

# 合肥美菱股份有限公司

**Hefei Meiling Co., Ltd.**



**Hefei Meiling Co., Ltd.**

**Semi-Annual Report 2011**

# Content

Section I. Important Notes.....	03
Section II. Company Profile.....	04
Section III. Change in Share Capital and Particulars about Shares Held by Main Shareholders.....	07
Section IV. Particulars about Directors, Supervisors and Senior Executives.....	12
Section V. Report of Board of Director.....	13
Section VI. Significant Events.....	31
Section VII. Financial Report (un-audit).....	49
Section VIII. Documents available for Reference.....	191

---

## Section I. Important Notes

1. Board of Directors, Supervisory Committee of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.
2. There was no case in the Company that directors, supervisors and senior management couldn't guarantee for the truth, accuracy and completion of the Report or had objections to it.
3. All directors were present in the Board Meeting by spot& telecom.
4. The Mid-term Financial Report of 2011 has not been audited by CPAs.
5. Chairman of the Board Mr. Zhao Yong, President Mr. Wang Yong, Vice-president Yu Wanchun and person in charge of accounting institution Mr. Liu Bimin hereby confirm that the Financial Report of the Semi-annual Report of 2011 is true and complete.

## Section II. Company Profile

### I. Basic information

#### (I) Legal Name of the Company

In Chinese: 合肥美菱股份有限公司

In English: HEFEI MEILING CO., LTD

Short Form in English: HFML

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

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

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

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

E-mail: lixia@meiling.com

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

Post Code: 230601

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

Post Code: 230601

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

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

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

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

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

#### (VI) Stock listed in: Shenzhen Stock Exchange

Short Form of the Stock: MEILING DIANQI WANMEILING-B

Stock Code: 000521 200521

#### (VII) Other related information

1. Initial registration date: December 31, 1992

Registration address: Hefei Municipal Administration Bureau of Industrial and Commerce

Registration date after change: 21 May 2009

Address for change: Anhui Province Administration Bureau of Industrial and Commerce

2. Legal Person Business License Registration No.: 340000400001278

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

WDHZi No.34011114918555X

4. Organization Code Certificate: 14918555-X

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

Shin wing Certified Public Accountants Co., Ltd.

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

**II. Major financial data and indexes****(I) Major accounting data and financial indexes**

Unit: RMB

	At the end of this report period	At the period-end of last year	Increase/decrease at the end of this report period compared with that in period-end of last year (%)
Total assets	8,358,002,600.94	7,116,164,154.58	17.45
Owners' equity attributable to shareholders of the listed company	2,843,452,367.97	2,717,294,371.76	4.64
Share capital	530,374,449.00	530,374,449.00	-
Net assets per share attributable to shareholders of the listed company (RMB/Share)	5.36	5.12	4.69
	This report period (Jan. to Jun.)	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating income	5,475,018,688.64	4,575,759,806.96	19.65
Operating profit	22,064,506.86	164,996,610.95	-86.63
Total profit	139,463,828.43	259,241,220.50	-46.20
Net profit attributable to shareholders of the listed company	126,157,996.21	218,616,696.38	-42.29
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	115,854,863.05	82,893,472.54	39.76
Basic earnings per share (RMB/Share)	0.2379	0.5285	-54.99
Diluted earnings per share (RMB/Share)	0.2379	0.5285	-54.99
Return on equity (%)	4.54	15.85	-11.31
Return on weighted average equity after deducting non-recurring gains and losses (%)	4.17	6.01	-1.84
Net cash flow arising from operating activities	-544,333,695.81	-163,991,222.01	-231.93
Net cash flow per share arising from operating activities (RMB/Share)	-1.03	-0.40	-158.87

Explanation: in 2010 the Company issued 116,731,500 shares of non-public A stock thus the total shares increased up to 530,374,449 shares. The denominator of the indexes in the above statement such as basic earnings per share and diluted earnings per share of the same period of last year referred to the total shares 413,642,949 before the non-public issue of 2011, while the denominator of indexes of this period-end refers to the total shares 530,374,449 after the non-public issue. The indexes of the basic earnings per share and diluted earnings per share of the same period of last year will be respectively 0.4122 yuan per share and 0.4122 yuan per share if they were calculated according to the present total shares (530,374,449 shares). The one of this period decreased by 42.29% compared to the one of the same period of last year

**(II) Items of non-recurring gains and losses**

Unit: RMB

Items of non-recurring gains and losses	Amount	Note(If applicable)
Gains and losses from the disposal of non-current	9,089,799.67	

assets		
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	3,133,103.85	
Other non-operating income and expense excluded the aforementioned items	61,872.32	
Influence amount of equity attributable to minority shareholders	-78,593.96	
Influence amount of income tax	-1,903,048.71	
Total	10,303,133.17	

**(III) Accounting difference between IFRC and CAS**

Unit: RMB

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Jan.-Jun. 2011	Jan.-Jun. 2010	30 June 2011	30 June 2010
IFRC	126,157,996.21	218,616,696.38	2,843,452,367.97	2,717,294,371.76
CAS	126,157,996.21	218,616,696.38	2,843,452,367.97	2,717,294,371.76
Sub-items and total adjusted based on IAS:				
Total amount of differences between CAS and IFRC	-	-	-	-
Explanations on differences between CAS and IFRC	No differences			

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

**(IV) Supplementary profit statement**

Unit: RMB

Items	Profit in the report period	Return on equity		Earnings per share	
		Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders	126,157,996.21	4.44%	4.54%	0.2379	0.2379
Net profit attributable to common shareholders after deducting the non-recurring losses and gains	115,854,863.05	4.07%	4.17%	0.2184	0.2184

## Section III. Changes in Share Capital and Particulars about Shares Held by Main Shareholders

### I. Particulars about change in share capital (As at the end of 30 June, 2011)

#### (I) Changes of shares

Unite: Share

	Before the change		Increase/decrease of this time (+, -)					After the change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	124,553,317	23.48%				+22,419	+22,419	124,575,736	23.49%
1. State-owned shares									
2. State-owned legal person's shares	67,461,338	12.72%						67,461,338	12.72%
3. Other domestic shares	57,024,724	10.75%						57,024,724	10.75%
Including: Domestic non-state-owned legal person's shares	57,024,724	10.75%				-85,387	-85,387	56,939,337	10.73%
Domestic natural person's shares						+85,387	+85,387	85,387	0.02%
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	67,255	0.01%				+22,419	+22,419	89,674	0.02%
II. Unrestricted shares	405,821,132	76.52%				-22,419	-22,419	405,798,713	76.51%

1. RMB Ordinary shares	292,721,132	55.19%				-22,419	-22,419	292,698,713	55.19%
2. Domestically listed foreign shares	113,100,000	21.33%				0		113,100,000	21.32%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	530,374,449	100.00%						530,374,449	100.00%

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

Unit: Share

Total amount of shareholders						60,141
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total of shares held	Numbers of non-circulating shares held	Number of share pledged/frozen	
Sichuan Changhong Electric Co., Ltd.	State-owned legal person	21.38%	113,402,452	38,910,500		
Hefei Xingtai Holding Group Co., Ltd	State-owned legal person	6.26%	33,210,696	500,970		
China Life Asset Management Co., Ltd. - Masanori Life Insurance Corporation - Universal Insurance Products	Domestic non-state legal person	3.77%	20,000,000	20,000,000		
Fullgoal Fund Management Co., Ltd	Domestic non-state legal person	3.77%	20,000,000	20,000,000		
Changhong (Hong Kong) Trade Co., Ltd.	Foreign legal person	3.24%	17,150,815	0		
Fangzheng Securities Co., Ltd.	State-owned legal person	2.89%	15,325,863	9,000,000		
Donghai Securities Co., Ltd.	State-owned legal person	2.83%	15,023,399	9,000,000		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	2.16%	11,440,224	0		
China Pacific Life Insurance Company Limited - Dividend - Individual Dividend	Domestic non-state legal person	2.07%	11,000,000	0		
GUOTAI JUNAN SECURITIES HOLDING COMPANY LIMITED	State-owned legal person	1.89%	10,000,000	10,000,000		



## Particulars about the shares held by the top ten unrestricted shareholders

Full Name of shareholder	Amount of unrestricted shares held	Type of shares
Sichuan Changhong Electric Co., Ltd	74,491,952	RMB common share
Hefei Xingtai Holding Group Co., Ltd	32,709,726	RMB common share
Changhong (Hong Kong) Trade Co., Ltd.	17,150,815	Domestically listed foreign share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	11,440,224	Domestically listed foreign share
China Pacific Life Insurance Company Limited - Dividend - Individual Dividend	11,000,000	RMB common share
CAO SHENGCHUN	8,478,345	Domestically listed foreign share
Fangzheng Securities Holding Co., Ltd	6,325,863	RMB common share
Donghai Securities Holding Co., Ltd	6,023,399	RMB common share
China Pacific Life Insurance Company Limited - Traditional - General insurance products	5,080,800	RMB common share
Donghai Securities - Bank of Communications - Donghai Securities robust collection of value-added asset management plan	4,704,195	RMB common share

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

Explanation: among the top 10 shareholders of the Company, Fuguo Funds Management Co., Ltd held 20,000,000 shares of the Company via its funds products, accounting for 3.77% of the total shares of the Company. The specific particulars are as follows:

Account name of securities	Amount of the held shares (share)	Proportion in total shares
Bank of Communication - Wells Fargo Tianyi Value Securities Investment Fund	4,000,000	0.75%
China Merchants Bank Co., Ltd-Fuguo Tianhe TRW Securities Investment Fund	2,000,000	0.38%
Agricultural Bank of China – Fuguo Tiancheng Bonus Flexible Allocation Securities Investment Fund	500,000	0.09%

Bank of Communication -Hnaxing Securities-Investment Fund	1,000,000	0.19%
ICBC – Fullgoal Tianhui Selection growth hybrid securities investment fund	2,300,000	0.43%
ICBC-Fullgoal Inflation and deflation theme wheeled Securities Investment Fund	700,000	0.13%
Hansheng Securities Investment Fund	1,500,000	0.28%
Construction Bank of China- Fuguo Tinabo Innovation Theme Stock Securities Investment Fund	5,000,000	0.94%
Agricultural Bank of China-Fuguo Tinarui Strong Areas Selection Hybird Open Securities Investment Fund	3,000,000	0.57%
Total	20,000,000	3.77%

**(III) Statement on changes of restricted shares**

Unit: Share

Name of shareholders	Restricted shares in year-begin	Restricted shares increased this year	Restricted shares released this year	Restricted shares in period-end	Reason for condition	Date of releasing
Wang Jiazhang	67,255	22,419	0	89,674	Departing senior executive	-
Total	67,255	22,419	0	89,674	-	-

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

Unit: Share

Name of shareholders	Amount of restricted shares held	Restricted condition
Sichuan Changhong Electric Co., Ltd.	38,910,500	Having subscribe non-public offering in 2010, still in a restricted period
China Life Asset Management Co., Ltd. - Masanori Life Insurance Company Limited - Universal Insurance Products	20,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Fuguo Fund Management Co., Ltd	20,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Guotai Junan Securities Holding Co., Ltd	10,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Founder Securities Holding Co., Ltd	9,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Ningbo Weichuang Union Investment Co., Ltd	9,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Donghai Securities LLC	9,000,000	Having subscribe non-public offering in 2010, still in a restricted period
Provincial ABC Trust Hefei Office	1,536,975	Commitment for Share Merger Reform; not return the consideration of share merger, the

		shares still un-traded in market
Hefei Insurance Company	853,875	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market
Hefei Technology Bank	853,875	Commitment for Share Merger Reform; not return the consideration of share merger, the shares still un-traded in market

Explanation: Fullgoal Fund Management Co., Ltd held shares of the Company via 9 fund products such as Communication Bank-Fullgoal Tianyi Value Securities Fund and so on.

## II. Particular about controlling shareholder and actual controller

### (I) Change of 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.

In 2010, Sichuan Changhong participated in the non-public issue of A stock of 2010 of the Company. Finally Sichuan Changhong subscribed 38,910,500 shares A stock of the Company with price of 10.28 yuan per share. Till 30, Jun. of 2011, Sichuan Changhong and Changhong (HK) Trade Co., Ltd who is the concerted actor totally held 130,553,267 shares of the Company, taking 24.62% of total shares of the Company. Including, Sichuan Changhong directly held 113,402,452 shares A stock of the Company, taking 21.38% of the total shares. And Changhong (HK) Trade Co., Ltd held 17,150,815 shares of B stock of the Company, taking 3.24% of the total shares. Sichuan Changhong is still the first majority shareholder of the Company.

### (II) 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, shareholders list and so on, Sichuan Changhong is the controlling shareholder.

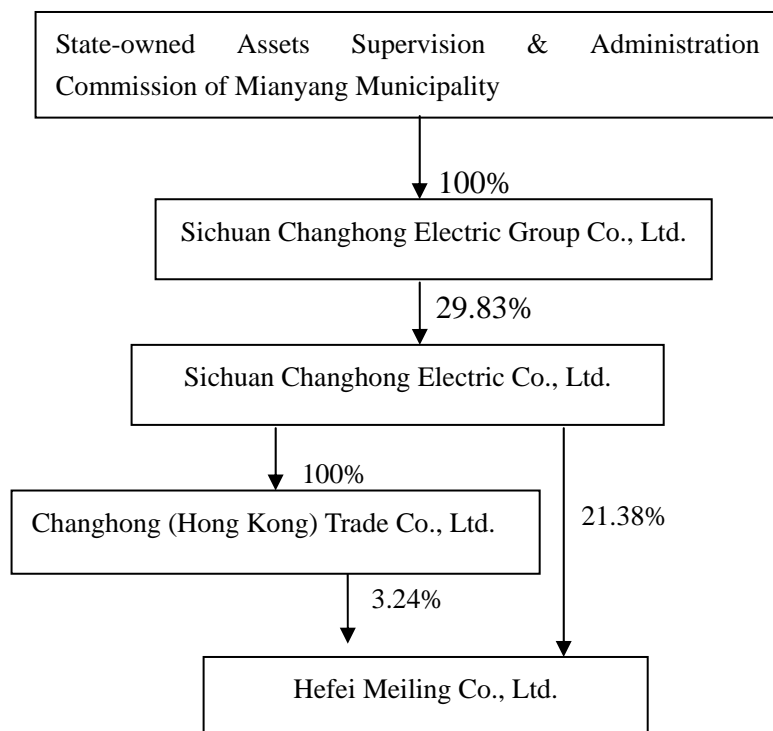
Sichuan Changhong Electric Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 3,559,146,409; registered address: No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan; business scope: manufactures, sales and maintenance of household appliance, electric products and spare parts, communications equipments, computer and other electrical equipments, specialized equipments of electronic and electrician, electrical machinery and equipment, series products of batteries, electric medicine products, electrical equipments, digital monitoring products, metal products, apparatus and instruments, culture and office machines, culture and education and sports products, furniture, kitchen cabinet and gas appliance; house and equipment rental, packing products and technical services; road 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 electric products.

Sichuan Changhong Electronics Group is the controlling shareholder of Sichuan Changhong Apparatus Co., Ltd. with the legal person representative Mr. ZhaoYong, registered capital RMB 898040000 and registered address No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan as well as business scope of household appliances, automotive electrical and electronic products and components, electronic information network products, e-commerce, new materials, electric products, environmental products, communications transmission equipment, electrical equipment manufacturing, sales, real estate development and so on. As ending 30 June 2010, Sichuan Changhong Electronics Group Co., Ltd held 1,061,720,526 shares, accounting for 29.83% of total equity of Sichuan Changhong Electric Co., Ltd.

