 01) of

RMB EIGHTY MILLION ONLY guarantee.

Category of creditor's right, amount and terms of counter-guarantee:

① In the credit of above mentioned *Contract of Guarantee under the Debt Ceiling*, the accommodator offer loans and notes to borrower with exposure amount less than RMB EIGHTY MILLION. Specific amount will agreed based on the contract. Term of guarantee will be 2 years since from the date of loan interest and other relevant expenses paid to accommodator by guarantor for borrower.

② Guarantee expenses(including guarantee fee, overdue fine, overdue insurance and other expenses) received from borrowers by guarantor. Specific amount will based on the agreement. Term of guarantee will be 2 years since from the second day of expiration of guarantee expenses term that agreed on the agreement.

(2) On June 8, 2010, the Company entered into *Contract of Guarantee under the Debt Ceiling* ((2010) HYZBZD No. 1073269A0170-a) with Hefei Shengli Road Branch of China CITIC Bank by the approved from Board with amount of RMB TEN MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from June 8, 2010 to June 8, 2011. The Company offered relevant guarantee for serials debts during the terms that occurred related to the creding business (including but not limited to various bank business of loans, notes and letter of guarantee) of Zhongke Meiling. Till the end of December 31, 2010, Zhongke Meiling have no events happened concerning the contract agreed.

(3) On August 1, 2010, the Company entered into *Contract of Maximum Mortgage of RMB Loans* (2010 DZD No. 08018) with Hefei Dadongmen Branch of HUIZHANG BANK with amount of RMB TWELVE MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from August 1, 2010 to August 1, 2011. The Company provided mortgage guarantee for Zhongke Meiling concerning all loan contracts signed with Hefei Dadongmen Branch of HUIZHANG BANK. The mortgage project was the house located Meiling Industry Zone, Longgang Development District with area of 23905.35M². Till the end of Decembe r31, 2010, Zhongke Meiling no events happened concerning the loans agreed in contract.

(4) On August 1, 2010, the Company entered into *Guarantee Contract of Maximum Mortgage of Bank Acceptance* (2010 YCZD No. 08018) with Hefei Dadongmen Branch of HUIZHANG BANK with amount of RMB EIGHT MILLION ONLY. Zhongke Meiling was the debtor (warrantee) with guarantee term from August 1, 2010 to August 1, 2011. The contract was the provided mortgage guarantee of *Bank Acceptance Agreement* signed between Zhongke Meiling and Hefei Dadongmen Branch of HUIZHANG BANK. And was the ceiling mortgage guarantee for bank acceptance with property right in mortgaged. Till the end of December 31, 2010, Zhongke Meiling no events happened concerning the loans agreed in contract.

(5) On August 1, 2010, the Company entered into the *Guarantee Contract of Counter-Guarantee* with Zhongke Meing, which was unconditional, irrevocable, contributory and with guarantor as the exclusive beneficiary, concerning the *Contract of Guarantee under the Debt Ceiling* signed with Hefei Shengli Road Branch of China CITIC Bank(Contract No.: 2010 HYZBZ No. 1073269A0170-a), *Contract of Maximum Mortgage of RMB Loans* signed with Hefei Dadongmen Branch of HUIZHANG BANK(2010 DZD No.08018) and *Guarantee Contract of Maximum Mortgage of Bank Acceptance*(2010 YCZD No.08018), amounting to RMB THIRTY MILLION ONLY fro counter-guarantee. Till the end of December 31, 2010, no events happened concerning related agree in contract.

(6) On July 30, 2010, Changhong Group offered gurantee for the business contract signed between the Company and Business Office of Anhui Branch of Agricultural Development Bank of China, signed the *Contract of Guarantee under the Debt Ceiling*(2010 YK(B)Zi No. 0010) with guarantee term from July 30, 2010 to July 29, 2011 of ceiling principal claim of RMB FIFTY MILLION ONLY. The contract including the main creditors' principal, interest, compound intereste, penalty interest, penalty fine, damage awards, fee for creditor right realization and relevant other payable fees that contained under main-contract. Including but no limited to the litigation charge, attribution charge, property security charge and evaluation expenses etc. Till end of December 31, 2010, the Company

have RMB 50 million borrowed.

(7) On May 19, 2010, Changhong Group signed the *Maximum Contract* (contract no.: 0203342009050030) concerning the agreement of bank acceptance bill between the Company and Dongchengang sub-branch of Hefei Technology Rural Business Bank with guarantee term from May 19, 2009 to May 19, 2011. Guarantee exposure within RMB THIRTYTIVE MILLION ONLY for ceiling loan of RMB bank acceptance bill in jointly responsibility guarantee way.

(8) On May 15, 2009, Changhong Group offered *Contract of Maximum RMB Loans*(contract no.: 2009 ZBZD No. 010) concerning the all loan contracts signed between the Company and Hefei Dadongmen Branch of HUIZHANG BANK with guarantee term from May 15, 2009 to May 15, 2012 with RMB EIGHTY MILLION ONLY in ceiling guarantee amount. Till end of December 31, 2010, the Company have no loans from Huishang Bank.

(9) On January 4, 2009, Changhong Group offered *Contract of Guarantee under the Debt Ceiling* s(contract no.:090044) concerning the credit business contract signed between the Company and Bank of Communications Co., Ltd. With guarantee term from January 4, 2009 to January 4, 2011 of RMB TWO HUNDRED MILLION ONLY in ceiling amount in a jointly responsibility way. The contract was terminated on June 30, 2010. the new credit business agreement signed with the Bank of Communication offered RMB 387,500,000 for comprehensive credit business(exposure amount of RMB 200 million). Among which, the short-term loan will less than RMB 200 million, bank acceptance bill of RMB 285,700,000; the bond rate will not less than 30%; L/C without the bond and RMB 0.1 billion was the exposure credit; other RMB 0.1 billion will guratee by Changhong Group for jointly responsibility, the discount amount of bank acceptance bill of RMB100 million.

(10)Guarantee for the Subsidiaries of Hefei Meiling Group Holdings Limited:

Subsidiaries	BankName	Contract No.		Date start for guarantee	Due date for guarantee
Meiling Yingkaite Appliance (Hefei) Co., Ltd.	Bank of Rural Science and Technology in Hefei	0109342010120002	1,000.00	2010-3-22	2011-3-22
	Merchants Bank	-	400.00	2009-6-22	2012-6-22
Hefei Meiling Yingkaite Electrics Co., Ltd.	Merchants Bank	622001	200.00	2009-6-22	2012-6-22
Hefei Meiling Packing Products Co., Ltd.	Bank of Rural Science and Technology in Hefei	2010005	1,000.00	2010-7-9	2011-7-9
Hefei Meiling Nonferrous Metal Products Co., Ltd.	Bank of Communications	100189\090140	200.00	2009-3-30	2011-3-30
			805.00	2010-4-9	2011-4-9
Hefei Meiling Precision Tube Co., Ltd.	Bank of Rural Science and Technology in Hefei	0109342010120001	350.00	2010-2-24	2011-2-24
Total			3,955.00		

5. Fixed assets purchased from related parties

Parties offering sales of assets	2010	2009
Sichuan Changhong Electrical Appliance Co.,Ltd.	10,881,093.53	15,472,695.36
Guangdong Changhong Electrical Co.,Ltd.	-	5,769.23