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. Directors, Supervisors, and Senior Executives

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

In reporting period among the directors, supervisors and senior executives only the vice president of the 6<sup>th</sup> board of directors Mr. Wang Jiazhang held shares of the Company accounting for 89,674 shares which didn't change. Mr. Wang Jiazhang hadn't taken charge of director, supervisor and senior executive of the Company anymore. According to the Administration Rules for Shares Held by Directors, Supervisors and Senior Executives of Listed Companies and the Change issued by CSRC, within half year after their dismissal the directors, supervisors and senior executive couldn't transfer their shares held from the Company. Therefore till 30, Jun. of 2011, the 89,674 shares (the 22,419 shares on which the restriction was cancelled previously included) of the Company held by Mr. Wang Jiazhang are restricted stocks of senior executive.

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

1. On Apr. 25 of 2011, the 45<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors of the Company reviewed and passed the Proposal about the Election at Expiration of Office Terms of the 7<sup>th</sup> Board of Directors. After voting the items one by one, they agreed to nominate Mr. Zhao Yong, Mr. Li Jin, Mr. Wang Yong, Mr. Li Wei and Mr. Sun Liqiang as the candidates about non-independent directors of the 7<sup>th</sup> board of directors, and agreed to nominate Mr. Song Baozeng, Mr. Wang Xingzhong, Mr. Liu Youpeng and Mr. Zhang Shidi as the candidates about the independent directors of the 7<sup>th</sup> board of directors. The above issues had been disclosed in Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website in form of notice (notice No. 2011-024) on Apr. 26 of 2011.

2. On Apr. 25 of 2011, the 15<sup>th</sup> meeting of the 6<sup>th</sup> board of supervisors reviewed and passed the Proposal about the Election at Expiration of Office Term of the 7<sup>th</sup> Board of Supervisors. After voting the items one by one, they agreed to nominate Mrs Fei Minying, Mr. Xu Xiao and Mr. Ye Honglin as candidates about the supervisors of the 7<sup>th</sup> board of supervisors. The above issues had been disclosed in Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website in form of notice (notice No. 2011-0254) on Apr. 25 of 2011.

3. On Jun. 20 of 2011, the 2010 annual shareholders' meeting of the Company reviewed and passed the Proposal about the Election at Expiration of Office Terms of the 7<sup>th</sup> Board of Supervisors and the Proposal of the Election at Expiration of Office Term of the 7<sup>th</sup> Board of Supervisors. The 7<sup>th</sup> board of directors consists of 9 directors; including 4 members were independent directors. The meeting nominated Mr. Zhao Yong, Mr. Li Jin, Mr. Wang Yong, Mr. Li Wei, Mr. Sun Liqiang, Mr. Wang Xingzhong, Mr. Song Baozeng, Mr. Liu Youpeng and Mr. Zhang Shidi as directors of the 7<sup>th</sup> board of directors, including Mr. Wang Xingzhong, Mr. Song Baoyu, Mr. Liu Youpeng and Mr. Zhang Shidi as independent directors by means of cumulative voting. The 7<sup>th</sup> board of supervisors consists of 5 supervisors, including 3 members are supervisors the shareholders accommodated and 2 members are staff representatives. The meeting nominated Mrs. Fei Minying, Mr. Xu Xiao and Mr. Ye Honglin as supervisors of the 7<sup>th</sup> board of supervisors by means of cumulative voting. Besides, the employees' assembly nominated Mr. Shang Wen and Mr. Zhang Ruhe as supervisors of staff representatives. The term of office of the above 9 directors and 5 supervisors were both about 3 years, from Jun. 20 of 2011 to Jun. 20 of 2014.

The above-mentioned were disclosed on 21 Jun.2011 in Securities Times, China Securities Journal, and Hong Kong Commercial Daily and Juchao website in form of notice (notice No. 2011- 039).

4. On Jun. 20 of 2011, the 1<sup>st</sup> meeting of the 7<sup>th</sup> board of directors reviewed and passed the Proposal about Election of the President and Vice President of the 7<sup>th</sup> Board of Directors which agreed to nominate Mr. Zhao Yong as president of the 7<sup>th</sup> board of directors and Mr. Li Jin as vice president. The meeting reviewed and approved the Proposal about engaging Senior Executives for the Company which agreed to re-engage Mr. Wang Yong as president of the Company. According to the nomination of president, we re-engaged Mr. Liu Hongwei as executive vice president, Mr. Yu Wanchun, Mr. Li Daijiang, Mr. Li Wei and Mr. Wang Yingmin as vice president and Mrs. Li Xia as secretary of the board of directors. And the meeting approved the Proposal of Election of Each Special Commission to the 7<sup>th</sup> Board of Directors.

On Jun. 20 of 2011, the 1<sup>st</sup> meeting of the 7<sup>th</sup> board of supervisors reviewed and passed the Proposal about

Election of the President of the 7<sup>th</sup> Board of Supervisors which agreed to elect Mrs. Fei Mingying as president of the 7<sup>th</sup> board of supervisors.

The above-mentioned were disclosed on 21 Jun.2011 in Securities Times, China Securities Journal, and Hongkong Commercial Daily and Juchao website in form of notice (notice No. 2011- 040 and No. 2011- 041).

## **Section V. Report of Board of Directors**

### **I. operation results and its financial analysts**

#### **(I) Review and brief analysis over the operation in reporting period**

In the first half year of 2011, the Company insisted the operation spirit of Upgraded Products, Optimized Costs, Quality Services, Reform and Business. Thus we overcame the pressure of costs from raw materials and labor and we obtained a better operation performance under an unfavorable micro economic condition.

From Jan. to Jun. of 2011, the amount of production and sales improved dramatically compared to the same period of 2010. The Company realized operating income 54,750,000,000 yuan with an increase by 19.65% compared with same period of last year. 126,158,000 yuan was realized in net profit attributable to parent company, including, 115,854,900 yuan was net profit after deducting non-recurring losses and gains attributable to shareholders of listed companies which increased by 39.76% compared with the same period of last year. At the same time, according to statistics, the marketing rate of sales of the Company in the first and second grade market reached to 11.3% (Zhong Yikang) while the one in the market of home appliance going rural reached to 9.37% (Maimaiti market research center).

In the first half year of 2011, in aspect of domestic marketing, the Company completed division restructuring and established joint venture marketing Company through innovation of commercial model. The domestic marketing business division was set up at the same time. Owing to the successful implementation of this time of marketing strategy, we extremely set free the productivity, promoted the sales and decreased the expenses.

In accordance with the operation spirit, the Company persisted in brand proposition of For Refrigerators with Quality Service Meiling Chases Fairness, pursuit perfection from aspects of products design, raw material purchase, manufacture and products check and so on, strictly focused on the quality. After the activities of 10 years of repair guarantee for home appliances going to rural, the Company conducted activities such as Quality Service and Payment Guarantee, Speak out if You Have Any Suggestion, Whatever the Discount is, Presents for Proposals till the Refrigerators Reach You and The Refrigerator of Meiling Can Be Free if it Can't Make Cool. And we comprehensively promoted brand proposition of Quality Service.

Meanwhile the Company paid more attention to the products development, strengthened products competitiveness, completed the marketing of new products in accordance with plans. In the first half year we conducted 17 items such as energy-saving technology, wind-cooling technology, intelligent refrigerator technology, BCD-537W French innovative product development, preservation technology, and integrated development, and finished the application and construction of Hefei Green Energy-Saving Engineering Research Center. The Company also intensified improvement of products quality, set up claims system for quality loss, reinforced system audit, process audit and product audit. We accelerated those key quality problems and fully improved products quality.

In the first half year the Company successfully carried out value-creation among people, insisted on Improved Proposal Activity, Five-hour Activity, Reasonable Suggestion Activity and Income-raising and Cost-decreasing Activity which hugely stimulated positively of staffs participating in management of the Company. Therefore we received 605 pieces of rational suggestion, 149 items for improved proposals. 346 items Five-hour have been implemented and 18 QC results have been obtained which improved the operation performance of the Company.

In the first half year, reinforce of internal management, attention to resources investment, expansion of marketing channels, improvement of sales structure and promotion of operative value and so on happened in

refrigerator industry thus we effectively seized the opportunity of increasing market. Sales income considerably grew compared with the same period of last year, far beyond the average increase rate of the industry. The sales structure was perfected dramatically. Though the price of raw material and labor cost are substantially growing, the gross profit is growing too and profitability is strengthened. The refrigerator industry of the Company has stepped in a speedy track with healthy growth.

In the overseas market, the Company adjusted export strategy on schedule, seized the opportunity of rapidly growing markets in Asia and Africa, boosted the market expansion in Asia and Africa and gained a certain result. Products development and large customers both gained a certain improvement. In the first half year the export of refrigerator and freezer increased by 27.7% over the same period of last year, the one of air-condition grew by 96.43% over the same period of last year.

Main operation index: refers to change of main indexes of profit statement and specific reasons analysis:

Unit: RMB

Item	Jan. to June, 2011	Jan. to June, 2010	Increase or decrease of variance scope(%)
Management expenses	143,544,164.22	84,359,075.10	70.16%
Financial expenses	-15,240,641.58	-4,425,042.15	-244.42%
Losses from assets devaluation	23,097,600.28	15,529,869.18	48.73%
Investment income(losses is listed in “-”)	332,396.24	137,640,762.06	-99.76%
Operation profit (losses is listed in “-”)	22,064,506.86	164,996,610.95	-86.63%
Non-operation expenses	2,143,328.48	528,567.96	305.50%
Total profit (losses is listed in “-”)	139,463,828.43	259,241,220.50	-46.20%
Income taxes expenses	18,135,891.78	40,301,395.05	-55.00%
Net profit (net losses is listed in “-”)	121,327,936.65	218,939,825.45	-44.58%
Net profit attributable to owners of parent company	126,157,996.21	218,616,696.38	-42.29%
Losses and gains of minority shareholders	-4,830,059.56	323,129.07	-1594.78%
Basic earnings per share	0.2379	0.5285	-54.99%
Diluted earnings per share	0.2379	0.5285	-54.99%
Other	-	-105,451,137.74	-100.00%

comprehensive earnings			
Total comprehensive earnings attributable to minority shareholders	-4,830,059.56	323,129.07	-1594.78%

Analysis on reason for change:

1. Management expenses increased over the same period of last year mainly due to the consolidation scope of consolidation statement in this period added related data of Meiling Group and its subsidiaries as well as marketing joint venture companies.
2. Financial expenses decreased over the same period of last year mainly due to that interest income from raised capital increased and suppliers offered cash discount.
3. Losses from assets devaluation increased over the same period of last year mainly due to the bad debts provision and inventory devaluation provision accrued according to the corporate accounting rules and company accounting policies as well as actual condition of accounts receivable and inventory, increased.
4. Investment income decreased over the same period of last year mainly due to that the Company sold the financial assets available for sale Keda Xunfei Stock and then obtained investment income while at the same period of this year we had no this amount of earnings.
5. Operation Profit decreased over the same period of last year mainly due to the Company sold the financial assets available for sale and then obtained investment income while at the same period of this year we had no this amount of earnings.
6. Non-operation expenses increased over the same period of last year mainly due to write-off of fixed assets of this period increased.
7. total profit decreased over the same period of last year mainly due to the Company sold the financial assets available for sale and then obtained investment income while at the same period of this year we had no this amount of earnings.
8. Income tax expenses decreased over the same period of last year mainly due to taxable income decreased.
9. Net profit decreased over the same period of last year mainly due to the Company sold the financial assets available for sale and then obtained investment income while at the same period of this year we had no this amount of earnings.
10. Net profit attributable to owners of parent company decreased over the same period of last year due to the Company sold the financial assets available for sale and then obtained investment income while at the same period of this year we had no this amount of earnings.
11. Losses and gains of minority shareholders decreased over the same period of last year due to parts of secondary subsidiary joint marketing company got a loss at the beginning of foundation.
12. Basic earnings per share decreased over the same period of last year due to the Company newly issued stocks thus total shares of the Company increased and got no investment income from financial assets available for sale.
13. Diluted earnings per share decreased over the same period of last year due to the Company newly issued stocks thus total shares of the Company increased and got no investment income from financial assets available for sale.
14. Other comprehensive earnings decreased over the same period of last year mainly due to the Company sold the financial assets available for sale and then obtained investment income while at the same period of this year we had no this amount of earnings.
15. Total comprehensive earnings attributable to minority shareholders decreased over the same period of last year mainly due to parts of secondary subsidiary joint marketing company got a loss at the beginning of foundation.

## (II) Analysis on financial status

Unit: RMB

Item	30 June 2011	31 December 2010	Variance
------	--------------	------------------	----------



			<b>scope(+,-)(%)</b>
Notes receivable	2,367,756,301.73	1,194,506,906.44	98.22%
Account receivable	815,019,898.50	372,563,010.12	118.76%
Long-term equity investment	26,606,580.63	17,918,060.59	48.49%
Development expenses	23,632,784.84	13,505,659.94	74.98%
Deferred income tax asset	74,151,369.83	48,138,723.05	54.04%
Notes payable	1,316,664,851.84	920,676,239.36	43.01%
Account payable	1,961,393,556.89	1,421,456,784.36	37.98%
Account received in advance	625,567,258.99	922,047,156.39	-32.15%
Tax payable	194,319,767.37	78,967,865.01	146.07%
Other accounts payable	722,592,518.31	410,610,813.51	75.98%
Beforehand liabilities	271,075,573.00	203,421,595.00	33.26%
Non-current liabilities due within 1 year	2,146,691.72	1,189,452.90	80.48%
Special payable	49,654,111.76	33,214,132.26	49.50%
Retained profit	422,908,778.29	296,750,782.08	42.51%
Minority shareholders' equity	62,875,995.30	28,895,887.29	117.59%

Analysis on reason for change:

1. Period-end amount of notes payable increased 1,173,249,395.29 yuan, with 98.22% up over the year-begin mainly due to sales scale of this period expanded and return on sales notes increased.
2. Period-end amount of accounts receivable increased 442,456,888.38 yuan, with 118.76% up over the year-begin mainly due to sales scale of this period expanded and loans receivable due in future increased.
3. Period-end amount of long-term equity investment increased 8,688,520.04 yuan, with 48.49% up over the year-begin mainly due to partial equity of Hefei Meiling Package Products Co., Ltd who wasn't included in assets transfer scope of the Company when the Company purchased Hefei Meiling Group Holdings Co., Ltd, derived to a new company.
4. Period-end amount of development expenses increased 10,127,124.90 yuan, with 74.98% up over the year-begin mainly due to the development expenses for air-condition products of subsidiary Sichuan Changhong Co., Ltd increased.
5. Period-end amount of deferred income tax increased 26,012,646.78 yuan, with 54.04% up over year-begin mainly due to the Company accrued assets devaluation provision, beforehand expenses for 10-year guarantee for home appliance going to the rural and pension benefits for the staffs, and the Company increased deferred income tax assets.
6. Period-end amount of notes payable increased 395,988,612.48 yuan, with 43.01% up over the year-begin mainly due to bank acceptance bills for materials purchase increased.
7. Period-end amount of accounts payable increased 539,936,772.53 yuan, with 37.98% up over the year-begin mainly due to production scale of this period expanded thus suppliers purchased more thus balance of loans payable within normal account period increased.
8. Period-end accounts received in advance decreased 296,479,897.40 yuan, with 32.15% down over the

year-begin mainly due to speed of consignment, billing and calculation lowered in sales busy season.