Sichuan Hongxin Software Co., Ltd.	129,657.00	-
Total	11,010,750.53	15,478,464.59

6. Receive labor services

Labor services providers	2010	2009
Sichuan Hongxin Software Co., Ltd.	3,080,000.00	1,522,400.00
Sichuan Changhong Minsheng Logistics Limited Company	97,095,211.39	52,003,660.53
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	16,517,785.48	882,965.38
Sichuan Jiahong Industrial Co., Ltd.	138,953.4	392,242.63
Total	116,831,950.27	54,801,268.54

7. Water & power supply

Supplied by Zhongshan Changhong to related parties	2010	2009
Guangdong Changhong Electrical Co.,Ltd.	1,401,444.71	1,016,689.29
Guangdong Changhong Digital Technology Co., Ltd.	140,630.46	97,945.68
Sichuan Changhong Electrical Appliance Co.,Ltd.	76,409.87	-
Lejiayi Chain Management Co., Ltd.	-	2,646.13
Sichuan Changhong Minsheng Logistics Limited Company	25,819.12	8,424.42
Kuaiyidian Appliance Service Chain Corp	6,967.09	4,003.54
Zhongshan Guanghong Mould & Plastic Technology Co., Ltd.	49,192.19	16,349.73
Total	1,700,463.44	1,146,058.79

8. Fixed assets sold to related parties

Purchaser	2010	2009
Sichuan Changhong Mould Science & Technology Co., Ltd.	527,884.62	-
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	33,002.06	-
Sichuan Changxin Refrigerator Parts Co., Ltd.	1,090.37	-
Sichuan Huafeng Group Co., Ltd.	4,350.00	-
Total	566,327.05	-

9. Trademark licensing authorized by related parties, patent implementation permit

On June 1, 2010, the proposal of <Trademark Licensing Construct> signed between Sichuan Changhong Air-conditioner Co., Ltd and Sichuan Changhong Electric Co., Ltd. Have been approved by 34th Meeting of 6th Board. Allow controlling subsidiary – Changhong Air-conditioner entered into the <Trademark Licensing Construct> with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Changhong Air-conditioner, Hefei meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize the trademark of “Changhong” for long-term free use to Changhong Air-conditioner and Zhongshan Changhong in products of air-conditioners and air purification equipment. Chonghong Air-conditioner will use in the trademark registered place by regulations.

On June 1, 2010, the proposal of <Trademark Licensing Construct> signed between Zhongshan Changhong Apparatus Co., Ltd and Sichuan Changhong Electric Co., Ltd have been approved

by 34th Meeting of 6th Board. Allow controlling subsidiary – Zhongshan Changhong entered into the <Trademark Licensing Contract> with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Zhongshan Changhong, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize the trademark of “Changhong” for long-term free use to Changhong Air-conditioner and Zhongshan Changhong in products of air-conditioners and air purification equipment. Zhongshan Changhong will use in the trademark registered place by regulations.

On June 1, 2010, the proposal of <Trademark Licensing Contract> signed between Zhongshan Changhong Apparatus Co., Ltd and Sichuan Changhong Electric Co., Ltd have been approved by 34th Meeting of 6th Board. Allow controlling subsidiary – Zhongshan Changhong entered into the <Trademark Licensing Contract> with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Zhongshan Changhong, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize four patents in air-conditioner (including machine union of air-conditioner with separation, equipment of cool-to-heat of air-conditioner, removal air-conditioner with heat pump style and removal air-conditioner with shower style) to Zhongshan Changhong for free use in the validity of patent. The permit and use range are exclusively by Zhongshan Changhong, un-transference, un-permit and use in global. Zhongshan Changhong have the rights to manufacture, use, develop and sale of the permit products.

On November 10, 2010, the 38th Meeting of 6th Board approved the followed proposals: Sichuan Changhong Air-conditioner, entered into *Supplementary Contract of Patent License for Implementation* with Sichuan Changhong; Zhongshan Changhong, entered into *Patent License Contract for Implementation* with Sichuan Changhong and Zhongshan Changhong, entered into *Supplementary Contract of Patent License for Implementation* with Sichuan Changhong. The contract agrees that: agreed Sichuan Changhong entered into *Supplementary Contract of Trademark Licensing* with Changhong Air-conditioner, Zhongshan Changhong respectively. Terminated relevant clause of free-use authorization concerning authorized to Changhong Air-conditioner and Zhongshan Changhong. That is terminated premise of “Sichuan Changhong being the controlling shareholder of Meiling Apparatus and Meiling Apparatus being the controlling shareholders of Changhong Air-conditioner and Zhongshan Changhong”; agreed the *Supplementary Contract of Patent License for Implementation* signed between Zhongshan Changhong and Sichuan Changhong, the supplementary contract stated that terminated the relevant clause of premise of authorized Zhongshan Changhong for free-use that listed in signed four pieces of *Contract of Patent License for Implementation*, that is”terminated the premise of Sichuan Changhong being the controlling shareholders of Meiling Apparatus and Meiling Apparatus being the controlling shareholders of Zhongshan Changhong”.

(III) Exchange balance of related parties

1. Accounts receivable of related parties

Related parties(items)	Amount at year-end	Amount at year-begin
Parent company and terminal controller		
Including: Sichuan Changhong Electrical Appliance Co.,Ltd.	417,189.59	71,448,305.06

Joint-venture and associates		
Including: Hefei Meiling Packing Product Co., Ltd.	-	61,654.64
Other enterprises under control from the same parent company or		
Including: Sichuan Hongshi Display Technology Limited	-	3,078,687.20
Sichuan Changhong Mould Science & Technology Co., Ltd.	1,673,830.47	1,509,399.13
Changhong Appliance (Australia) Co., Ltd.	5,620,947.31	1,089,035.55
Jiangxi Changhong Electrical Science & Technology	267,550.00	1,038,560.00
Sichuan Changhong Xinrui Science & Technology Co., Ltd.	-	748,345.00
Changhong (Hong Kong) Trade Co.,Ltd.	-	727,782.00
PT.CHANGHONG ELECTRIC INDONESIA	9,554,424.01	499,524.13
Mianyang Lejiayi Trade Chain Co.,Ltd.	-	224,364.82
Chengdu Lejiayi Trade Co., Ltd.	-	139,628.95
Hefei Changhong Industrial Co., Ltd.	-	68,500.00
Huayi Compressor Co., Ltd.	8,550.50	59,853.50
Guangdong Changhong Digital Technology Co., Ltd.	32,663.28	52,462.49
Sichuan Changhong International Hotel Co., Ltd.	772.00	41,580.00
Tianjin Lejiayi Trade Co., Ltd.	-	26,333.32
Jinan Lejiayi Trade Co., Ltd.	-	24,007.60
Fuzhou Lejiayi Trade Co., Ltd.	-	23,267.70
Sichuan Hongrui Power Co., Ltd.	-	18,400.00
Kunming Yijiahong Trade Co., Ltd.	-	14,729.77
Guangdong Changhong Electrical Co.,Ltd.	149,647.15	9,172.80
Taiyuan Lejiayi Trade Chain Co., Ltd.	-	4,402.05
Chongqing Hong Life Trade Co., Ltd.	25,499.24	1,386.00
Sichuan COC Display Devices Co., Ltd.	920,850.04	-
Sichuan Changhong Appliance Technology Co., Ltd.	9,032.08	-
TECO Electric and Machinery Co., Ltd.	3,624.87	-
Sichuan Changhong Electron System Co., Ltd.	140.00	-
Sichuan Changhong Jijia Precise Co., Ltd.	0.04	-
Associated enterprises of controlling shareholders and actual		
Including: BVCH Optronics (Sichuan) Corp	-	34,278.93
Total	18,684,720.58	80,943,660.64