9. Period-end taxes payable increased 115,351,902.36 yuan, with 146.07% up over the year-begin mainly due to the value-added taxes and additional realized in Jun., a busy season for production and sales, substantially increased and were paid in the next month.

10. Period-end other accounts payable increased 311,981,704.80 yuan, with 75.98% up over the year-begin mainly due to the expenses having occurred in this period which hadn't been paid increased.

11. Period-end beforehand liabilities increased 67,653,978 yuan, with 33.26 % up over the year-begin mainly due to the amount for occurring of 10-year of guarantee for home appliance going to the rural in the Refrigerator Quality Service increased.

12. Period-end non-current liabilities due within 1 year increased 957,238.82 yuan, with 80.48% up over the year-begin mainly due to the long-term loans due within 1 year increased.

13. Period-end special accounts payable increased 16,439,979.50 yuan, with 49.5% up over the year-begin mainly due to subsidiary Jiangxi Meiling Refrigeration Co., Ltd received the compensation for land storage from the previous old plant.

14. Period-end retained profit increased 126,157,996.21 yuan, with 42.51% up over the year-begin mainly due to the realized net profit increased in this period.

15. Period-end minority shareholders' equity increased 33,980,108.01 yuan, with 117.59% up over the year-begin mainly due to the Company conducted reform on the marketing model and successively established a secondary marketing subsidiary thus increased equity of minority shareholders.

Unit: RMB

Item	Jan. to Jun of 2011	Jan. to Jun of 2010	The amplitude fluctuation of increase and decrease (%)
Cash received from goods sales and labor offerings	2,261,186,763.21	1,629,352,363.89	38.78%
Return on the received taxes	25,730,915.85	6,229,079.97	313.08%
Received other cash relevant to operation activities	154,847,635.85	76,594,890.57	102.16%
Cash paid for purchasing goods and accepting services	2,108,299,566.88	1,077,401,546.51	95.68%
Cash paid to staffs and paid for staffs	307,943,256.24	152,199,970.04	102.33%
Cash received from investment reward	1,000,000.00	6,929,464.41	-85.57%
Cash from the investment earnings	1,533,663.00	139,379,760.72	-98.90%
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets	71,162,183.34	57,596.00	123454.04%
Cash paid for constructing fixed assets, intangible assets and other long-term assets	57,692,391.87	34,230,003.11	68.54%
Cash for investment	-22,009,000.00	227,722,800.00	-109.66%

Cash received from borrowings	145,961,241.63	238,590,000.00	-38.82%
Influence of exchange rate on cash	3,651,667.68	-1,690,185.80	316.05%

Analysis on reason for change:

- Cash received from goods sales and labor offerings increased over the same period of last year mainly due to constant growth of sales income of this period and the notes receivable were due.
- Return on the received taxes increased over the same period of last year mainly due to parent company and subsidiary Zhongshan Changhong received export taxes refunding.
- Other received cash relevant to operation activities increased over the same period of last year mainly due to subsidiary Sichuan Changhong Air-condition Co., Ltd received more government subsidies for energy-saving and people-benefiting in this period.
- Cash paid for purchasing goods and accepting services increased over the same period of last year mainly due to the expanded production scale and the increased purchasing business and the notes receivable were due.
- Cash paid to staffs and paid for staffs increased over the same period of last year mainly due to the rising payments in this period.
- Cash received from investment reward decreased over the same period of last year mainly due to the investment earnings decreased in this period.
- Cash from the investment earnings decreased over the same period of last year mainly due to there isn't disposal of investment earnings from financial assets available for sale in this period.
- Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets increased over the same period of last year mainly due to parent company and subsidiary Zhongshan Changhong received export taxes refunding.
- Cash paid for constructing fixed assets, intangible assets and other long-term assets increased over the same period of last year mainly due to increased investment in projects such as Athena luxury refrigerator manufacture basement, capacity expansion for freezers and capacity expansion for refrigerators with environmental protection and energy saving.
- Cash for investment decreased over the same period of last year mainly due to the Company paid partial for acquiring of equity and assets of Sichuan Changhong Air-condition Co., Ltd and Zhongshan Changhong Electrics Co., Ltd at the same period of last year. While the account of investment paid in last year wasn't consolidated and offset because partial marketing subsidiaries didn't complete their commercial and industrial registration procedure. In this period partial marketing subsidiaries were set up thus the above investment account will be listed as minus data in consolidation statement.
- Cash received from borrowings decreased over the same period of last year mainly due to bank loan of this period decreased.
- Influence of exchange rate on cash increased over the same period of last year mainly due to the variation of exchange rate in this period.

## II. Operation in the report period

### (I) Main business scope and operation status

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

- Main business according to products of semi-annual 2011

Unit: RMB '0000

Item	Operating income	Operating Cost	Gross rate (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross rate (%)
Refrigerator(Ice Box)	353,962.4036	258,829.3007	26.88	8.14	14.25	-3.91
Air-conditioner	152,253.8795	134,197.6407	11.86	49.88	43.31	4.04
Washing-machine	5,671.1860	4,925.5837	13.15			

Other	4,967.4462	3,953.5926	20.41			
Total	516,854.9153	401,906.1177	22.24	20.51	25.52	-3.11

Explanation: gross profit of refrigerator and freezers decreased by 3.91% over the same period of last year mainly due to the rising price of raw materials and labors; while the gross profit of air-conditioners increased by 4.04% over the same period of last year mainly due to optimized products structure, strategic cost-saving and improved bargaining ability of products.

## 2. Main business according to are of semi-annual 2011

Unit: RMB'0000

Area	This period			Last period			Increase or decrease of operation income over last year (%)
	Main business income	cost	Gross rate (%)	income	cost	Gross rate (%)	
Sales in domestic	452,477.4629	339,096.6852	25.06	389,428.3359	283,501.2783	27.20	16.19
Exported products	64,377.4524	62,809.4325	2.44	39,478.8666	36,682.1783	7.08	63.07
Total	516,854.9153	401,906.1177	22.24	428,907.2025	320,183.4566	25.35	20.51

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

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

**(IV) Particular that investment income from single joint-stock company brings influence on the Company's net profit over 10% didn't happen in the report period.**

### **(V) Operation countermeasures in the second half year**

In the second half year of 2011, faced with an unfavorable condition where the national industry policies quits, the cost of production factors such as raw materials, labors and freight constantly grows and the capital suppliers is in a tense situation, the operation pressure of the Company is still huge. The Company will continuously accelerate the development of products, improve competitiveness of products, deepen quality service and constantly deeply promote value-creation activities among people and so on according to some fixed operation principles. Thus we will boost the performance and strive to keep a better increasing speed of the performance.

#### 1. Boost competitiveness of products surrounding the Product Up-gradation

Further deepen into the promotion of IPD project and improve the success ratio of new products development; continuously perfect the management platform for technology, the standardization platform for technology, the construction of public check platform; put more effort on technology development of medium and high end products. We will strengthen products quality perfection, enhance the system check, the technology check and the products check, perfect the track mechanism of quality loss; implement IE project, improve the productivity thus further boost the products' quality.

#### 2. Boost marketing ability surrounding the Quality Service and the Reform and Innovation

After overall implementation of operation model of business division, the Company will further enhance the supervisor on various business divisions, conduct normalized management, guaranty the operation and avoid risks.

Domestic marketing businesses divisions insist on the For Refrigerators with Quality Service, Meiling Chases Fairness, continuously deeply promote the Quality Service. Through innovative marketing and channels expansion, accelerate exclusive agencies of Changhong Meiling, enhance data marketing, and boost sales volume. Meanwhile, strengthen the standardized and normalized management and control of joint ventures; promote the operation ability of joint ventures.

Overseas marketing business division will build a series of core products and a core area, improve the products structure, and boost profitability and competitiveness of products.

Air-conditioners business division will further reinforce the cost control, timely regulate products structure, enhance construction of supplier chain, rationally plan these resources, and keep a healthy and normal increasing tendency.

### 3. Improve effectiveness surrounding the Optimized Cost

Fully exert the staffs' initiative and proactively, deeply promote the value-creation activity among people, conduct strategic cost-saving, comprehensively reduce the operation cost and realize performance promotion of the Company.

4. Strengthen the internal management of the front affiliated companies, actively explore the external market thus improve the profitability.

## III. Corporate Investment in Period

### (I) Internal and external investment in reporting period

1. Relevant events about completing the more investment in subsidiary Mianyang Meiling Refrigerators Co., Ltd

In the light of items invested with raised capitals from A stock non-public issue of 2010, the Company will invest more in subsidiary Mianyang Meiling Refrigerators Co., Ltd (hereinafter referred to Mianyang Meiling) with RMB 50 million thus construct a environmental protection and energy-saving refrigerators production line. After this more investment, the registered capital of Mianyang Meiling reached RMB 100 million, including, the Company contributed RMB 95 million with 95 percent, and the other shareholder Dongfang Zhongke Meiling Microtherm Co., Ltd contributed RMB 5 million with 5 percents. This project completed its registration procedure of industrial and commercial change on Feb. 23 of 2011.

The above events had been disclosed in Securities Times, China Securities Journal and Hong Kong Commercial Daily as well as Juchao Website in form of notice (notice No. 2011-010) on Mar. 2 of 2011.

2. Investing and constructing Jiangxi Meiling Electrics Co., Ltd

Based on the development plan of refrigerators industry strategy and production basement in Jiangxi Jingde Town, and combining the strategic removal of Jiangxi Meiling Refrigerators Co., Ltd (hereinafter referred to Jiangxi Meiling), on Apr. 25 of 2011, the Company held the 45<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors which reviewed and approved the Proposal of Investing and Constructing Jiangxi Meiling Electrics Co., Ltd, and agreed that Mianyang Meiling and the Company invest and construct Jiangxi Meiling Electrics Co., Ltd (Jiangxi Meiling Electrics) together. Through it, integrate resources and boost the strategic removal of Jiangxi Meiling, thus build a Meiling Electrics Industrial Park gathering refrigerators and front supporting.

Two shareholders of Jiangxi Meiling Electrics totally invested RMB 80 million, including the Company invested RMB 79 million while Mianyang Meiling RMB 1 million with cash. The registration capital of

Jiangxi Meiling Electrics is RMB 50 million, including, RMB 49.375 million with 98.75 percents of the Company and RMB 0.625 million with 1.25 percents of Mianyang Meiling. The remaining RMB 30 million the shareholders invested will be calculated in capital surplus.

Till Jun. 30 of 2011, the industrial and commercial registration procedure of Jiangxi Meiling Electrics has been completed.

The above events had been disclosed in Securities Times, China Securities Journal and Hong Kong Commercial Daily as well as Juchao Website in form of notices (notice No. 2011-024) on Apr. 26 of 2011.

### 3. The removal and capacity expansion of subsidiary Jiangxi Meiling Electrics

Based on the development plan of refrigerators industry strategy and production basement in Jiangxi Jingde Town, and combining the strategic removal of Jiangxi Meiling Refrigerators Co., Ltd, on May 27 of 2011, the Company held the 46<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors which reviewed and approved the Proposal of Removal and Capacity Expansion of Subsidiary Jiangxi Meiling Electrics Co., Ltd, and agreed that Jiangxi Meiling Electrics constructs removal and capacity expansion for refrigerators production line with environmental protection and energy-saving with total RMB 269.2412 million of investment, including, RMB 233.9272 million for intangible assets (land use right) and fixed assets and RMB 35.314 million for current capital. Jiangxi Meiling Electrics needs to seek capital sources by itself. This construction will create a productivity of 100 sets (double classes) of refrigerators with environmental protection and energy-saving.

The above events had been disclosed in Securities Times, China Securities Journal and Hong Kong Commercial Daily as well as Juchao Website in form of notices (notice No. 2011-028) on May 28 of 2011.

### 4. The items in Pakistan of subsidiary Zhongshan Changhong Electrics Co., Ltd

In terms of overseas development strategy and operation requirements of subsidiary Zhongshan Changhong Electrics Co., Ltd (hereinafter referred to Zhongshan Changhong), on Mar. 27 of 2011, the Company held the 46<sup>th</sup> meeting of the 6<sup>th</sup> board of directors which reviewed and passed the Proposal of Item in Pakistan of Subsidiary Zhongshan Changhong Electrics Co., Ltd and agreed that Zhongshan Changhong invests USD 3.4 million in joint air-conditioners manufacture company and joint sales company in Pakistan thus build a regional operation center in South Asian market, realize local assembly and sales of air-conditioners and other relevant products, seek a new scale and profiting point in overseas market.

The above events had been disclosed in Securities Times, China Securities Journal and Hong Kong Commercial Daily as well as Juchao Website in form of notices (notice No. 2011-028 and No. 2011-032) on May 28 of 2011.

## (II) Usage of raised capital and progress of invested items of the Company in reporting period

### 1. Usage of raised capital

Till Dec. 24 of 2010, the Company successfully issued 116.7315 million shares of A stocks to 8 specific investors including Sichuan Changhong with price 10.28 yuan per share. Thus we collected total RMB 1,199,999,820.00. The net amount is RMB 1,177,954,320.00 deducting RMB 22.0455 million. Shinewing CPA Ltd issued the Capital Verification Report No. XYZH2010CDA6021.

Till Jun. 30 of 2011 RMB 533,413,424.58 had been used thus RMB 647,340,704.55 remained (interest income RMB 2,799,809.13 included).

Till Jun. 30 of 2011, the detailed storage of raised funds from non-public stock issue was as follows:

Bank of deposit	Bank account	Balance (RMB '0000)		
		Raised capital	Interest income	Total

Hefei, China Everbright Bank branches Daoxiang Building Branch (Athena Luxury refrigerator production base project)	76740188000018471	50,463.89	218.19	50,682.08
Communication Bank in Hefei Shouchun Bridge Branch (freezer capacity expansion project)	341304000018010080590	13,998.12	51.31	14,049.43
Bank of China Commercial and Industrial Holdings Co., Ltd Hefei Changjiang Road Branch (green energy-efficient refrigerators capacity expansion project)	1302010229022129028	-6.54	9.10	2.56
China Construction Bank Holdings Co., Ltd Branch in Hefei Luyang Business Division (supplemented current capital)	34001468608053006232	-1.38	1.38	0.00
<b>Total</b>		<b>64,454.09</b>	<b>279.98</b>	<b>64,734.07</b>

Explanation: in the light of progress of capital usage in investment projects, the Company had used up the raised funds from Commercial and Industrial Bank and Construction Bank. The Company included the deposit interest of raised capital in corresponding investment items thus the usage amount is far larger than the actual credited amount. Regarding the interest income of raised capital, the balance of raised capital in Commercial and Industrial Bank and Construction Bank were respectively RMB 25,600 and 0. Including, till Jun. 30 of 2011 the specific bank account of raised capital in Construction Bank had been cancelled, and the one in Commercial and Industrial Bank will be subsequently withdrawn.

Till Jun. 30 of 2011 the usage of raised capital from non-public issue of stocks is as follows:

Unit: RMB'0000

No.	Name of items	Used raised capital	Balance of raised capital (note 2)	amount of raised capital we planed to use in investment
1	Manufacture basement of Athena luxury refrigerators	22,536.11	50,682.08	73,000.00
2	Capacity expansion of freezers	16,001.88	14,049.43	30,000.00
3	Capacity expansion of refrigerators with environmental protection and energy-saving (note 1)	11,006.54	2.56	11,000.00
4	Supplemental current capital	3,796.81	0.00	3,795.432
	<b>Total</b>	<b>53,341.34</b>	<b>64,734.07</b>	<b>117,795.432</b>

Note 1: in terms of purpose of raised capital from non-public stock issue, the Company withdrew RMB 50 million from special account of raised capital (capacity expansion of environmental and energy-saving refrigerators) in Commercial and Industrial Bank on Jan. 19 of 2011 to increase the capital of subsidiary Mianyang Meiling Refrigerators Co., Ltd (hereinafter referred to Mianyang Meiling) for investment in environmental and energy-saving refrigerators production line. The registration procedure about commercial and industrial change of this time of capital increase had been completed on Feb. 23 of 2011. This part of amount had been put on special management. Till Jun. 30 of 2011 as for specific account of raised capital, B 19,787,921.85 had been used and RMB 30,212,078.15 remained.