2. Account received in advance from relate parties

relate parties (item)	Amount at year-end	Amount at year-begin
parent company and terminal controller		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	26,888,716.12	4,681,218.92
Other enterprises under control from the same parent company or terminal controller		
Including: Chengdu Lejiayi Trade Co., Ltd.	-	77,938.07
Hong Kong (Changhong) Trade Co., Ltd.	27,207.44	2,628.21

Sichuan Changhong Electrical System Limited	-	1.99
Jinan Lejiayi Trade Co.,Ltd.	14,132.14	-
Mianyang Lejiayi Trade Chain Co.,Ltd.	7,272.65	-
Xian Lejiayi Trade Co.,Ltd.	8,925.37	-
Jiangyin Changhong Air-conditioner Apparatus Co., Ltd.	33,273.67	-
Sichuan Changhong Pricise Electronic Technology Co., Ltd.	0.32	-
Sichuan Changhong Mould Science & Technology Co., Ltd.	68,100.00	-
Sichuan Changhong Xinyue Science & Technology Co., Ltd.	476,407.67	-
Sichuan Changhong New Energy Science & Technology Co., Ltd.	124,799.99	-
PT.CHANGHONG ELECTRIC INDONESIA	35,719.44	-
Joint-ventures and associates		
Including: Haozhou Meiling Apparatus Marketing Co., Ltd.	5,379,577.56	-
Changzhou Meiling Apparatus Marketing Co., Ltd.	1,136,429.92	-
Chaohu Meiling Apparatus Marketing Co., Ltd.	10,344,912.05	-
Guangxi Meiling Apparatus Marketing Co., Ltd.	7,006,456.41	-
Guangyuan Meiling Apparatus Marketing Co., Ltd.	1,557,229.34	-
Jiujiang Meiling Apparatus Marketing Co., Ltd.	2,816,604.93	-
XuanchengMeiling Apparatus Marketing Co., Ltd.	4,937,918.07	-
Total	60,871,285.98	4,761,787.19

3. Account payable from related parties

relate parties (item)	Amount at year-end	Amount at year-begin
parent company and terminal controller		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	14,015,465.54	5,769,505.99
Other enterprises under control from the same parent company or terminal controller	-	-
Including: Sichuan Changhong Mould Science & Technology Co., Ltd.	16,299,399.33	20,958,816.80
Huayi Compressor Co., Ltd.	63,759,612.42	20,108,781.52
Sichuan Changhong Jijia Precise Co., Ltd.	20,100,585.19	14,210,937.69
Sichuan Changhong Minsheng Logistics Limited Company	7,004,311.26	9,408,488.07
Sichuan Changhong Packing Business Limited	4,423,111.53	5,240,438.83
Sichuan Changhong Equipment Science & Technology Co., Ltd.	3,563,127.38	3,821,685.56
Mianyang Hongrun Electricals Co., Ltd.	521,304.38	946,241.24
Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	11,546,641.93	530,482.70
Sichuan Changhong Precise Electrical Technology Limited Company	289,475.43	306,904.21
018 Electric GroupSichuan Liyuan Electronic Co., Ltd.	457,707.51	255,573.34
Mianyang Hongfa Mould Design Manufacture Co., Ltd.	-	138,078.40
Sichuan Changhong New Energy Science & Technology Co., Ltd.	83,478.47	85,205.84
Guangdong Changhong Electricals Co., Ltd.	-	26,819.44
Sichuan Hongxin Software Co., Ltd.	391,397.25	17,250.00
Sichuan Changhong Power Supply Limited	20,795.96	13,818.02

Sichuan Hongyu Metal Manufacture Co., Ltd.	126,111.00	-
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changxin Refrigeration Parts Co., Ltd.	14,577,542.34	9,491,061.15
Sichuan Jinghong Packing Product Co.,Ltd.	4,371,986.63	2,590,038.30
Sichuan Changhe Science & Technology Co., Ltd.	430,463.41	216,173.53
Total	161,982,516.96	102,998,418.33

4. Othe account payable of related parties

relate parties (item)	Amount at year-end	Amount at year-begin
parent company and terminal controller		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	605,555.10	286,242,599.05
Joint-ventures and associates		
Including: Hefei Meiling Packing Product Co., Ltd.	-	340,000.00
Other enterprises under control from the same parent company or		
Including: Sichuan Changhong Minsheng Logistics Limited Company	3,659,909.36	5,513,085.98
Sichuan Changhong Mould Science & Technology Co., Ltd.	320,000.00	100,000.00
Sichuan Changhong Jijia Precise Co., Ltd.	170,000.00	150,000.00
Sichuan Changhe Technology Co., Ltd.	50,000.00	-
Total	4,805,464.46	292,345,685.03

X. Contingent proceedings

(I) Pending action or possible liabilities formed from arbitration: Nil

(II) Before the Company agreed to transfer the 100% equity of Meiling Group, Meiling Group had offered 176.85 million yuan of guarantee for its subordinate controlling and shareholding subsidiaries, including, Meiling Group offered 52.8 million yuan of guarantee for other companies (previous controlling or shareholding companies of Meiling Group) beyond the transferring assets scope of the Company. Till Dec. 31, 2010, except that the 5 million yuan Meiling Group offered for Hefei Meiling Hengtong Glass Products Co., Ltd. is through the transferring removal procedure, the other guarantee events have been removed or naturally became due. On Oct. 19, 2009, Meiling Group signed the Guarantee Contract of RMB Loan (2009, No. 006 Bao Zi) with Anhui Merchants Bank Branch in Hefei East Gate, thus offered the maximum guarantee RMB 5 million for Hefei Meiling Hengtong Glass Products Co., Ltd. with guarantee deadline from May 19 of 2010 to May 19 of 2010. Till Dec. 31, 2010, the actual loan of Hefei Meiling Hengtong Glass Products Co., Ltd. was 5 million.

Besides possible liabilities possibly resulting from the above events and related parties guarantee, the Company had no other external guarantee or possible liabilities.

(III) Besides the above contingencies, till Dec. 31, 2010, the Company had no other major contingencies.

XI. Commitments

On March 25, 2010, in the Equity Transferring Contract, the Company makes commitment:

(1) Don't change the dominant legal person position of the transferee corporation, the new unit after transferring couldn't move out of Hefei City for continuous electronic appliance and

related industries. New units after transferring must contribute tax more than 15 million yuan per year within 5 years which equal to the actual tax contributed by previous Meiling Group in last year.

(2) Within 5 years since the contract comes into effect the Company must newly increase over 0.1 billion yuan of investment in Hefei city.

(3) Within 5 years since the contract comes into effect the Company couldn't transfer externally this transferee besides internal transferring.