Note 2: the used raised capital and remaining raised capital in the above statement included deposit interest. The raised capital for supplemental current capital had been used up and the special account for it had been

cancelled thus balance of special account of raised capital was 0. RMB 110 million was invested in capacity expansion of environmental and energy-saving refrigerators, including, RMB 50 million was used in capital increase of Mianyang Meiling for environmental and energy-saving refrigerators production line which produces and processes environmental and energy-saving refrigerators. The increase capital had been done. RMB 60 million had been used in R&D of environmental and energy-saving refrigerators, purchase of raw materials and sales which had been used up. Thus book funds of the special account of raised capital had been used up, waiting for cancellation.

Note 3: the raised capital includes deposit interests, thus the summation of the used raised capital and balance was more than the raised capital we planed to use. The difference refers to interest income.

Note 4: to premise a highest service efficiency of the raised capital, after the settle down of raised capital, the Company temporarily stored partial raised capital in form of deposit receipt in accordance with usage progress of capital for items.

Till present, the application of raised capital hasn't been changed.



## 2 The actual usage of raised capitals of this year

## Comparison table of the actual usage of raised capitals till 30, Jun. of 2011

Unit: RMB (0000)

Total raised capitals				117,795.4320	Total raised capitals used in this year				53,341.34-	
Total transferred raised capitals				0-	Total raised capitals used accumulated				53,341.34-	
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 investment of this reporting period	Amount of accumulated investment till the period-end (2)	Investment program till the period-end (3)=(2)/(1)	Predicted useable date of project	Realized interests	Reached 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	22,536.11	22,536.11	30.87%	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	16,001.88	16,001.88	53.34%	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	11,006.54	11,006.54	100.06%	2010.12	-	N/A	Un-changed
Supplementar Total	Un-changed	3,795.432	3,795.432	3,796.81	3,796.81	100.04%		-	N/A	Un-changed
		117,795.432	117,795.432	53,341.34	53,495.89					
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				Details on statement 2						
Temporarily supplement for the current capitals with idle raised capitals				Details on supplementary current capital						
Amount and reason for surplus of raised capitals when implementing				N/A						
Other usage of raised capitals				N/A						

Explanation 1: the actual invested capital in capacity expansion of Athena luxury refrigerators, capacity expansion of freezers and capacity expansion of environmental and energy-saving refrigerators was less than the capital we planned to use, because the above items hadn't been completed, and in the light of relevant terms, the accounts such as infrastructure and equipments of items were paid one by one in the light of implementation schedule and contract agreement. The period-end investment progress of supplementary current capital has been beyond 100% mainly due to the used raised capital included deposit interest of raised capital.

Explanation 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
1	Athena Luxury refrigerator production base	241,684.00
2	Freezer expansion project	72,959,508.44
3	Expansion project of environmental and	15,580,344.77
<b>Total</b>		<b>88,781,537.21</b>

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 41<sup>st</sup> meeting of the 6<sup>th</sup> Board of Directors. And at the same time, the independent directors, board of supervisors issued concurring opinion.

### 3. Particular about the circulating capital supplementation from idle raising fund

For purpose of reducing the financial cost, higher the efficiency of raising fund, the Proposal of temporary supplementation of circulating capital from partial idle raising fund has been deliberated and approved by 43<sup>rd</sup> Meeting of 6<sup>th</sup> Session of the Board and 14<sup>th</sup> Meeting of 6<sup>th</sup> Session of Supervisors. Partial raising fund was consented for temporary supplementation for circulating capital under the premise of no impact on the investment project implementation, amount of 60 million yuan raised fund within 6 months term, which is from 25 March 2011 to 25 September 2011. The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-017, No.: 2011-018 and No.: 2011-019) dated March 26, 2011.

The used idle raised fund of 60 million yuan has been returned to the specific raised fund account on time dated 2 June 2011. The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-033) dated June 3, 2011.

For purpose of maximized the usage of raising fund, reduced the financial expenses, lower the operational cost and under the premise of ensure the capital requirement for investment project, the Proposal of temporary supplementation of circulating capital from partial idle raising fund has been deliberated and approved by 47<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board, 16<sup>th</sup> Meeting of 6<sup>th</sup> Session of Supervisors and 2<sup>nd</sup> Extraordinary Shareholders' General Meeting 2010. Partial raising fund was consented for temporary supplementation for circulating capital, amount of 500 million yuan within 6 months since the date of approval day from Shareholders' General Meeting, which is from 23 June 2011 to 23 December 2011. Furthermore, use and manage the capital by regulations and return the capital on time to specific raising fund account. The event has been approved by the sponsor institution—China Merchants Securities Co., Ltd., meanwhile, independent directors and supervisors shows favor opinions for that. The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.:

2011-034, No.: 2011-035, No.: 2011-037 and No.: 2011-042) dated June 8, 2011 and June 24, 2011 respectively.

The Company withdraws idle capital 150 million yuan for circulating capital supplementation from Daoxiang Buld. Sub-branch, China Everbright Bank, Hefei Branch (A/C: 76740188000018471) on 24 June 2011. Idle capital of 17 million yuan was withdraw from Hefei Shouchunluqiao Sub-branch of Bank of Communication (A/C: 341304000018010080590) on 30 June, 2010 for circulating capital supplementation. The Company will strictly perform relevant obligations to return the idle capital to monitoring account for raising fund within 6 months since the date of approved by Shareholders' General Meeting.

#### 4. Particular about the raising fund of investment projects

##### (1) Manufacture bases of Athena Luxury refrigerator

The foundation project of 3# main plant and product warehouse (building area of 100, 000 m<sup>2</sup>) for Athena luxury refrigerator base have been completed. The bidding for steel structure project was settling, and the components processing was conducting by construction units. Cushion of the floor was implemented and main steel structure will decorate recently. The fire protection of 3# product warehouse still in programming and applying, civil construction bidding was in practice, meanwhile the pile foundation was implementing.

Meanwhile, according to the process layout of manufacture base for Athena luxury refrigerator, the following works were in process: technique communication for the manufacture equipment, equipment option, preparation of the bidding paper, bidding and purchase, contract and the assignment of technical agreement, supervisor in process of manufacture and installation and debugging. Among which, the bidding for export equipment and domestic heavy equipment has been finished, and part of the equipment was in process of installation and debugging.

The above mention project of basic construction and equipment project were conducted according to the project planning and project schedule. Till end of 30 June 2011, accumulated capital of 75.3611 million yuan was invested in manufacture base project of Athena luxury refrigerator.

##### (2) Capacity expansion item of freezer

This project's building area is about 133000m<sup>2</sup> while the main buildings comprises No. 7 plant (single-story steel plant with construction area 43000m<sup>2</sup>), No. 8 plant (two-stories steel plant with construction area 58000m<sup>2</sup>), No. 9 plant (single-story steel plant with construction area 30000m<sup>2</sup>), motion subsidiary plant (frame construction with area 2000m<sup>2</sup>). Till Jun. 30 of 2011, the land and plant construction of the first phase of the freezers item had been completed, and the equipments had been installed, the modification had been done and put into production.

Till Jun. 30 of 2011 RMB 108.1981 million had been cumulatively put into the first phase of the freezers item.

##### (3) Capacity Extension of Environment Protection and Energy Saving Refrigerator

The capacity expansion of environmental and energy-saving refrigerators had been put into production and it operated well.

#### 5. Usage of capitals invested in changed items

There had been no usage of capitals invested in changed items of the Company in this year.

#### 6. Usage of raised capital and problems existing in disclosure

The Company had established and perfected administration system for raised capital of listed companies, and guaranteed its effective implementation. The condition concerning storage and usage of raised capital had been disclosed timely, truly, accurately and completely. There existed no condition against the management system for raised capital.

### IV. Routine of Board in reporting period

Date & session	Contents	Newspaper for disclosure
20 Jan. 2011 41 <sup>st</sup> of 6 <sup>th</sup> of Board Meeting	Reviewed and approved 4 proposals such as the Proposal of Increasing Registration Capital of the Company, the Proposal of Revising Partial Terms of Articles of Association, the Proposal of Replacing the Self-Collecting Capital Invested in Items by Raised Capital with Raised Capital and the Proposal of Storing Land Use Right of Jiangxi Meiling Refrigerators Co., Ltd.	Securities Times Hong Kong Commercial Daily
7 Mar. 2011 42 <sup>nd</sup> of 6 <sup>th</sup> of Board Meeting	Reviewed and approved 21 proposals such as the Summary and Full Text of 2010 Annual Report, the Pre-plan of 2010 Annual Profit Distribution and the Proposal of Budgeting the Quality Service Fees of Meiling Refrigerators.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-3-25 The 43 <sup>rd</sup> meeting of the 6 <sup>th</sup> board of directors	Reviewed and approved 3 proposals such as the Proposal of Supplementing Temporarily Current Capital with Idle Raised Capital, the Proposal of Zhongshan Changhong Selling Land Use Right and the Proposal of Holding 2011 the 1 <sup>st</sup> Extraordinary Shareholders' Meeting.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-4-15 The 44 <sup>th</sup> meeting of the 6 <sup>th</sup> board of directors	Reviewed and approved 2 proposals such as the Proposal of Transferring Equity the Company Held From Anhui Union Technology Property Right Exchange Co., Ltd.	-
2011-4-25 The 45 <sup>th</sup> meeting of the 6 <sup>th</sup> board of directors	Reviewed and approved 7 proposals such as the 2010 the 1 <sup>st</sup> Seasonal Report, the Proposal of Election at Expiration of Office Term of the 7 <sup>th</sup> Board of Directors and the Proposal of Investing and Constructing Jiangxi Meiling Electrics Co., Ltd.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-5-27 The 46 <sup>th</sup> meeting of the 6 <sup>th</sup> board of directors	Reviewed and approved 5 proposals such as the Proposal of Holding 2010 Annual Shareholders' Meeting, the Proposal of Removal and Capacity Expansion of Jiangxi Meiling Electrics Co., Ltd and the Proposal of Discreting Hefei Meiling Package Co., Ltd.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-6-7 The 47 <sup>th</sup> meeting of the 6 <sup>th</sup> board of directors	Reviewed and approved 2 proposals such as the Proposal of Replacing the Self-Collecting Capital Invested in Items by Raised Capital with Raised Capital and the Proposal of Holding 2011 the 2 <sup>nd</sup> Extraordinary Shareholders' Meeting.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-6-20 The 1 <sup>st</sup> meeting of the 7 <sup>th</sup> Board of Directors	Reviewed and approved 3 proposals such as the Proposal of Electing President and Vice President of the 7 <sup>th</sup> Board of Directors, the Proposal of Engaging Senior Executives and the Proposal of Electing Special Commission for the 7 <sup>th</sup> Board of Directors.	Securities Times China Securities Journal Hong Kong Commercial Daily
2011-6-25	Reviewed and approved 1 proposal which is the	-

The 2 <sup>nd</sup> meeting of the 7 <sup>th</sup> Board of Directors	Proposal of Applying RMB 0.12 billion Loans from China Import and Export Bank Anhui Branch.	
---	---	--

In the Periodical, the Company held another three Shareholders' General Meeting. On Apr. 11 of 2011 the Company held the 2011 1<sup>st</sup> extraordinary shareholders' meeting which reviewed and passed the Proposal of Confirming Amount of Credit Guarantee for Subordinate Wholly-owned or Controlled Subsidiaries the Company Offers in 2011. On Jun. 20 of 2011 the Company held the 2010 annual shareholders' meeting which passed 16 proposals such as the 2010 Annual Work Report of Board of Directors, the Annual Work Report of 2010 Board of Supervisors, the Summary and Full Text of 2010 Annual Report, the Proposal of Election at Expiration of Office Term of the 7<sup>th</sup> Board of Directors and the Proposal of Election at Expiration of Office Term of the 7<sup>th</sup> Board of Supervisors. On Jun. 23 of 2011 the Company held the 2<sup>nd</sup> extraordinary shareholders' meeting which passed the Proposal of Replacing the Self-Collecting Capital Invested in Items by Raised Capital with Raised Capital.

All the above events were disclosed in Securities Times, China Securities Journal, and Hong Kong Commercial Daily as well as in <http://www.cninfo.com.cn>, the designated website by the CSRC, and you can enquiry by inputting the Company's stock code in Personal Stock Inquiry.

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

## Section VI. Significant Events

### I. Corporate Governance

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

### II. Option Incentive Scheme in Period

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

### III. Particular about the deliberation on profit distribution preplan in 2010

Based on the auditing by Shine Wing CPA, individual statement of the Parent Company shows 327,015,262.81 yuan in net profit of 2010. Being statutory surplus fund withdrawal, 32,701,526.28 yuan, and previously losses making up by use of surplus-- 38,211,546.96 yuan, which was consent by Shareholders' General Meeting of 2009, there has retained profit accumulating as 293,529,748.86 yuan in the individual statement of Parent Company for 2010.

Pursuit to relevant laws, Article of Association and take shareholders' interest into consideration as well as the long-term expectation requirement, the Company consents stock dividend as 2 for every 10 shares, 0.5 yuan (tax included) by cash to all shareholders based on the total share capital of 530,374,449 shares dated December 31, 2010. Totalling 132,593,612.25 yuan (accounts 45.17% of the distributable profit available for share by shareholders that realized in 2010) will for distribution this time. Rests of retained profit will carry forward for distribution in later years.

The abovementioned distribution preplan for 2010 have been approved and deliberated by Shareholders' General Meeting 2010 dated June 20, 2011. The Company will perform the distribution in accordance with relevant laws and regulations.

### IV. Particular about significant lawsuits and arbitrations of the Company in the report period

After acquisition of 100% state-owned property of Hefei Meiling Group Holding Co., Ltd. ("Meiling Group"), 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 has been closed, and waiting the judgment recently.

### V. Particular about the purchases and sales of significant assets and assets reorganization in report period

#### (I) Asset Acquisition

1. Purchase of the land use right of Jiangxi Changhong by Jiangxi Meiling Electric Appliance —subsidiary of

the Company

According to the strategy of refrigerator industry, development plan for new manufacture base in Jiangxi Jingde Town and the combination of moving strategy of Jiangxi Meiling Cooling Co., Ltd., the Company provides infrastructure support for new manufacture bases. On May 27, 2011, being approved by the 46<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board, the land use right (totaling area of 200,267.38 m<sup>2</sup> with land certificate No.0225 JTGy(2008)) owned by Jiangxi Changhong Electronic Technology Development Co., Ltd. (“Jiangxi Changhong”)—subordinate company of Huayi Compressor Co., Ltd. (“Huayi Compressor”), was purchased by agreement by Jiangxi Meiling Electric Appliance, subsidiary of the Company. Based on the Appraisal Report No. 236 ZLPBZi[2011] issued by China United Assets Appraisal Group Co., Ltd., the subject assets value 42.657 million yuan with 2.1869 million yuan by appreciation, 5.40% as appreciation rate. Concerning the transfer price for the land use right abovementioned, 42.657 million yuan was determined by negotiation between Jiangxi Meiling Electric Appliance and Jiangxi Changhong for transfer. The Transfer Agreement of Land Use Right have been signed between the two parties, transfer amount was paid by Jiangxi Meiling Electric Appliance by agreement. The ownership of land use right still in process for transfer.

The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-028 and No.: 2011-030) dated May 28, 2011.

## (II) Sales of Assets

1. Land use right reservation of Jiangxi Meiling Cooling Co., Ltd. –subsidiary of the Company

With the purpose of stimulating the assets reservation of Jiangxi Meiling Cooling Co., Ltd. (“Jiangxi Meiling Cooling”), raising construction capital for strategy moving, perfection the assets’ structure of Jiangxi Meiling Cooling, higher the quality of assets continuously as well as the combination of city plan of Jiangde Town government, the Proposal of Land Use Right Reserve by Jiangxi Meiling Cooling Co., Ltd. was deliberated and approved by 41<sup>st</sup> Meeting of 6<sup>th</sup> Session of the Board on January 20, 2011. The State-owned land use right reserve contract was signed between the Jiangxi Meiling Cooling and Land Reserve Center of Jingde Town City by consented. The land use right of are of 159,448.8 m<sup>2</sup> (239.17 mu by converted), No.0121 JTGy(2010), located on Guanzhuang, Cidu Avenue, owned by Jiangxi Meiling, deliver to Land Reserve Center of Jingde Town City for reserve with reserve compensation amounting to 65 million yuan. At present, agreement by the State-owned land use right reserve contract, 64 million yuan has been received as compensation by Jiangxi Meiling, other one million yuan will receive as soon as possible while land transfer tonally.

The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-004and No.: 2011-006) dated January 21, 2011.

2. Land use right transfer by agreement to Guangdong Digital from Zhongshan Changhong—subsidiary of the Company

With the purpose of stimulating the assets of Zhongshan Changhong Electric Appliance Co., Ltd. (“Zhongshan Changhong”), perfection the assets’ status, increasing the income of assets disposal and cash inflow, the Proposal of Sales of Land Use Right from Zhongshan Changhong Electric Appliance Co., Ltd. was deliberated and approved by 43<sup>rd</sup> Meeting of 6<sup>th</sup> Session of the Board on March 25, 2011.

The land use right of 21,713.3 m<sup>2</sup> owned by Zhongshan Changhong (Land certificate No.: 021955 ZFGy(2003); industry-used land for nature) was consented to transfer by agreement to Guangdong Changhong Digital Technology Co., Ltd. (“Guangdong Digital”). Based on the appraisal result from Guangdong China United Yangcheng Assets Appraisal Co., Ltd., the subject assets valued 14.84 million yuan with 528.87% as appreciation rate. Concerning the transfer price for the land assets abovementioned, 14.84 million yuan was determined by negotiation between Zhongshan Changhong and Guangdong Digital for transfer. Being prior



consented and approved by independent directors, related directors avoiding the vote. Till recently, the transfer amount has been received and relevant ownership transfer procedures still in process.

The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-017 and No.: 2011-020) dated March 26, 2011.

## VI. Significant related transaction in report period

### (I) Related purchase

#### 1. Pricing policy

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

#### 2. Statement on the purchase of goods from related parties

Type of related parties and name of related	Amount in this period		Amount at same period of last year	
	Amount(RMB'0000)	Proportion	Amount(RMB'0000)	Proportion
<b>Parent company and ultimate controller</b>				
In which: Sichuan Changhong Electric Appliance Co., Ltd	4,325.87	0.79	3,665.57	0.94
<b>Other enterprise under the control of same parent company and ultimate controller</b>				
In which: Sichuan Changhong Minsheng Logistics Co., Ltd.			2,859.19	0.74
Huayi Compressor Co., Ltd.	27,599.97	5.07	20,457.92	5.27
Sichuan Changhong Mould & Plastic Technology Co., Ltd.	22,273.94	4.09	11,292.04	2.91
Sichuan Changhong Jijia Fine Co., ltd.	6,469.11	1.19	8,973.03	2.31
Sichuan Hongxin Software Co., Ltd.			70.00	0.02
Mianyang Hongfa Mode Design Co., ltd.	3.52	0.00	10.59	0.00
Sichuan Changhong Packing Printing Co., Ltd.	1,380.62	0.25	1,618.73	0.42
Sichuan Changhong Power Limited Liability Company			0.39	0.00
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.	2,118.58	0.39	1,886.66	0.49
Sichuan Changhong	86.83	0.02	119.53	0.03

Fine Electric Technology Co., Ltd.				
Sichuan Changhong Device Technology Co., Ltd.	1,315.90	0.24	1,083.60	0.28
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	526.56	0.10		
Sichuan Changhong New Energy Technology Co., Ltd.	39.70	0.01	30.14	0.01
Sichuan Liyuan Electronic Co., Ltd			375.08	0.10
Mianyang Hongrun Electronic Co., Ltd.	724.98	0.13		
Guangdong Changhong Electronic Co., Ltd.	46.76	0.01	1.05	0.00
Zhongshan Guanghong Mould-Plastic Technology Co., Ltd.	31.97	0.00	10.7	0.00
<b>Affiliated enterprises of controlling shareholders and actual controller</b>				
Sichuan Changhe Technology Co., Ltd.	78.47	0.01	79.40	0.02
Sichuan Changxin Refrigeration Component Co., Ltd.	8,227.50	1.51	238.83	0.06
Sichuan Jinghong Packing Products Co., Ltd.	1,697.76	0.31	413.61	0.11
Sichuan Hongyu Metal Manufacture Limited Liability Company	45.79	0.01	35.25	0.01
<b>Total</b>	<b>76,993.83</b>	<b>14.13</b>	<b>55,699.25</b>	<b>14.34</b>

**(II) Associated sales**

1. Goods sold to related party were performed publicly on market price of same type
2. Details of goods sold to related parties

Type of related parties and name of related	Amount in this period		Amount at same period of last year	
	Amount(RMB'0000)	Proportion	Amount(RMB'0000)	Proportion
<b>Parent company and ultimate controller</b>				
In which: Sichuan Changhong Electric Appliance Co., Ltd	62,871.58	11.49	57,743.39	12.62
<b>Other enterprise under the control of same parent company and ultimate controller</b>				
In which:	48.33	0.01	3,043.97	0.67

PT.CHANGHONG ELECTRIC IND				
Sichuan Changhong Jijia Fine Co., Ltd.	2,102.69	0.38	2,152.78	0.47
Sichuan Changhong Mould-Plastic Technology Co., Ltd.	5,290.03	0.97	4,013.21	0.88
Sichuan Hongshi Display Technology Co., Ltd.	105.59	0.02		
Mianyang Lejiayi Commerce Chain Co., Ltd.	464.51	0.08	95.35	0.02
Jiangxi Changhong Electronic Technology Development Co., Ltd.			6.76	0.00
Sichuan Changhong Fine Electronic Technology Co., Ltd.			125.87	0.03
Sichuan Changhong Xinrui Technology Co., Ltd.	167.59	0.03	62.61	0.01
Sichuan Changhong International Hotel Limited Liability Company	26.41	0.00	0.39	0.00
Chongqing Hong Life Commerce Co., Ltd.	82.11	0.02	25.25	0.01
Huayi Compressor Co., Ltd.	2.74	0.00		
Sichuan Changhong Device Technology Co., Ltd.			13.33	0.00
Kunming Yijiahong Commerce Co., Ltd.			5.93	0.00
Sichuan Changhong Electronic System Co., Ltd.			3.09	0.00
Fuzhou Lejiayi Commerce Co., Ltd.	0.20	0.00	-1.05	0.00
Jinan Lejiayi Commerce Co., Ltd.	1.65	0.00		
Sichuan Hongou Display Device Co., Ltd.			458.59	0.10
Sichuan Changgong	41.09	0.01		

New Energy Technology Co.,Ltd.				
Guangdong Changhong Electronic Co., Ltd.			47.60	0.01
Guangdong Changhong Digital Technology Co., Ltd.			3.92	0.00
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.			0.44	0.00
Wandao Network Technology Co., Ltd.	113.53	0.02		
BVCH Optronics (Sichuan) Corp.	30.00	0.01		
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	13.53	0.00		
Changhong Electrical Appliance (Australia) Co., Ltd.	1,012.98	0.19	221.03	0.05
Zhongshan Guanghong Mould-Plastic Technology Co., Ltd.	27.19	0.00	10.00	0.00
Sichuan Changhong Packing Printing Co., Ltd.	0.38	0.00	10.95	0.00
Sichuan Changhong Minsheng Logistic Limited Liability Company	23.85	0.00	18.46	0.00
Sichuan Kuaiyidian Electrical Appliance Service Chain Co., Ltd.	264.84	0.05	0.38	0.00
<b>Affiliated enterprise of controlling shareholders and actual controller: Nil</b>				
<b>Joint venture and affiliated enterprise</b>				
In which: Guangyuan Meiling Electrical Appliance Marketing Co., Ltd.	1,318.83	0.24	1,386.35	0.30
Changzhou Meiling Electrical Appliance Marketing Co., Ltd.	1,149.93	0.21	636.63	0.14
Guangxi Meiling Electrical Appliance	7,642.73	1.40	939.60	0.21

Marketing Co., Ltd.				
Haozhou Meiling Electrical Appliance Marketing Co., Ltd.	2,161.30	0.39	1,671.99	0.37
Xuancheng Meiling Electrical Appliance Marketing Co., Ltd.	2,247.09	0.41		
Jiujiang Meiling Electrical Appliance Marketing Co., Ltd.	4,123.74	0.75	1,716.17	0.38
Fuyang Meiling Electrical Appliance Marketing Co., Ltd.	6,561.33	1.20		
<b>Total</b>	<b>97,895.77</b>	<b>17.88</b>	<b>76,836.06</b>	<b>16.79</b>

**(III) Other daily related transactions**

More details found in Note of Financial Statement.

**(IV) The daily related transaction occurred with related parties predicted at year-begin of 2011 was no more than 2,995 million yuan and the amount of daily related transaction occurred in first half of 2011 approximately amounting to 1615.8224 million yuan, 53.95 percent of the prediction amount at year-begin.**

**(V) Particular about the credit and debt occurred between the Company and related parties or guarantee in report period**

## 1. Particular about credit and debts between the Company and related parties

Name of the related parties	Relationship with the listed company	Capital offer to related parties from listed company		Capital offer to listed company from related parties	
		Occurred amount	Balance	Occurred amount	Balance
Sichuan Changhong Electric Appliance Co., Ltd	Parent company	-	-	2,042,072.45	2,647,627.55
Sichuan Changhong Minsheng Logistic Limited Liability Company	Other enterprise controlled under same parent company and ultimate controller	-	-	1,785,325.10	1,874,584.26
Sichuan Changhong Mould-Plastic Technology Co., Ltd.	Other enterprise controlled under same parent company and ultimate controller	-	-	-	320,000.00
Sichuan Changhong Jijia	Other enterprise controlled under	-	-	-	170,000.00

Fine Co., Ltd.	same parent company and ultimate controller				
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.	Other enterprise controlled under same parent company and ultimate controller	-	-	500,000.00	500,000.00
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise controlled under same parent company and ultimate controller	-	-	10,000.00	10,000.00
Sichuan Changhe Technology Co., Ltd.	Affiliated enterprise of controlling shareholders and actual controller	-	-	50,000.00	0.00
Total				<b>4,387,397.55</b>	<b>5,522,211.81</b>

In which: no capital offer to controlling shareholders and its subsidiary from listed company in report period.

2. Particular about guarantee between the Company and related parties in report period

Till end of 30 June 2011, the Renminbi borrowing guarantee by Sichuan Changhong Electric Group amounting to 50 million yuan at balance of period-end, and balance of bank acceptance for the Company amounting to 0 yuan.

**(V) Other related transactions**

1. Land use right of Jiangxi Changhong Electronic purchased by Jiangxi Meiling Electric Appliance Found details in “Purchase of the land use right of Jiangxi Changhong by Jiangxi Meiling Electric Appliance” of item one contained in (I), “V” of Section VI.

2. Land use right transfer by agreement to Guangdong Changhong Digital Technology from Zhongshan Changhong

Found details in “Land use right transfer by agreement to Guangdong Changhong Digital Technology from Zhongshan Changhong” of item two contained in (II), “V” of Section VI.

**VII. Material contracts and their implementations in the report period**

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

**(II) Material guarantee contracts**

Except for the controlling subsidiaries of the Company, there are no any legal people or nature person received guarantee from the Company. All guarantees provided to controlling subsidiaries based on the loans arising from supporting their operations, and all in warrantee. Meanwhile, the subordinated controlling non-wholly-owned companies all provided relevant counter-guarantee for the guarantee offer by the Company. As at the end of 30 June 2011, the external guarantee and guarantee for subsidiaries are as followed:

Unit: In RMB (‘0000)

	External guarantees (excluding guarantees for subsidiaries)
--	---

Guarantee's name	Relevant disclosure date /No.	Guarantee amount	Date of happening (date of agreement signing)		Actual guarantee amount	Guarantee type	Guarantee term	Accomplished or no	For related parties or not (yes or no)
N/A									
Total of external guarantee approved in Period(A1)			0		Total of actual external guarantee in Period(A2)		0		
Total of external guarantee approved at Period-end(A3)			0		Total of actual external guarantee at Period-end(A4)		0		
Guarantee for subsidiaries									
Guarantee's name	Relevant disclosure date /No.	Guarantee amount	Date of happening (date of agreement signing)	Maximum guarantee limit	Actual guarantee amount	Guarantee type	Guarantee term	Accomplished or not	For related parties or not (yes or no)
Sichuan Chuanghong Air Conditioner Co., Ltd.	2010-4-22 No.:2010-024; 2011-4-11 No.:2011-022	20,000.00	2010-06-01	8,000.00	3787.69	Jointly liability	1 year	Not	No
Zhongke Meiling Cryogenic Technology Limited Liability Co.	2010-8-6 2010-041; 2011-4-11 No.:2011-022	2,000.00	2010-08-01	2,000.00	0	Jointly liability	1 year	Not	No
Zhongshan Changhong Electric Appliance Co., Ltd	2011-4-11 No.:2011-022	15,000.00	2011-04-11	5,000.00	0	Jointly liability	1 year	Not	No
Meiling Yingkaite Household Appliance (Hefei) Co., Ltd.		400.00	2009-06-22	400.00	0	Jointly liability	3 years	Not	No
Yingkaite Electric Appliance Co., Ltd.		200.00	2009-06-22	200.00	0	Jointly liability	3 years	Not	No

Hefei Meiling Packaging Products Co., Ltd.		1,000.00	2010-07-09	1,000.00	0	Jointly liability	3 years	Not	No
Hefei Meiling Packaging Products Co., Ltd.	2011-4-11 No.:2011-022	8000.00		0.00	0	Jointly liability	1 year		No
Hefei Meiling Nonferrous Products Co., Ltd.	2011-4-11 No.:2011-022	6,000.00	2011-06-10	1,700.00	0	Jointly liability	1 year	Not	No
Total of guarantee for subsidiaries approved in Period (B1)		51,000.00			Total of actual guarantee for subsidiaries in Period (B2)		3787.69		
Total of guarantee for subsidiaries approved at Period-end (B3)		51,000.00			Total of actual guarantee for subsidiaries at Period-end (B4)		3787.69		
Total of Company's guarantee (namely total of the large two aforementioned)									
Total of guarantee approved in the Period (A1+B1)		51,000.00			Total of actual guarantee in the Period (A2+B2)		3787.69		
Total of guarantee approved at Period-end (A3+B3)		51,000.00			Total of actual guarantee at Period-end (A4+B4)		3787.69		
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4)					1.39%				
Including:									
Guarantee for shareholders, actual controllers and related parties(C)					0.00				
Debt guarantee for guarantee objects of direct/indirect asset liabilities above 70% (D)					3787.69				
Guarantee totaled above net assets 50%(E)					0.00				
Total of three guarantees aforementioned (C+D+E)					3787.69				
Explanations on possible affiliated redemption responsibilities for undue guarantees					N/A				

The abovementioned guarantee objects refers to the wholly-owned company or controlling subsidiary of the Company which shows normal operational business without overdue payment occurred and have the guarantee risk in control. In the report period, maximum guarantee amount offer to the subsidiary from the Company amounting to 183 million yuan and with actual guarantee amount of 37.8769 million yuan. Except the guarantee for subsidiary of Sichuan Changhong Air-conditioner Co., Ltd., Zhongke Meiling Cryogenic Technology Company LTD, Hefei Meiling Nonferrous Metal Products Co., Ltd.. Zhongshan Changhong Electric Co., Ltd. and Hefei Meiling Package Products Co., Ltd., guarantees from the Company were formed historically before 100% equity of Meiling Group transfer by agreement from the Company. As at end of 30 June of 2011, the subsidiaries (that is the controlling enterprise of the Company indirectly) that in the transfer assets range obtained totaling guarantee ceiling of 16 million yuan from Meiling Group with actually amount of 0 yuan in guarantee.