(4) The total amount of 48.69 million yuan of creditor's rights owned by subsidiary within the transferring scope of previous Meiling Group (the actual amount of creditor's right should be determined according to audit report issued in deadline of audit Mar. 25, 2010), have been transferred to Hefei Xingtai Asset Management Co., Ltd. The new unit after transferring should pay off the debts within 2 years since the contract was signed (must supply lawful and effective guarantee).

(5) The new unit after transferring offers jobs according to 80% of the present number of working staffs of the transferee corporation and subsidiaries within transferring scope. Under the same condition, present staffs of the corporation would be given preference when employing, present management personnel would be orderly placed. Take the replacement date of identity of staffs as the successive date of labour relationship. Sign contracts with allotted time of over 3 years with employed person within 1 month since the contract comes into effect; successively or newly offer various social insurances for staffs according to relevant rules and contribute housing accumulation fund.

(6) The new unit after transferring takes over all the assets and liabilities which have been estimated and approved of the transferee corporation.

(7) The new unit after transferring implements terms signed externally of the transferee corporation.

(8) The new unit after transferring continuously match party A to complete the stripping operation of non-transferred interests and rights belonging to the transferee corporation.

(9) The new unit after transferring must rationally make use of the land within transferring, couldn't call for changing the usage of lands.

(10) The new unit after transferring couldn't weaken or dim the trademark and trade name of Meiling inversely should carefully protect the trademark and trade name of Meiling and make commitment that output of Meiling products can't be lower than 70% of production of Meiling products; the growth rate of sales of Meiling products can't be lower than 20% each year; R&D and trademark maintenance fees of Meiling products can't be less than 1% of sales amount.

Besides the above events, till Dec. 31, 2010, the Company had no other significant commitment.

XII. Events occurring after the balance sheet date

(I) Significant commitments made after balance sheet date: Nil

(II) Significant changes on assets value, tax policy and foreign exchange rate after balance sheet date: Nil

(III) Significant losses on assets due to nature disaster after balance sheet date: Nil

(IV) Shares and bonds issuance and other significant debt financing after balance sheet date: Nil

(V) Share capital transfer from public reserve fund after balance sheet date: Nil

(VI) Significant deficit occurred after balance sheet date: Nil

(VII) Enterprise merge or subsidiary disposal occurred after balance sheet date: Nil

(VIII) Significant external investment after balance sheet date: Nil

(IX) Dividend or profit plans to distribute or declare to distribute approved by discussion in the

plan of profit distribution: Nil

(X) Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

XIII. Segment information (Unit: RMB'0000)

(I) Segment of Annual report of 2010

Items	Refrigerator and freezer	Air-conditioner	Washing machine	Other	Offset	Total
Operation income	652,706.87	193,290.42	976.08	30,295.49	30,548.83	846,720.04
Including: income from external	638,275.35	193,290.42	587.25	14,567.01	-	846,720.04
Income from transaction	14,431.52	-	388.83	15,728.48	30,548.83	-
Operation expense	742,826.30	192,271.24	1,350.33	31,240.22	144,318.69	823,369.41
Operation profit(loss)	23,862.29	1,612.28	-374.25	-342.41	-	23,350.63
Total assets	662,001.44	93,489.32	5,820.46	38,534.34	93,043.02	706,802.54
Total liabilities	377,498.03	53,172.85	8,203.02	25,317.73	27,194.24	436,997.39
Supplementary information						
Depreciation and amortization	12,207.14	2,214.99	130.45	789.34	-103.45	15,445.38
Capital expenditure	13,243.57	2,890.74	4,266.17	14,252.10	-1,005.53	35,658.11
Non-cash expense except	65,126.62	15,680.69	128.25	991.06	-	81,926.63

(II) Segment of Annual report of 2009

Items	Refrigerator and freezer	Air-conditioner	Washing machine	Other	Offset	Total
Operation income	492,229.59	140,391.22	-	-	202.70	632,418.11
Including: income from external	492,229.59	140,188.52	-	-	-	632,418.11
Income from transaction	-	202.70	-	-	202.70	-
Operation expense	480,381.64	143,110.52	-	-	202.70	623,289.46
Operation profit(loss)	33,268.75	-2,719.30	-	-	-	30,317.86
Total assets	473,085.73	71,488.61	-	-	65,880.93	478,693.41
Total liabilities	323,776.34	32,455.63	-	-	12,495.24	343,736.73
Supplementary information						
Depreciation and amortization	12,083.63	2,183.57	-	-	-	14,267.20
Capital expenditure	35,914.54	2,039.93	-	-	-	37,954.46
Non-cash expense except	81,142.12	5,385.30	-	-	-	86,527.42

XIV. Other significant matters

(I) Operation of leased-out assets

Type of assets leased out	Amount at year-end	Amount at year-begin
Houses and buildings(investment real estate)	17,432,142.70	13,692,921.96

Machinery equipment(fixed assets leased temporary)	18,379,601.36	-
Other equipment (fixed assets leased)	22,737.50	-
Land use right(investment real estate)	692,104.69	730,473.25
Total	36,526,586.25	14,423,395.21

(II) Assets and liabilities measured by fair value

Item	Amount at year-begin	Sold during this year	Gains and losses of fair value change of this year	accumulative fair value change recorded in equity	Impairment withdrew this year	Amount at year-end
Financial assets						
Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Financial assets available for sale	134,011,570.00	134,011,570.00	-	-	-	-
Including: stock cost	7,091,806.06	7,091,806.06	-	-	-	-
Fair value	126,919,763.94	126,919,763.94	-	-	-	-
Subtotal of financial assets	134,011,570.00	134,011,570.00	-	-	-	-
Investment real estate	-	-	-	-	-	-
Productive biology assets	-	-	-	-	-	-
Total	134,011,570.00	134,011,570.00	-	-	-	-
Financial liabilities	-	-	-	-	-	-

(III) Foreign currency financial assets and liabilities

Item	Amount at year-begin	Gains and losses of fair value change of this year	accumulative fair value change recorded in equity	Impairment withdrew this year	Amount at year-end
Financial assets					
Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	-	-	-	-	-
Derivative financial	-	-	-	-	-
Loans and account	35,971,221.78	-	-	4,455,890.25	89,117,805.04
Financial assets	-	-	-	-	-
Hold-to-maturity	-	-	-	-	-
Subtotal of financial	35,971,221.78	-	-	4,455,890.25	89,117,805.04

Financial liabilities	-	-	-	-	-
Foreign currency loans	-	-	-	-	-
Subtotal of financial	-	-	-	-	-

(IV) Particular about assets liability separation of Package Product

According to the Transference Contract of Propety Right signed between the Company and Xingtai Holding, 100% state-owned equity after partial assets liability separation of original Meiling Group including 51.72% state-owned equity of Package Products Company. The above mentioned assets, liability and relevant information should based on the Assessment Report of WBPBZ[2009] No. 018 issued from Anhui Baoshen Assets Assessment Co., Ltd. among the assesement report, the followed book value of assets and liability at April 30, 2009(assessment date) of Package Products are not consolidated into transfer rage:

Assets	Book balance	Liability	Book value
Account receivable	802,967.53	Account payable	738,762.51
Other account receivable	168,011.27	Account received in advance	125,491.54
Account paid in advance ne	223,844.15	Other account payable	2,286,367.36
Fixed assets	14,857,968.84	Long-term loans	209,660.00
Intangible assets	13,949,923.94	Total liabilit	3,360,281.41
Total assets	30,002,715.73	Net assets	26,642,434.32

Due to that the Company had held 42.28% equity of Package Company before purchasing Meiling Group, it owns corresponding handling right and interests on the above net assets which hadn't been included in transferring. On July 15, 2010, the Company signed the Memorandum Book with Xingtai Holding Company's subsidiary Hefei Xingtai Asset Management Co., Ltd. Regarding both parties respectively own 51.72% and 48.28% equity of the planned assets stripped of Package Company which were not included in transferring, both parties follow the friendly agreement principle as for solution of the planned assets stripped, closely connect and effectively communicate, strive to maximize the interests of assets disposal according to actual condition of relevant assets.

Till the end of the year, the above planned assets stripped and liabilities had not been disposed, the Package Company insisted operation within previous registration capitals. Due to that in this period the Package Company had been included in consolidation scope, as for the shares owned by Zhongxing Holding Company of the planned assets stripped which has been included in consolidation sheet, the Company temporarily takes the value plus 51.72% which was listed on WBPBZ [2009] No. 018 estimation report issued by Anhui Bao Shen Assets Evaluation Co., Ltd. as liability entry account.

(V) Storage of land use right of Jiangxi Meiling

On Jan. 20, 2011, the Company held the 41st meeting of the 6th Board of Directors and reviewed and approved the Proposal of Storing up the Land Use Right of Jiangxi Meiling Refrigeration Co., Ltd. On Jan. 14, 2010, subordinate controlling subsidiary of the Company Jiangxi Meiling (party B) signed the Storage of State-owned Land Use Right Contract with Jingdezhen Municipal Land Reserve Center (Party A). Jiangxi Meiling planed to transfer the

land use right of 159448.8 Square meters (equivalent to 239.17 acres) located in Cidu Road Guangzhuangjing TGY (2010) No. 0121 to Jingdezhen Municipal Land Reserve Center for storage with 65 million yuan of land compensation fees.

Main provisions of the State-owned Land Use Right Storage Contract comprise:

1. The total amount of receivable compensation fees for land storage of party B is RMB 65 million. The party A should pay for the first amount of compensation fees for land storage 26 million yuan to party B within 5 working days since the land transaction in this contract was listed.

2. Within 5 working days since this listing of land transaction was completed, party A pays for the second amount of compensation fees for land storage 36 million yuan to party B.

Within 5 working days since the land transaction in this contract was completed, party A pays the surplus compensation fees for land storage 1 million yuan to party B.

4. Party B makes commitment that within 15 working days since the contract comes into effect party B takes responsibility of transferring the State-owned Land Use Certificate and related documents to party A for storage and assists party A in land transferring procedure.

5. After this land listing transaction was completed, in order to support the operation and development of party B, party A agreed to match the schedule arrangement of new plant construction and old plant removal of party B. In principle, party B should submit the land for pure land for two times respectively at the end of 2011 and at the beginning of 2012, and party B takes charge of clearing attachment of lands and submitting in form of pure land.

The above lands were obtained by Jiangxi Meiling auctioning partial bankruptcy assets of Jingdezhen Huayi Electric Corporation refrigerator plant which were commercial lands at that time, and the lands had completed transferring procedure. Till Dec. 31, 2010, the book value of the lands was 31,084,385.00 yuan, amortized value was RMB 1,828,493.27 while the net book value was RMB29,255,891.73.

XV. Notes to main items of financial statement of parent company

1. Account receivable

(1) Account receivable classify according to account age

Item	Amount at year-end				Amount at year-begin			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Within 1year	285,115,466.63	97.59	13,105,093.32	75.54	203,816,183.20	90.08	9,083,221.93	36.44
1-2years	1,861,701.62	0.64	279,255.24	1.61	4,822,925.66	2.13	723,438.85	2.90
2-3 years	1,939,351.49	0.66	1,939,351.49	11.18	5,926,675.91	2.62	3,434,442.52	13.78
3-4 years	3,232,170.44	1.11	2,021,235.12	11.65	6,174,003.82	2.73	6,167,067.62	24.74
4-5 years	-	-	-	-	3,817,036.35	1.69	3,816,389.60	15.31
Over 5 years	4,311.68	0.00	4,311.68	0.02	1,702,265.73	0.75	1,702,265.73	6.83
Total	292,153,001.86	100.00	17,349,246.85	100.00	226,259,090.67	100.00	24,926,826.25	100.00
Net value	274,803,755.01				201,332,264.42			

(2) Account receivable classify according to category

Item	Amount at year-end	Amount at year-begin
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	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Account receivable with single significant amount and withdrawal single item bad debt provision	-	-	-	-	65,020,591.37	28.74	3,251,029.57	5.00
Account receivable withdrawal bad debt provision by combination								
Account except contract with related parties	266,658,846.86	91.27	14,868,692.29	5.58	124,918,780.95	55.21	7,769,072.60	6.22
Account of contract with related parties	23,013,600.44	7.88	-	-	22,412,994.27	9.90	-	-
Subtotal	289,672,447.30	99.15	14,868,692.29	5.13	147,331,775.22	65.11	7,769,072.60	5.27
Account receivable with single minor amount but withdrawal single item bad debt provision	2,480,554.56	0.85	2,480,554.56	100.00	13,906,724.08	6.15	13,906,724.08	100.00
Total	292,153,001.86	100.00	17,349,246.85	5.94	226,259,090.67	100.00	24,926,826.25	11.02
Net value	274,803,755.01				201,332,264.42			

(3) Account receivable with single significant amount and withdrawal bad debt provision single: Nil

(4) Among the combinations, bad debt provision of account except contract with related parties accrued by account age:

Age	Amount at year-end			Amount at year-begin		
	Amount	Ratio(%)	Bad debt reserve	Amount	Ratio(%)	Bad debt reserve
within 1 year	262,101,866.19	5	13,105,093.31	116,643,847.31	5	5,832,192.36
1-2 years	1,861,701.62	15	279,255.24	4,822,925.66	15	723,438.85
2-3 years	-	35	-	3,432,282.52	35	1,201,298.88
3-4 years	2,690,967.37	55	1,480,032.05	15,413.78	55	8,477.58
4-5 years	-	85	-	4,311.68	85	3,664.93
over 5 years	4,311.68	100	4,311.68	-	100	-
Total	266,658,846.86		14,868,692.29	124,918,780.95		7,769,072.60
Net value	251,790,154.57			117,149,708.35		

(5) Among combinations, account from contract account with related parties:

Items	Book balance	Accrued proportion(%)	Bad debt provision
Account from related parties	2,730,097.25	-	-

Letter of credit	20,283,503.19	-	-
Total	23,013,600.44		-

(6) Account receivable with single minor amount but withdrawal single item bad debt provision at period-end