**(III) No cash assets management entrusted in report period****VIII. Other Significant Events****(I) Separation of the Hefei Meiling Packaging Products Co., Ltd**

According to the Contract of Property Right Transfer signed between the Company and Hefei Xingtai Holding Group Co., Ltd. (“Xingtai Holding”) in March 2010 and the Reply of Free Conversion of Partial Assets and Liabilities owned by Meiling Group issued by SASAC of Hefei City in April 2010, the Company transfers 100% state-owned property of Meiling Group owned by Xingtai Holding, which was separated partial assets liabilities. Relevant corresponding assets and liabilities will base on the Appraisal Report No. 018 WBPBZ[2009] issued by Anhui Baoshen Assets Appraisal Co., Ltd. The appraisal report state that among the 51.72% equity (other 48.28% equity was held by the Company) of Hefei Meiling Packaging Products Co., Ltd. (“Meiling Packaging”) owned by Meiling Group, part of the assets liabilities were excluding the transfer range, being consented by SASAC of Hefei City, the corresponding interest of out-of-range assets liability will transfer to Hefei Xingtai Assets Management Co., Ltd. (“Xingtai Assets”)—subordinate subsidiary of Xingtai Holding for free.

Being negotiation between the Company and Xingtai Holding, the two parties share 51.72% and 48.28% disposal and interest right of Meiling Package respectively for the assets and liabilities which were not including in the property transfer range due to the 48.28% equity owned by the Company before the Meiling Group purchased. In according to the resolution of 46<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board, Meiling Package consented for separation by way of derivation. Separated partial assets and liabilities of Meiling Package, out-of-the-range property transfer previously on base date of separation dated 31 December 2010. Derivates a new-establishment company and 51.72% equity of the new company that out-of-the-range transfer to Xingtai Assets for share.

Before separation, Meiling Package owes register capital of 18.4 million yuan; as at the end of 31 December 2010, Meiling Package assets totaling to 157,232,600 yuan, total liability amounting to 105,497,500 yuan and net assets amounting to 51,735,200 yuan. Basic information of two companies after Meiling Package separation:

**1. Residual company**

Register capital: 17.4 million yuan, total assets: 126,342,085.19 yuan, total liabilities 99,579,538.35 yuan and net assets: 26,762,546.84 yuan. Equity proportion and legal representative has no change.

**2. Derivative new-established company**

Register capital: one million yuan, total assets: 30,890,557.26 yuan, total liabilities 5,917,918.34 yuan and net assets: 24,972,638.92 yuan. Assets of the company mainly refer to land and properties.

Currently, the derivative new-established company – Hefei Xingmei Assets Management Co., Ltd. has finished the procedures of changes on Industrial & Commercial Registration. In according to the reply of assets transfer freely from SASAC of Hefei City and two parties’ negotiation follow-up, the 51.72% equity of Hefei Xingmei Assets Management Co., Ltd.—derivative new-established company will share by Xingtai Assets for free from Meiling Group.

The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-028 and No.: 2011-031) dated May 28, 2011.

**(II) Particular about the investment on Jiangxi Meiling Electric Appliance Limited Liability Co.,**

Found details in “Investment on Jiangxi Meiling Electric Appliance Limited Liability Co.,” of item two contained in (I), Part “III” of Section V.

(III) Particular about the moving and capacity enlargement project for Jiangxi Meiling Electric Appliance Limited Liability Co.,--subsidiary of the Company

Found details in “Moving and Capacity Enlargement Project for Jiangxi Meiling Electric Appliance Limited Liability Co.,” of item three contained in (I), Part “III” of Section V.

(IV) Particular about the investment project of Pakistan of Zhongshan Changhong Electric Appliance Co., Ltd. – subsidiary of the Company

Found details in “Particular about the investment project of Pakistan of Zhongshan Changhong Electric Appliance Co., Ltd. – subsidiary of the Company” of item four contained in (I), Part “III” of Section V.

(V) Particular about newly designated newspapers for information disclosure

In order to enlarge the coverage of information disclosure of the Company and perfected the investment relationship management, the Company designated China Securities Journal as the information disclosure newspaper. The disclosure media for information of the Company were Securities Times, China Securities Journal Hong Kong Commercial Daily and Juchao Website since 26 January 2011.

The abovementioned event has been published on Securities Times, Hong Kong Commercial Daily and Juchao Website as notice (No.: 2011-008) dated January 26, 2011.

(VI) Relevant particular about the accomplishment on capital increased to Mianyang Meiling Cooling Limited Liability Co., -- subsidiary of the Company

Found details in “Relevant particular about the accomplishment of capital increased to Mianyang Meiling Cooling Limited Liability Co.,-- subsidiary of the Company” of item one contained in (I), Part “III” of Section V.

(VII) Item of changes of the sponsor deputy for Equity Division Reform

In March of 2011, the Company received a Letter of Changes of Sponsor Deputy from China Merchants Securities Co., Ltd.—the sponsor institution for equity division reform of the Company. The original sponsor deputy who in charge of the sponsor and supervise work of the Company Zhen Huafeng has resigned. For better performing the supervise responsibility from sponsor institution, China Merchants Securities Co., Ltd. designated sponsor deputy Zhang Xiaobin for replacement of Zhen Huafeng, implementing the duty of supervise on the equity division reform for the Company.

The abovementioned event has been published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website as notice( No.: 2011-016) dated March 22, 2011.

## **VIII. Commitments**

### **(I) Commitments for Share Merge Reform**

The Company implemented the Share Merge Reform on 24 August 2007, that is, the Company took the 151,530,340 current shares before the Reform and arranged 1.5 shares per 10 shares by valuable consideration for all current A-share holders registered before the registered date of scheme implementation. Upon completion of the valuable consideration, the shareholding of Meiling Electric Appliance non-current share holders got the right to come into the market.

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

**(II) Commitments for transfer of air conditioner asset**

On 10 December 2009, the Company entered into the Property Transaction Contract with Sichuan Changhong and Sichuan Changhong Innovation Investment Co., Ltd. (“Changhong Chuangtou”) in Mianyang City concerning the successful bidding for shareholding in Zhongshan Changhong and Changhong Air Conditioner; at the same day, the Company received the Commitment Letter presented by the large shareholder—Sichuan Changhong. For purpose of Meiling Electric Appliance’s development, its independence and withdrawal from the intertype competition between the Sichuan Changhong and the Company, Sichuan Changhong committed that:

1. Concerning property and land in use by Changhong Air Conditioner were not in the assets scope of the transfer, Sichuan Changhong committed that it would continue leasing to Changhong Air Conditioner at market price and negotiate with Meiling Electric Appliance about the transfer of partial property and land according to Changhong Air Conditioner’s operation.
2. Upon the transfer, Sichuan Changhong committed that it would make efforts to withdraw from new related transaction with Meiling Electric Appliance; however, as for the inevitable ones, it committed that it would set price of related transaction in market manner to make sure the transaction fair, just and with no harm to Meiling’s interest.
3. For support of development of Meiling Electric Appliance and air conditioner, and upon the transfer, Sichuan Changhong committed that it would continue authorizing free use of trademark--‘Changhong’ in the coming three years to Changhong Air Conditioner and Zhongshan Changhong. As the above authority due, Sichuan Changhong would negotiate with Meiling Apparatus about the authorized use of patent“Changhong”according to Meiling Electric Appliance’s air conditioner development.
4. Upon the transfer, Sichuan Changhong committed that it would not enter into operation business or activities that competed or conflicted with Meiling Electric Appliance’s current or future business, as air conditioner or refrigerator.

Till end of the report period, relevant commitments have been implemented strictly.

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

Concerning the Company’s private A-share of 2010, according to relevant regulations, the Commitment Letter of reduction of and withdrawal from intertype competition with Hefei Meiling Co., Ltd. was presented by Sichuan Changhong with 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 Electric Appliance’s.
2. The Company guaranteed that it would use the shareholders’ right legally and reasonable without take any activities restricting or influencing Meiling Electric Appliance’s normal operational.
3. If Meiling Electric Appliance expanded its business scope further while the Company had already operated the new business, the Company agreed to authorize Meiling Electric Appliance the relevant preferential acquisition right only that the Company was still the controlling shareholder or actual controller.

Till end of the report period, relevant commitments have been implemented strictly.

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

Concerning the Company's private A-share of 2010, according to relevant regulations, the Commitment Letter of reduction of and withdrawal from intertype competition with Hefei Meiling Co., Ltd. was presented by Sichuan Changhong with committed and guaranteed that:

1. It would take measures to make efforts to avoid continual related transaction with Meiling Electric Appliance, 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 Electric Appliance and other shareholders of Meiling.

Till end of the report period, relevant commitments have been implemented strictly.

**(V) Commitment of long-term leasing of land and houses to Mianyang Meiling from Changhong Minsheng Logistics Limited Liability Co., -- Subsidiary of Sichuan Changhong**

For further support of the rapidly development of Mianyang Meiling, ensured that the assets' integrity of Mianyang Meiling and the stability of land and houses used for construction from 2010 private issuance. Due to the land certificate of plants that leased by Mianyang Meiling from Sichuan Changhong Minsheng Logistics Limited Liability Co., ("Minsheng Logistics") still in process, Minsheng Logistics committed that: After the accomplishment of house property certificate, the Company will transfer land use right and housing property right to Mianyang Meiling as soon as possible according to relevant laws and regulations, and help them to handle relevant procedures if necessary.

**(VI) Commitment from Sichuan Changhong on long-term leasing of land and houses to Mianyang Meiling from Changhong Minsheng Logistics Limited Liability Co.,-- Subsidiary of Sichuan Changhong**

For further support of the rapidly development of Mianyang Meiling, ensured that the assets' integrity of Mianyang Meiling and the stability of land and houses used for construction from 2010 private issuance. Due to the land certificate of plants that leased by Mianyang Meiling from Minsheng Logistics still in process, Sichuan Changhong committed that: After the accomplishment of house property certificate, the Company will supervise and urge Minsheng Logistics to transfer partial land use right and housing property right to Mianyang Meiling as soon as possible according to relevant laws and regulations.

**(VII) Commitment from Sichuan Changhong on related transaction reduction with the Company in aspect of houses releasing**

Due to the house property certificate of plants that rented by Changhong Air Conditioner still in process, for further support of the rapidly development of Changhong Air Conditioner, ensured that the assets' integrity of Changhong Air Conditioner and the stability of operation, reducing the related transaction with the Company in aspect of house leasing, Sichuan Changhong committed that: After the accomplishment of house property certificate, the Company will transfer land use right and housing property right to Changhong Air Conditioner

as soon as possible according to relevant laws and regulations, and help them to handle relevant procedures if necessary.

### **(VIII) Transfer of State-owned Property in Meiling Group**

As the Company (B Party or Transferee) signed decimal the Property Transfer Contract with Hefei Xingtai Holding Group Co., Ltd. (“Xingtai Holding”) on 25<sup>th</sup> March 2010, the Company transferred under the agreement the 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, 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 15 million yuan—sum of the last year within 5 years paid by Meiling Group in Hefei City.
2. Within 5 years from the effectual day of the contract, investment newly increased in Hefei City is no less than 100 million yuan.
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 48.69 million yuan under the transfer scope held by the subsidiary (the actual sum is the one in the audited report as ending 25<sup>th</sup> March 2010) with the new transferee entity paying off in 2 years from the signing day (a legal valid contract is necessary).
5. The transferee offered the post in proportion to 80% of the now on-the-job number in the transferring enterprise and subsidiary in the transfer. Under the same condition, the existing staff and management had the privileges to be hired and arranged. As day of the displacement is the continuing day of labor relations, it signed the labor contract of no less than 3 years with hired people within one month from the effecting day. It continued and handled all social insurances and paid for the housing reserve according to relevant rules of Hefei City.
6. The transferee inherited all assets and liabilities evaluated and confirmed, of the transferring enterprise.
7. The transferee continued fulfilling the agreement signed with the external parties by the transferring enterprise.
8. The transferee continued cooperating with the A Party to complete the strip-off of the nontransferable equity in the transferring enterprise.
9. The transferee had to make rational utilization of land in the transfer without claim to change in land usage.
10. The transferee did not dilute or weaken the trademark and business name “Meiling”, maintain them properly and committed that Meiling production amount in Hefei was no less than 70% of the total, increase of

sales amount no less than 20%, fee for its product research and development and trademark maintenance no less than 1% of the sales sum.

Till end of the report period, relevant commitments have been implemented strictly.

### **(IX) Commitment on temporary supplementation of circulating capital from partial idle raising fund**

For purpose of maximized the usage of raising fund, reduced the financial expenses, lower the operational cost and under the premise of ensure the capital requirement for investment project, the Proposal of temporary supplementation of circulating capital from partial idle raising fund has been deliberated and approved by 47<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board, 16<sup>th</sup> Meeting of 6<sup>th</sup> Session of Supervisors and 2<sup>nd</sup> Extraordinary Shareholders' General Meeting 2010 dated 7 June 2011 and 23 June 2011. Partial raising fund was consented for temporary supplementation for circulating capital, amount of 500 million yuan within 6 months since the date of approval day from Shareholders' General Meeting, which is from 23 June 2011 to 23 December 2011. Furthermore, use and manage the capital by regulations and return the capital on time to specific raising fund account. The Company made commitments by relevant regulations as:

1. the partial idle raising fund used for circulating capital supplementation only limited in the manufacture and business of main operation;
2. After the maturity of the account, the capital should return back to specific raising fund account on time;
3. If the construction project repaid up the usage of raising fund, the Company should return the capital to specific account correspondingly. No influence on the normal operation of capital on investment projects and change no usage way of the raising fund in disguised form;
4. Within 12 months after the circulating capital supplementation, the Company committed no securities investment or risk investment with no more than 10 million yuan conducted; no transaction directly or indirectly on new shares placing, purchasing or stocks and its derivative products and convertible corporate bonds. No capital orientation changes in disguised form and do harmless to shareholders' interest of the Company.

Till end of the report period, relevant commitments have been implemented strictly.