Account receivable	Book balance	Bad debt provision	Accrued proportion(%)	Accrued reasons
Weifang segment user machine exchange	40.00	40.00	100%	Cease business contact 2-3 years; predicted un-recovered for urgent
Nanjing Central Market (group) Co., Ltd.	512,925.85	512,925.85	100%	
Zhejiang Yongle Appliance Co., Ltd. (Taizhou)	95,090.82	95,090.82	100%	
Gaomi Sanhe Appliance Market Co., Ltd.	610,458.57	610,458.57	100%	
Cifeng Baixin Apparatus Co., Ltd.	271,114.97	271,114.97	100%	
Jilin Gume Electrical Appliances Co., Ltd. (Yanji)	228,980.32	228,980.32	100%	
Helong Bajiazi Zaolin Apparatus	2,231.60	2,231.60	100%	
Yichun Jixing Appliance Town	218,509.36	218,509.36	100%	
Shandong Wendeng Department Store General Company	129,051.14	129,051.14	100%	
Shanxi Yongle Dazhong Life Apparatus Co.,	94,067.09	94,067.09	100%	
Jiangsu Zhenjiang Gome Electrical Appliances Co., Ltd.	176,425.61	176,425.61	100%	
Jilin Gome Electrical Appliance Co., Ltd. (Ulan Bator)	90,071.23	90,071.23	100%	
Liuzhou Minyu Hardware Appliance Business	51,588.00	51,588.00	100%	
Total	2,480,554.56	2,480,554.56		

(7) Bad debt provision swith-back: Nil

(8) Account receivable received of previous that being verified in 2010: Nil

(9) Approved by 33rd Meeting of 6th Board, verified 84 companies' account receivable due to the debtor bankruptcy or cease business over 3 years and other un-recovery amounting to RMB 8,036,080.78. The above mentioned amount all raising from non-related transaction.

(10) Arrears of the shareholders holding more than 5% (including 5%) shares with voting rights of the Company

Unit	Amount at year-end		Amount at year-begin	
	Arrears	Bad debt provision	Arrears	Bad debt provision
Sichuan Changhong Electrical Appliance Co.,Ltd.	417,189.59	-	261,249.75	-

(11) Top 5 of account receivable

Unit	Relationship with the Company	Amount	Age	Proportion in total account receivable
Suning Appliance Co., Ltd. Nanjing	Non-related party	77,249,392.39	Within 1year	26.03%
Electrolux (China) Appliance Co., Ltd.	Non-related party	17,132,131.98	Within 1year	5.77%
Beijing Dazhong Household Appliance Chian Sales Co., Ltd.	Non-related party	10,158,980.22	Within 1year	3.42%
Chengdu Gome Electric Co., Ltd.	Non-related party	9,501,906.66	Within	3.20%
Jiangsu Five Star Appliance Co., ltd.	Non-related party	7,682,739.75	Within	2.59%
Total		121,725,151.00		41.01%

(12) Account receivable of related parties

Unit	Relationship with the Company	Amount	Proportion in total account receivable
Sichuan Changhong Electric Co., Ltd.	Parent company	417,189.59	0.14%
Changhong Electric(Australia)	Under same control	2,312,907.66	0.78%
Total		2,730,097.25	2.48%

(13) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at year-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	4,570,423.13	6.6227	30,268,541.26	4,205,809.36	6.8282	28,718,107.47
EUR	29,025.24	8.8065	255,610.78	328,721.23	9.7971	3,220,514.76
AUD	350,198.22	6.7139	2,351,195.83	-	-	-
Total			32,875,347.87	-		31,938,622.23

(14) No derecognition account received.

2. Other account receivable

(1) Other account receivable classify according to account age

Item	Amount at year-end				Amount at year-begin			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Within 1 year	14,785,229.84	79.68	731,418.49	21.26	12,914,735.36	66.45	645,736.77	11.67
1-2years	806,069.34	4.34	120,910.40	3.52	1,232,922.54	6.34	184,938.38	3.34
2-3 years	318,371.50	1.72	111,430.03	3.24	800,638.88	4.12	280,223.61	5.06
3-4 years	360,329.70	1.94	198,181.34	5.76	65,990.00	0.34	36,294.50	0.66

4-5 years	54,031.00	0.29	45,926.35	1.34	2,299,075.05	11.83	2,265,175.33	40.94
over5 years	2,231,615.08	12.03	2,231,615.08	64.88	2,120,591.33	10.91	2,120,591.33	38.33
Total	18,555,646.46	100.00	3,439,481.69	100.00	19,433,953.16	100.00	5,532,959.92	100.00
Net value	15,116,164.77				13,900,993.24			

(2) Other account receivable classify according to category

Item	Amount at year-end				Amount at year-begin			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Account receivable with single significant amount and withdrwal single item bad debt provision	-	-	-	-	2,073,076.93	10.67	2,073,076.93	100.00
Account receivable withdrwal bad debt provision by combination								
Account except employee reserve fund loan, investment loan and contract account with related parties	16,331,169.50	88.01	1,371,864.73	8.40	2,544,337.04	13.09	704,494.27	27.69
Account from employee reserve fund loan, investment loan and contract account with related parties	156,860.00	0.85	-	-	12,695,947.86	65.33	634,797.39	5.00
Combination Subtotal	16,488,029.50	88.86	1,371,864.73	8.32	15,240,284.90	78.42	1,339,291.66	8.79
Account receivable with single minor amount but withdrwal single item bad debt provision	2,067,616.96	11.14	2,067,616.96	100.00	2,120,591.33	10.91	2,120,591.33	100.00
Total	18,555,646.46	100.00	3,439,481.69	18.54	19,433,953.16	100.00	5,532,959.92	28.47
Net value	15,116,164.77				13,900,993.24			

(3) Other account receivable with single significant amount and withdrwal bad debt provision single: Nil

(4) Among the combinations, bad debt provision of account except employee reserve fund loan, investment loan and contract account with related parties accrued by account age:

Age	Amount at year-end			Amount at year-begin		
	Amount	Ratio(%)	Bad debt reserve	Amount	Ratio(%)	Bad debt reserve
Within 1year	14,628,369.84	5	731,418.49	218,787.50	5	10,939.38
1-2 years	806,069.34	15	120,910.40	1,232,922.54	15	184,938.38
2-3 years	318,371.5	35	111,430.03	800,638.88	35	280,223.61
3-4 years	360,329.70	55	198,181.34	65,990.00	55	36,294.50
4-5 years	54,031.00	85	45,926.35	225,998.12	85	192,098.40
Over 5 years	163,998.12	100	163,998.12	-	100	-
Total	16,331,169.50		1,371,864.73	2,544,337.04		704,494.27
Net value	14,959,304.77			1,839,842.77		

(5) Among combinations, bad debt provision of account from employee reserve fund loan, investment

loan and contract account with related parties accrued by balance proportion:

Combination	Book balance	Accrual proportion	Bad debt provision	Age
Contact amount with related parties	156,860.00	-	-	Within 1year

(6) Other account receivable with single minor amount but withdrawal single item bad debt provision at period-end

Other account receivable	Book balance	Bad debt provision	Accrual proportion	Reasons
Resignation workers	1,796,019.96	1,796,019.96	100.00%	Un-receivable
Hubei Meiling Transport Team	271,597.00	271,597.00	100.00%	Failure lawsuit, un-receivable
Total	2,067,616.96	2,067,616.96		

(7) Switch-back of bad debt provision: Nil

(8) Other account receivable of previous years that have been verified recovered in 2010: Nil

(9) Other account receivable actually verified this year which have been approved by 33rd Meeting of 6th Board:

Company	Nature	Amount verified	Reasons for verified	Raising from related transaction Yes/No
Jiangxi Kesheng Industry & Trade Co., Ltd.	Goods amount	2,073,076.93	Hard for receivable	No

(10) In the balance of other receivable at the end of this year, there is no arrearage due from shareholders holding 5% or above voting right shares of the Company

(11) Particulars about the top 5 others receivable

Unit	Amount	Ageing	Proportion taking in total accounts receivable	Nature or content
Reserve fund for Jinan Branch	811,219.41	Within 1 year	4.37%	Turnover loans
Reserve fund for Shenyang Branch	778,713.85	Within 1 year	4.20%	Turnover loans
Reserve fund for Changsha Branch	659,298.88	Within 1 year	3.55%	Turnover loans

Bid security for products of country-oriented	540,000.00	Within 1 year	2.91%	Bid security for products of country-oriented
Sales provision for Mianyang Branch	477,880.00	Within 1 year	2.58%	Sales provision for Mianyang Branch
Total	3,267,112.14		17.61%	

(12) Account receivable from related parties

Item	Amount at year-end	Amount at year-begin
Hefei Meiling Apparatus Marketing Co., Ltd.	156,860.00	-

(13) Account receivable denominated in foreign currency: Nil

(14) Derecognition other account receivable: Nil

2. Long-term equity investments

(1) Classification of long-term equity investments

Item	Amount at year-end	Amount at year-begin
Long-term equity investment calculated by cost method	712,442,457.16	530,416,857.16
Long-term equity investment calculated by equity method	2,331,812.72	28,428,371.63
Total of long-term equity investment	714,774,269.88	558,845,228.79
Less: provision for impairment of long-term equity investment	-	1,660,000.00
Value of long-term equity investment	714,774,269.88	557,185,228.79

(2) Long-term equity investments calculated by cost method and equity method

Invested unit	Shareholding ratio(%)	Voting right ratio(%)	Initial amount	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end	Cash dividend for this year
Calculation by cost method								
Zhongke Meiling Cryogenics Limited Company	70.00	70.00	42,000,000.00	42,000,000.00	-	-	42,000,000.00	-
Jiangxi Meiling Refrigeration Co., Ltd.	90.00	97.00	45,000,000.00	45,000,000.00	-	-	45,000,000.00	-
Mianyang Meiling Refrigeration Co., Ltd.	90.00	97.00	45,000,000.00	45,000,000.00	-	-	45,000,000.00	-

Hefei Meiling Appliance Marketing Co., Ltd.	99.00	99.97	9,900,000.00	9,900,000.00	45,000,000.00	-	54,900,000.00	-
Sichuan Changhong Air Conditioner Co., Ltd.	100.00	100.00	305,600,437.79	305,600,437.79	-	-	305,600,437.79	-
Zhongshan Changhong Appliance Co., Ltd.	90.00	90.00	76,256,419.37	76,256,419.37	-	-	76,256,419.37	-
Huishang Bank Co., Ltd.	1.15	1.15	5,000,000.00	5,000,000.00	-	-	5,000,000.00	4,360,593.46
Meiling Sigma Electrics Company Ltd.	20.00	20.00	1,660,000.00	1,660,000.00	-	1,660,000.00	-	-
Hefei Meiling Packing Co., Ltd.	48.28	100.00	25,055,600.00	-	25,055,600.00	-	25,055,600.00	-
Hefei Meiling Group Holding Co., Ltd.	100.00	100.00	113,630,000.00	-	113,630,000.00	-	113,630,000.00	-
Subtotal			669,102,457.16	530,416,857.16	183,685,600.00	1,660,000.00	712,442,457.16	4,360,593.46
Calculation by equity method								
Anhui United Technological Property Exchange Co., Ltd.	28.57	28.57	1,000,000.00	2,588,783.96	-	256,971.23	2,331,812.72	-
Hefei Meiling Packing Co., Ltd.	48.28	48.28	25,055,600.00	25,839,587.67	-	25,839,587.67	-	-
Subtotal			26,055,600.00	28,428,371.63	-	26,096,558.90	2,331,812.72	-
Total			695,158,057.16	558,845,228.79	183,685,600.00	27,756,558.90	714,774,269.88	4,360,593.46

(3) Investment in associates

Invested unit	Shareholding ratio	Voting right ratio	Total assets at year-end	Total liability at year-end	Total net assets at year-end	Total operating income this year	Net profit of this year
Anhui United Technological Property Exchange Co., Ltd.	28.57%	28.57%	8,097,989.38	1,840,671.31	6,257,318.07	566,500.00	-899,444.27

(4) Provision for impairment of long-term equity investment

Invested unit	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
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Meiling Sigma Company Ltd.	Electrics	1,660,000.00	-	1,660,000.00	-
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3. Operation income and operation cost

(1) Operation income and operation cost

Item	Amount for this year	Amount for last year
Main business income	6,025,787,145.68	4,630,052,389.39
Other business income	958,538,614.48	568,753,481.61
Total	6,984,325,760.16	5,198,805,871.00
Main business income	4,321,093,953.73	3,102,935,821.11
Other business income	916,861,974.82	549,166,658.61
Total	5,237,955,928.55	3,652,102,479.72

(2) Classified according to product

Industry	Amount for this year		Amount for last year	
	Operaion income	Operation cost	Operaion income	Operation cost
Main business income	6,025,787,145.68	4,321,093,953.73	4,630,052,389.39	3,102,935,821.11
Refrigerator and freezer	5,957,382,635.54	4,268,177,857.66	4,623,091,187.72	3,095,536,099.82
Income from air conditioner	176,894.02	108,345.30	6,961,201.67	7,399,721.29
Washing machine	68,227,616.12	52,807,750.77	-	-
Other business income	958,538,614.48	916,861,974.82	568,753,481.61	549,166,658.61
Sales of raw materials	956,126,037.82	916,372,229.22	566,140,301.95	548,591,440.75
Rental income	2,412,576.66	489,745.60	2,522,440.00	575,217.86
Other income	-	-	90,739.66	-
Total of operation income	6,984,325,760.16	5,237,955,928.55	5,198,805,871.00	3,652,102,479.72

(3) Classified according to region

Region	Amount for this year		Amount for last year	
	Operaion income	Operation cost	Operaion income	Operation cost
Domestic sales income	6,505,513,327.44	4,791,436,688.59	4,779,858,800.21	3,286,403,974.45
Overseas sales income	478,812,432.72	446,519,239.96	418,947,070.79	365,698,505.27
Total	6,984,325,760.16	5,237,955,928.55	5,198,805,871.00	3,652,102,479.72

(4) Sales income from the top 5 customers for this year

Customer	Operating income	Proportion taking in total operating income of the Company (%)
Suning Appliance Co., Ltd. (Nanjing)	481,312,732.60	6.89%
Hefei Meiling Apparatus Marketing Co., Ltd.	161,576,911.64	2.31%
Anhui Baida Apparatus Chain Co., Ltd.	82,740,336.76	1.18%
Electrolux (China) Appliance Co.,	80,923,528.79	1.16%
Jiangxu Five Star Appliance Co.,	60,689,505.12	0.87%
Total	867,243,014.91	12.41%