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

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

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

**(III) Specific explanation and independent opinion of independent directors on Company's Capital appropriation by controlling shareholders and other related party**

Pursuant to the requirements Notice of Regulation on Capital Dealings with Related Party and External Guarantee of Listed Company (CSRC No.56 [2003]) released by CSRC and External Guarantee of Listed Company and Notice of Standardization on External Guarantee (CSRC No.120 [2005])(hereafter referred as

Announcements), as the independent directors of Hefei Meiling Co., Ltd. (“The Company ” or “Company”), we carefully checked the particular about fund occupation by controlling shareholder and other related parties and external guarantee occurred in first half of 2011 with the attitude of being rigorous, practical and realistic, and serious and responsible, we made explanations and independent opinions on the checking.

In the report period, the external guarantee from the Company and its subordinate enterprise provided maximum guarantee of 183 million yuan with actual guarantee amount of 37.8769 million yuan. This guarantee occupied 1.39% of the net assets of the Company audited 31 December 2010, the actually amount offer to Sichuan Changhong Air-conditioner Co., Ltd., wholly-owned subsidiary of the Company. Among which, maximum guarantees offer to subordinate wholly-owned enterprise and controlling subsidiaries of the Company amounting to 167 million yuan with actual guarantee of 37.8769 million yuan; guarantee from subsidiary- Hefei Meiling Group Holding Co., Ltd.(“Meiling Group”) to its subordinate enterprise were formed historically before 100% equity of Meiling Group transfer by agreement from the Company. As at end of 30 June of 2011, the subsidiaries of Meiling Group obtained totaling guarantee ceiling of 16 million yuan from Meiling Group with actually amount of 0 yuan in guarantee. Controlling subsidiary of the Company offer 0 yuan as guarantee for its stock jointly subsidiaries; the Company and its controlling subsidiaries owes no overdue guarantee externally. The abovementioned guarantee objects refers to the wholly-owned company or controlling subsidiary of the Company which shows normal operational business without overdue payment occurred and have the guarantee risk in control.

As the end of 30 June 2011, there was no listed company’s capital appropriation for non-operation by the controlling shareholders or related party. In the Period, even though there was listed company’s capital appropriation for non-operation by the controlling shareholders or related party, the Company did not provide direct or indirect capital for their use.

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

Independent directors: Wang Xingzhong, Song Baozeng, Liu Youpeng and Zhang Shidi

**X. 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.**

#### **XI. Registration form for receiving research, communication and interview in the report period**

Date	Place	Way	The received parties	Contents discussed and materials supplied
2011-01-06	Conference Room of the Company	Spot investigation	Donghai Securities	Operation status of the Company
2011-01-25	Conference	Spot	Sinolink	Operation status of the

	Room of the Company	investigation	Securities	Company
2011-03-23	Conference Room of the Company	Spot investigation	Changjiang Securities, CITIC-Prudential Fund Management Co., Ltd., Everbright Securities, eCITIC Securities, Haitong Securities, Fullgoal Fund, Hua An Fund, Guolian Securities, Bank of Communication Schroders Fund Co.,	Operation status of the Company
2011-03-31	Conference Room of the Company	Spot investigation	GUOTAI JUNAN Securities Co., Ltd.	Operation status of the Company
2011-05-26	Conference Room of the Company	Spot investigation	Donghai Securities Co., Ltd., Minsheng Securities	Operation status of the Company
2011-06-16	Conference Room of the Company	Spot investigation	Donghai Securities Co., Ltd.	Operation status of the Company
2011-06-20	Conference Room of the Company	Spot investigation	GUOTAI JUNAN Securities Co., Ltd., Donghai Securities Co., Ltd., Fullgoal Fund	Operation status of the Company



## Section VII. Financial Report

### I. Financial Statement

#### (I) Consolidation and Balance Sheet of Parent Company

Prepared by Hefei Meiling Co., Ltd.

30 June 2011

Unit: RMB

Item	Note		Consolidated		Parent company	
	Co nso lid ate d	Par ent co mp any	Balance at period-end	Balance at year-begin	Balance at period-end	Balance at year-begin
Current assets:						
Monetary funds	1		1,479,457,104.15	1,986,440,504.29	1,062,368,214.04	1,798,742,365.37
Settlement provisions			-	-	-	-
Capital lent			-	-	-	-
Transaction finance asset			-	-	-	-
Notes receivable	2		2,367,756,301.73	1,194,506,906.44	1,880,066,647.10	1,106,438,507.37
Accounts receivable	3	1	815,019,898.50	372,563,010.12	495,148,154.15	274,803,755.01
Accounts paid in advance	4		165,901,527.14	187,026,777.59	202,044,553.03	251,170,398.45
Insurance receivable			-	-	-	-
Reinsurance receivables			-	-	-	-
Contract reserve of reinsurance receivable			-	-	-	-
Interest receivable			-	-	-	-
Dividend receivable			-	-	-	-
Other receivables	5	2	69,265,567.62	61,420,720.54	46,714,855.94	15,116,164.77
Purchase restituted finance asset			-	-	-	-
Inventories	6		1,709,478,636.22	1,583,313,401.08	1,051,865,378.85	1,024,929,999.07
Non-current asset due within one year			-	-	-	-
Other current assets			-	-	-	-
Total current assets			6,606,879,035.36	5,385,271,320.06	4,738,207,803.11	4,471,201,190.04
Non-current assets:						
Granted loans and advances			-	-	-	-
Finance asset available for sales			-	-	-	-
Held-to-maturity securities			-	-	-	-
Long-term account receivable			-	-	-	-

Long-term equity investment	7	3	26,606,580.63	17,918,060.59	772,404,877.75	714,774,269.88
Investment real estate	8		17,750,866.18	18,124,247.39	13,938,545.06	14,172,470.67
Fixed assets:	9		912,836,219.22	865,234,132.54	658,494,853.43	561,795,751.21
Construction in progress	10		68,623,258.79	75,179,300.94	64,211,869.40	77,177,425.21
Engineering material			-	-	-	-
Disposal of fixed asset			-	-	-	-
Productive biological asset			-	-	-	-
Oil and gas asset			-	-	-	-
Intangible assets	11		616,599,682.36	681,869,906.34	513,274,499.17	525,520,272.58
Expense on Research and Development	12		23,632,784.84	13,505,659.94	-	-
Goodwill	13		10,922,803.73	10,922,803.73	-	-
Long-term expenses to be apportioned			-	-	-	-
Deferred income tax asset	14		74,151,369.83	48,138,723.05	65,306,420.65	46,318,389.98
Other non-current asset			-	-	-	-
Total non-current asset			1,751,123,565.58	1,730,892,834.52	2,087,631,065.46	1,939,758,579.53
Total assets			8,358,002,600.94	7,116,164,154.58	6,825,838,868.57	6,410,959,769.57
Current liabilities:						
Short-term loans	16		197,953,361.30	238,923,801.11	170,000,000.00	218,860,000.00
Loan from central bank			-	-	-	-
Absorbing deposit and interbank deposit			-	-	-	-
Capital borrowed			-	-	-	-
Transaction financial liabilities			-	-	-	-
Notes payable	17		1,316,664,851.84	920,676,239.36	862,765,000.00	667,338,655.00
Accounts payable	18		1,961,393,556.89	1,421,456,784.36	1,336,674,911.96	1,069,993,584.69
Accounts received in advance	19		625,567,258.99	922,047,156.39	478,527,213.87	847,540,346.80
Selling financial asset of repurchase			-	-	-	-
Commission charge and commission payable			-	-	-	-
Wage payable	20		70,436,457.58	97,284,277.48	56,836,044.64	82,061,354.59
Taxes payable	21		194,319,767.37	78,967,865.01	174,189,397.63	91,232,638.87
Interest payable			-	-	-	-
Dividend payable	22		738,695.30	738,695.30	738,695.30	738,695.30

Other accounts payable	23		722,592,518.31	410,610,813.51	545,180,180.66	425,475,184.84
Reinsurance payables			-	-	-	-
Insurance contract reserve			-	-	-	-
Security trading of agency			-	-	-	-
Security sales of agency			-	-	-	-
Non-current liability due within one year	24		2,146,691.72	1,189,452.90	2,135,580.56	1,145,008.44
Other current liabilities			-	-	-	-
Total current liabilities			5,091,813,159.30	4,091,895,085.42	3,627,047,024.62	3,404,385,468.53
Non-current liabilities:						
Long-term loans	25		12,705,500.00	14,506,060.00	12,705,500.00	14,296,400.00
Bonds payable			-	-	-	-
Long-term account payable			-	-	-	-
Special accounts payable	26		49,654,111.76	33,214,132.26	33,093,588.26	33,214,132.26
Projected liabilities	27		271,075,573.00	203,421,595.00	271,075,573.00	203,421,595.00
Deferred income tax liabilities	14		-	-	-	-
Other non-current liabilities	28		26,425,893.61	26,937,022.85	26,425,893.61	26,937,022.85
Total non-current liabilities			359,861,078.37	278,078,810.11	343,300,554.87	277,869,150.11
Total liabilities			5,451,674,237.67	4,369,973,895.53	3,970,347,579.49	3,682,254,618.64
shareholders' equity:						
Share capital	29		530,374,449.00	530,374,449.00	530,374,449.00	530,374,449.00
Capital public reserve	30		1,610,571,447.17	1,610,571,447.17	1,625,421,425.24	1,625,421,425.24
Less: Inventory shares			-	-	-	-
Surplus public reserve	31		279,597,693.51	279,597,693.51	279,379,527.83	279,379,527.83
Provision of general risk			-	-	-	-
Retained profit	32		422,908,778.29	296,750,782.08	420,315,887.01	293,529,748.86
Balance difference of foreign currency translation			-	-	-	-
Total shareholders' equity attributable to parent company			2,843,452,367.97	2,717,294,371.76	2,855,491,289.08	2,728,705,150.93
Minority interests	33		62,875,995.30	28,895,887.29	-	-
Total shareholders' equity			2,906,328,363.27	2,746,190,259.05	2,855,491,289.08	2,728,705,150.93
Total liabilities and shareholders' equity			8,358,002,600.94	7,116,164,154.58	6,825,838,868.57	6,410,959,769.57

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

**(II) Consolidation and Profit Statement of Parent Company**

Prepared by Hefei Meiling Co., Ltd.

January- June 2011

Unit: RMB

Items	Note		Consolidated		Parent company	
	Consolidated	Parent company	Amount in this period	Amount at same period of last year	Amount in this period	Amount at same period of last year
I. Total operating income			5,475,018,688.64	4,575,759,806.96	4,206,483,990.92	3,744,656,537.81
Including: income from main business	34	4	5,168,549,152.44	4,289,072,025.85	3,604,607,979.80	3,253,792,487.32
Other business income			306,469,536.20	286,687,781.11	601,876,011.12	490,864,050.49
Interest income			-	-	-	-
Insurance gained			-	-	-	-
Commission charge and commission income			-	-	-	-
II. Total operating cost			5,453,286,578.02	4,548,403,958.07	4,055,919,778.25	3,660,096,413.17
Including: cost of main business	34	4	4,019,061,177.42	3,201,834,567.45	2,716,145,527.69	2,262,294,849.69
Other business cost			282,394,871.08	246,264,163.37	588,185,835.37	459,953,413.92
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	35		19,453,852.82	18,442,086.28	17,493,568.32	17,305,600.13
Sales expenses	36		980,975,553.78	986,399,238.84	656,253,893.85	854,448,246.08
Administration expenses	37		143,544,164.22	84,359,075.10	84,083,002.38	58,272,200.56
Financial expenses	38		-15,240,641.58	-4,425,042.15	-18,725,111.31	-2,493,076.05
Losses of devaluation of asset	39		23,097,600.28	15,529,869.18	12,483,061.95	10,315,178.84
Add: Changing income of fair value(Loss is listed with “-”)			-	-	-	-
Investment income (Loss is listed with “-”)	40	5	332,396.24	137,640,762.06	164,270.87	137,640,762.06
Including: Investment income on affiliated company and joint venture			-	-1,738,998.66	-	-1,738,998.66
Exchange income (Loss is listed with “-”)			-	-	-	-
III. Operating profit (Loss is listed with “-”)			22,064,506.86	164,996,610.95	150,728,483.54	222,200,886.70
Add: Non-operating income	41		119,542,650.05	94,773,177.51	2,152,358.00	21,510,732.53
Less: Non-operating expense	42		2,143,328.48	528,567.96	1,880,830.05	485,236.58
Including: Disposal loss of non-current asset			1,884,529.38	513,620.69	1,877,046.10	485,236.58
IV. Total Profit (Loss is listed with “-”)			139,463,828.43	259,241,220.50	151,000,011.49	243,226,382.65
Less: Income tax	43		18,135,891.78	40,301,395.05	24,213,873.34	38,337,360.61
V. Net profit (Net			121,327,936.65	218,939,825.45	126,786,138.15	204,889,022.04

loss is listed with “-”)						
Net profit attributable to owner's equity of parent company			126,157,996.21	218,616,696.38	126,786,138.15	204,889,022.04
Minority shareholders' gains and losses			-4,830,059.56	323,129.07	-	-
VI. Earnings per share				-		-
i. Basic earnings per share	44		0.2379	0.5285	0.2391	0.4953
ii. Diluted earnings per share	44		0.2379	0.5285	0.2391	0.4953
VII. Other consolidated income	45		-	-105,451,137.74	-	-105,451,137.74
VIII. Total consolidated income			121,327,936.65	113,488,687.71	126,786,138.15	99,437,884.30
Total consolidated income attributable to shareholders of parent company			126,157,996.21	113,165,558.64	126,786,138.15	99,437,884.30
Total consolidated income attributable to minority shareholders			-4,830,059.56	323,129.07	-	-