4. Investment income

(1) Sources of investment income

Item	Amount for this year	Amount for last year
Long-term equity investment income by cost method	4,360,593.46	-
Long-term equity investment income by equity method	-256,971.23	1,369,602.51
Investment income from disposal of long-term equity investment	-	-
Investment income from period of holding tradable financial assets	-	-
Investment income from period of holding hold-to-maturity	-	-
Investment income from period of holding financial assets available for sale	210,000.00	1,897,125.00
Investment income from disposal of tradable financial assets	-	-
Investment income from disposal of hold-to-maturity investment	-	-
Investment income from disposal of financial assets available for sale	137,616,312.25	210,941,346.01
Accrued income from disposal of subsidiaries from cost method to	-	-6,774,792.72
Total	141,929,934.48	207,433,280.80

(2) Long-term equity investment income by equity method

Item	Amount for this year	Amount for last year	Reasons for increase/decrease over last year
Anhui United Technological Property Exchange Co., Ltd.	-256,971.23	295,852.43	Deficit from invested company
Hefei Meiling Packing Products Co., Ltd.	-	1,073,750.08	Adjusted by cost method this year
Total	-256,971.23	1,369,602.51	

5. Supplementary information for cash flow statement of parent company

Item	Amount for this year	Amount for last year
1. Adjust net profit to cash flow for operational activities:		
Net profit	327,015,262.81	293,881,597.62

Add: provision for depreciation of assets	13,357,145.13	28,074,717.64
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	78,140,627.69	72,943,118.01
Amortization of intangible assets	24,491,546.78	24,491,546.78
Amortization of long-term retained expense	-	-
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	897,240.95	1,260,942.65
Loss from discarding fixed assets as useless (gain is listed with "-")	-	-
Loss from change of fair value(gain is listed with "-")	-	-
Financial expense (gain is listed with "-")	-9,030,263.04	25,521,764.17
Investment loss (gain is listed with "-")	-141,929,934.48	-207,433,280.80
Decrease of deferred income tax assets (increase is listed with "-")	-15,771,853.19	-18,045,457.37
Increase of deferred income tax liabilities (decrease is listed with "-")	-19,037,964.60	-2,964,035.40
Decrease of inventories (increase is listed with "-")	-231,460,086.15	-301,692,581.38
Decrease of operational accounts receivable (increase is listed with "-")	-444,917,141.48	-357,572,715.29
Increase of operational accounts payable (decrease is listed with "-")	728,733,880.83	534,904,520.75
Others	-	-
Net cash flow arising from operation activities	310,488,461.25	93,370,137.38
2. Significant investment and financing activities with no reference to cash collection and payment:		
Debt convert to capital	-	-
Convertible bond due within one year	-	-
Fixed assets leased in by financing	-	-
3. Net change in cash and cash equivalent:		
Balance of cash at period-end	1,798,742,365.37	579,447,940.41
Less: Balance of cash at period-begin	579,447,940.41	306,127,639.14
Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-begin	-	-
Net increase in cash and cash equivalent	1,219,294,424.96	273,320,301.27

XVII. Supplementary information

(I) Non-operational gains and losses for this year

Non-operational gains and losses regulated by Explanation Announcement of Information Disclosure on Stock Insurance Enterprise No.1—Non-recurrent gains/losses(2008) from CSRC:

Item	Amount for this year	Amount for last year	Explanation
Gains and losses from disposal of non-current assets	1,786,272.75	-951,734.88	Refer to Non-operating Expenditure for details

Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident	-	-	
Government subsidy recorded in current gains and losses ^{Note1}	26,674,129.47	55,557,759.89	Refer to Non-operating Income for details
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	-	-	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	-	-	
Gains and losses from exchange of non-monetary assets	-	-	
Gains and losses from assets under trusted investment or management	-	-	
Various provision for impairment of assets withdrew due to act of God, such as natural disaster	-	-	
Gains and losses from debt restructuring	-	-	
Enterprise reorganization expense	-	-	
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value	-	-	
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control	-	8,071,697.32	Refer to last year's consolidated disclosure under same control
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company	-	-	
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	137,826,312.25	212,838,471.01	Refer to investment income for details
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	-	-	
Gains and losses obtained from external trusted loans	-	-	
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern	-	-	
Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting	-	-	
Trust fee obtained from trust operation	-	-	
Other non-operating income and expenditure except for the aforementioned ones	252,588.62	682,706.99	Refer to Non-operating Income and Expenditure for
Other gains and losses items complying with definition for non-current gains and losses	-	-	
Subtotal	166,539,303.09	276,198,900.33	
Affect on income tax	25,331,091.92	43,780,127.87	

Affect on minority equity(after taxation)	174,660.87	120,058.86	
Total	141,033,550.30	232,298,713.60	

Note 1: in reporting period, the national subsidy of Energy-saving and People-benefiting for wholly-owned subsidiary Changhong Air-conditioner refers to quota subsidy the government gives to goods producers aim at promoting High-efficiency and Energy-saving, which was closely related to normal operation business and conformed to rules of national policy. The Company can successively get quota or fixed amount of government subsidy according to certain standard, while the subsidy would be included in recurrent profit and loss of the Company in accordance with the rules of the second (third) point of the No. 1 Explanatory Notice of Information Disclosure about Publicly Issued Securities, Non-current Gains and Loss (2008). The amount of the Energy-saving and People-benefiting subsidy Changhong Air-conditioner got in 2009 was relatively lower, thus it would be carefully disclosed as non-current gains and loss when calculating 2009 annual financial index. With the growth of both scale of air-conditioners business and ratio of air-conditioners products with high energy efficiency, the Company will get more subsidies with a huge amount. In order to fully reflect the operation of the Company, according to the importance principle, the Company will include this subsidy in recurrent gains and loss in this reporting period.

(II) Return on equity and earnings per share

In accordance with requirement of the No. 9 Rule of Information Disclosure Compiling of Public Listed Companies: Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Company in 2010 are as follow:

Profit during the report period	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	23.08%	0.7878	0.7878
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	13.09%	0.4468	0.4468

The funds raised from non-public stock issue of the Company have arrived and passed the certification of registered capital on Dec. 24, 2010. On Dec. 29, 2010, 116.7315 million shares of newly increased equity had been through the procedure of share registration trusteeship and shares restriction in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. Till Dec. 31, 2010, the non-public issued stocks couldn't still be listed in Shenzhen Stock Exchange. The weighted average return on equity and earnings per share are as follow if they are calculated on basis of shares after this non-public issue:

Profit during the report period	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	12.58%	0.6144	0.6144
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	7.14%	0.3485	0.3485

XVIII. Approval of financial statement

The financial statement has already been approved from the board of directors of the Company for reporting dated 7 March 2011.

Section XI. Documents for Reference

I. Accounting statements with the signature and of Chairman of the Board, Vice President, and principal of accounting institutions;

II. Original of the Auditor's Report with the seals of domestic and international certified public accountants, and the signature of the certified public accountants;

III. Original of the documents of the Company and public notices publicly disclosed on the newspapers designated by China Securities Regulatory Commission in the report period.

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

Chairman of the Board: Zhao Yong

Board of the Directors of Hefei Meiling Co., Ltd

March 8, 2011