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

### (III) Consolidation and Cash Flow of Parent Company

Prepared by Hefei Meiling Co., Ltd. January- June 2011

Unit:RMB

Items	Consolidated		Parent company	
	Amount accumulated this year	Amount accumulated at same period of last year	Amount accumulated this year	Amount accumulated at same period of last year
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	2,261,186,763.21	1,629,352,363.89	1,511,861,481.27	1,237,608,247.28
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	25,730,915.85	6,229,079.97	6,106,556.57	3,147,453.85
Other cash received concerning operating activities	154,847,635.85	76,594,890.57	4,563,090.33	7,169,995.00
Subtotal of cash inflow arising from operating activities	2,441,765,314.91	1,712,176,334.43	1,522,531,128.17	1,247,925,696.13
Cash paid for purchasing commodities and receiving labor service	2,108,299,566.88	1,077,401,546.51	1,423,412,655.93	837,452,255.59
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	307,943,256.24	152,199,970.04	179,579,555.72	102,904,862.93
Taxes paid	156,316,882.18	144,078,717.64	134,642,332.56	131,106,069.75
Other cash paid concerning operating activities	413,539,305.42	502,487,322.25	283,785,138.20	387,019,503.17
Subtotal of cash outflow arising from operating activities	2,986,099,010.72	1,876,167,556.44	2,021,419,682.41	1,458,482,691.44
Net cash flows arising from operating activities	-544,333,695.81	-163,991,222.01	-498,888,554.24	-210,556,995.31
II. Cash flows arising from investing activities:	-	-	-	-
Cash received from recovering investment	1,000,000.00	6,929,464.41	1,000,000.00	6,929,464.41
Cash received from investment income	1,533,663.00	139,379,760.72	1,533,663.00	139,379,760.72
Net cash received from disposal of fixed, intangible and other long-term assets	71,162,183.34	57,596.00	1,162,183.34	34,196.00
Net cash received from disposal of subsidiaries and other units	-	-	-	-
Other cash received concerning investing activities	7,880,762.49	7,139,285.65	9,051,682.90	5,888,249.15
Subtotal of cash inflow from investing activities	81,576,608.83	153,506,106.78	12,747,529.24	152,231,670.28
Cash paid for purchasing fixed, intangible and other long-term assets	57,692,391.87	34,230,003.11	49,830,507.22	40,310,235.70
Cash paid for investment	-22,009,000.00	227,722,800.00	60,000,000.00	213,200,000.00
Net increase of mortgaged loans	-	-	-	-
Net cash received	978,687.97	-	-	-



from subsidiaries and other units				
Other cash paid concerning investing activities	-	-	37,000,000.00	-
Subtotal of cash outflow from investing activities	36,662,079.84	261,952,803.11	146,830,507.22	253,510,235.70
Net cash flows arising from investing activities	44,914,528.99	-108,446,696.33	-134,082,977.98	-101,278,565.42
III. Cash flows arising from financing activities	-	-	-	-
Cash received from absorbing investment	35,966,000.00	-	-	-
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	-	-	-	-
Cash received from loans	145,961,241.63	238,590,000.00	120,000,000.00	238,590,000.00
Cash received from issuing bonds	-	-	-	-
Other cash received concerning financing activities	-	-	39,000,000.00	89,000,000.00
Subtotal of cash inflow from financing activities	181,927,241.63	238,590,000.00	159,000,000.00	327,590,000.00
Cash paid for settling debts	187,548,951.80	204,000,000.00	169,500,000.00	204,000,000.00
Cash paid for dividend and profit distributing or interest paying	5,594,190.83	4,554,164.55	4,203,617.65	4,472,264.55
Including: Dividend and profit of minority shareholder paid by subsidiaries	-	-	-	-
Other cash paid concerning financing activities	-	-	91,999,750.20	11,500,000.00
Subtotal of cash outflow from financing activities	193,143,142.63	208,554,164.55	265,703,367.85	219,972,264.55
Net cash flows	-11,215,901.00	30,035,835.45	-106,703,367.85	107,617,735.45

arising from financing activities				
IV. Influence on cash due to fluctuation in exchange rate	3,651,667.68	-1,690,185.80	3,300,748.74	-2,105,700.17
V. Net increase of cash and cash equivalents	-506,983,400.14	-244,092,268.69	-736,374,151.33	-206,323,525.45
Add: Balance of cash and cash equivalents at the period -begin	1,986,440,504.29	747,572,445.88	1,798,742,365.37	579,447,940.41
VI. Balance of cash and cash equivalents at the period -end	1,479,457,104.15	503,480,177.19	1,062,368,214.04	373,124,414.96

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

**(V) Consolidated Statement on Changes of Owners' Equity**

Prepared by Hefei Meiling Co., Ltd.

June 30, 2011

Unit: RMB

Items	Amount in this period							
	Owners' equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit		
I. Balance at the end of the last year	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
Add: Changes of accounting policy								-
Error correction of the last period								-
II. Balance at the beginning of this year	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
III. Increase/ Decrease in this year (Decrease is listed with "-" )	-	-	-	-	-	126,157,996.21	33,980,108.01	160,138,104.22
(I) Net profit						126,157,996.21	-4,830,059.56	121,327,936.65
(II) Other consolidated income	-	-	-	-	-	-	-	-
Subtotal of (I) and (II)	-	-	-	-	-	126,157,996.21	-4,830,059.56	121,327,936.65
(III) Owners' devoted and decreased capital	-	-	-	-	-	-	38,810,167.57	38,810,167.57
1. Owners' devoted capital(Meiling's							38,810,167.57	38,810,167.57

house property)								
2. Amount calculated into owners' equity paid in shares								-
3. Others								-
(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								-
IV. Balance at the end of this year	530,374,449.00	1,610,571,447.17	-	279,597,693.51	-	422,908,778.29	62,875,995.30	2,906,328,363.27

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

**(VI) Consolidated Statement on Changes of Owners' Equity (Con't)**

Prepared by Hefei Meiling Co., Ltd.

June 30, 2011

Unit: RMB

Items	Amount in last year							
	Owners' equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit		
I. Balance at the end of the last year	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
Add: Changes of accounting policy								-
Error correction of the last period								-
II. Balance at the beginning of this year	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
III. Increase/ Decrease in this year (Decrease is listed with"-")	-	-	-	-	-	126,157,996.21	33,980,108.01	160,138,104.22
(I) Net profit						126,157,996.21	-4,830,059.56	121,327,936.65
(II) Other consolidated income	-	-	-	-	-	-	-	-
Subtotal of (I) and (II)	-	-	-	-	-	126,157,996.21	-4,830,059.56	121,327,936.65
(III) Owners' devoted and decreased capital	-	-	-	-	-	-	38,810,167.57	38,810,167.57
1. Owners' devoted capital(Meiling's house property)							38,810,167.57	38,810,167.57
2. Amount calculated into owners' equity								-

paid in shares									
3. Others									-
(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									-
IV. Balance at the end of this year	530,374,449.00	1,610,571,447.17	-	279,597,693.51	-	422,908,778.29	62,875,995.30	2,906,328,363.27	

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

**(VII) Statement on Changes of Owners' Equity of Parent Company**

Prepared by Hefei Meiling Co., Ltd.

30 June 2011

Unit: RMB

Items	Amount in this year						
	Owners' equity attributable to the parent company						Total owners' equity
	Share capital	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	
I. Balance at the end of the last year	530,374,449.00	1,625,421,425.24	-	279,379,527.83	-	293,529,748.86	2,728,705,150.93
Add: Changes of accounting policy							-
Error correction of the last period							-
Others							
II. Balance at the beginning of this year	530,374,449.00	1,625,421,425.24	-	279,379,527.83	-	293,529,748.86	2,728,705,150.93
III. Increase/ Decrease in this year (Decrease is listed with "-" )	-	-	-	-	-	126,786,138.15	126,786,138.15
(I) Net profit				-	-	126,786,138.15	126,786,138.15
(II) Other consolidated income	-	-	-	-	-	-	-
Total of (I) and (II)	-	-	-	-	-	126,786,138.15	126,786,138.15
(III) Owners' devoted and decreased capital	-	-	-	-	-	-	-
1. Owners' devoted capital							-
2. Amount calculated into owners' equity paid in shares							-
3. Others							-
(IV) Profit distribution	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves				-			-
2. Withdrawal of general risk provisions					-		-
3. Distribution for shareholders							-
4. Others				-			-
(V) Carrying forward internal owners' equity	-	-	-	-	-	-	-

1.Capital reserves conversed to capital (share capital)							-
2. Surplus reserves conversed to capital (share capital)							-
3.Remedying loss with profit surplus							-
4.Others							-
IV. Balance at the end of this year	530,374,449.00	1,625,421,425.24	-	279,379,527.83	-	420,315,887.01	2,855,491,289.08

Legal representative: Zhao Yong

Person in Charge of Accounting Works: Yu Wanchun

Person in Charge of Accounting Institution: Liu Bimin

### (VIII) Statement on Changes of Owners' Equity of Parent Company(Con't)

Prepared by Hefei Meiling Co., Ltd.

30 June 2011

Unit: RMB

Items	Amount in last year						
	Owners' equity attributable to the parent company						Total owners' equity
	Share capital	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	
I. Balance at the end of the last year	413,642,949.00	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
Total 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' 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							-
(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 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							-
IV. Balance at the end of this year	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 Institution: Liu Bimin

## 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 12<sup>th</sup> 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30<sup>th</sup> 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. 18<sup>th</sup>, 1993 in Shenzhen Stock Exchange. On August 13<sup>th</sup>, 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 28<sup>th</sup>, 1996.

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

On July 31, 2007, State-owned Assets Supervision & Administration Commission of Anhui Provincial Government replied with Document Wan Guozi Chanquan Han No.309 in 2007 Reply on Related Matters of Share Merger Reform of Meiling Co., Ltd., agreed the Company’s ownership split reform plan. After ownership split reform completed, the total shares are still 413,642,949, including: 38,135,951 shares held by Sichuan Changhong, a 9.22% of total shares; 34,359,384 state shares held by original Meiling Group, a 8.31% of total shares; 32,078,846 state-owned legal person’s shares held by Changhong Group, a 7.76% of total shares; agreed that original 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 original 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	Proportion %	Shares	Proportion %	
1. Non-tradable shares	149,012,606	36.02	126,283,055	30.53	Conditional tradable shares
(1) Sichuan Changhong Electric Co., Ltd.	45,000,000	10.88	38,135,951	9.22	State shares
(2) 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-share
(2) Domestically listed Foreign shares	113,100,000	27.34	113,100,000	27.34	B-share
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 original 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	Propor	Shares	Propo	Shares	Prop

		tion (%)		rtion (%)		ortio n (%)
Sichuan Changhong Electric Co., Ltd.	38,135,951	9.22	38,135,951	9.22	-	-
Heifei Meiling (Group) Holding Co., Ltd.	34,359,384	8.31	30,999,055	7.49	-3,360,329.00	-0.81%
Sichuan Changhong Electric Group Co., Ltd.	32,078,846	7.76	32,078,846	7.76	-	-
Other corporate	21,708,874	5.25	25,069,203	6.06	3,360,329.00	0.81%
Total of restricted circulating	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 (“Xingtai Holding Company”) without payment. On June 2, 2008, original Meiling Group Company and Xingtai Holding Company signed Agreement on Equity Transfer Without Payment, in which Meiling Group Company agreed to transfer its holding 30,999,100 state-owned shares (accounting for 7.49% in total shares) to Xingtai Holding Company without payment; in the Share Merger Reform Scheme of the Company, the equities, which were formed from the share merger reform consideration paid by Meiling Group Company for other non-tradable shareholders, were also undertaken by Xingtai Holding Company. For the aforesaid event, State-owned Assets Supervision and Administration Commission of the State Council approved on August 7, 2008 with Reply to Related Matters on Transfer Shares Held by Part of State-owned Shareholders of Hefei Meiling Co., Ltd. Without Payment [GZCQuan(2007)No. 752].

The aforementioned transferred shares have been accomplished the procedure of transferring ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On Oct. 28, 2008, 12,543,559 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)	Proporti on in total shares (%)	Types	Amount (share)	Proporti on 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

Before release			After release		
Types	Amount (share)	Proportion in total shares (%)	Types	Amount (share)	Proportion in total shares (%)
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	-	-
II. Tradable shares with unconditional subscription	287,292,639	69.45	II. Tradable shares with unconditional subscription	299,836,198	72.48
A Public share	174,192,639	42.11	A Public share	186,736,198	45.14
B share	113,100,000	27.34	B share	113,100,000	27.34
H share and others	-	-	H share and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

On Oct. 29, 2008, Changhong Group signed *Agreement on Equity Transfer of Hefei Meiling Co., Ltd* with Sichuan Changhong, in which 32,078,846 tradable A-shares with condition subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On Dec. 23, 2008, for the aforesaid event, State-owned Assets Supervision and Administration Commission of the State Council approved with Reply to Related Matters on Transfer Shares Held by State-owned Shareholders of Hefei Meiling Co., Ltd. [GZCQuan (2008) No. 1413]. The aforesaid equity transfer have been accomplished the procedure of transferring the ownership in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on January 21, 2009.

In 2008, Sichuan Changhong held 4,277,155 additional circulating A-share of the Company in aggregate through the trading system of Shenzhen Stock Exchange, and 5,888,405 additional B-share of the Company in aggregate through its whole-owned subsidiary Changhong (Hong Kong) Trade Co., Ltd.(hereinafter referred to as Hong Kong

Changhong); during 2009, it held 6,287,486 additional B-share of the Company in aggregate through Hong Kong Changhong. As at 31 December 2009, Sichuan Changhong and Hong Kong Chang (person under the concert) totally held 91,642,767 shares of the Company, representing 22.06% of the total share capital, among which, Sichuan Changhong directly held 74,491,952 A-share of the Company and Hong Kong Changhong held 17,150,815 circulating B-share of the Company, representing 18.01% and 4.15% of the total share capital respectively.

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

Before release			After release		
Types	Amount of shares	Proportion in total shares (%)	Types	Amount of shares	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
State-owned shares	-	-	State-owned shares	-	-
State-owned legal person shares	104,461,498	25.25	State-owned legal person shares	30,387,478	7.35
Public legal person's shares	9,277,998	2.24	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	-	-
II. Total of un-restricted tradable shares	299,836,198	72.48	II. Total of un-restricted tradable shares	373,910,218	90.39
A Public share	186,736,198	45.14	A Public share	260,810,218	63.05
B-share	113,100,000	27.34	B-share	113,100,000	27.34
H share and others	-	-	H share and others	-	-
III. Total of shares	413,642,949	100.00	III. Total of shares	413,642,949	100.00

On 29 January 2010, 9 restricted circulating shareholders, including Hefei Machine Mould Factory, entrusted the Board of the Company to apply for repayment of consideration paid in advance from Shenzhen Stock Exchange and China Securities Depository & Clearing Corp.

Ltd. Shenzhen Branch. After payment of compensation, the shares without trade condition are as follow:

No.	Name of repayment party	tradable restricted shares held at implementation date of share merger reform		Payment of advancement shares	Released shares	
		Total shares (share)	Proportion of total share capital (%)		Total shares (share)	Proportion of total share capital (%)
1	Hefei Machinery Mould Plant	170,775	0.04	26,049	144,726	0.04
2	Taizhou Shuangling Air Conditioner Pipe Manufacture	85,387	0.02	13,024	72,363	0.02
3	Anhui Children and Teenagers' Fund	85,387	0.02	13,024	72,363	0.02
4	Cixi Xianglong Mould Plastic Co., Ltd.	512,325	0.12	78,147	434,178	0.11
5	Shanghai Shenwan Commerce Consultant Co., Ltd.	170,775	0.04	26,049	144,726	0.04
6	Yuyao Electricial Apparatus Key Plant	509,220	0.12	77,674	431,546	0.10
7	Zhao Fugen	128,081	0.03	19,537	108,544	0.03
8	China Xinda Assets Management Company	1,536,975	0.37	234,442	1,302,533	0.31
9	Ningguo City Rural Credit Union	85,387	0.02	13,024	72,363	0.02
Total		3,284,312	0.79	500,970	2,783,342	0.67

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

Before release	After release
----------------	---------------

Type of share	Amount of shares	Proportion (%)	Type of share	Amount of shares	Proportion (%)
I. Total restricted tradable shares	39,732,731	9.61	I. Total restricted tradable shares	36,949,389	8.93
State-owned shares	-	-	State-owned shares	-	-
State-owned legal person shares	30,654,006	7.41	State-owned legal person 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 shares	67,255	0.02	Senior executives shares	67,255	0.02
Other domestically nature person shares	108,544	0.03	Other domestically nature person shares	-	-
II. Total un-restricted tradable shares	373,910,218	90.39	II. Total un-restricted tradable shares	376,693,560	91.07
A Public share	260,810,218	63.05	A Public share	263,593,560	63.73
B-share	113,100,000	27.34	B-share	113,100,000	27.34
H share and others	-	-	H share and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

The fourth batch of the restricted shares of the Company amount to 29,127,572 shares were released on 15 December 2010. Share structure after releasing were as follows:

Before release			After release		
Type of share	Amount of shares	Proportion (%)	Type of share	Amount of shares	Proportion (%)
I. Total restricted tradable shares	36,949,389	8.93	I. Total restricted tradable shares	7,821,817	1.89
State-owned shares	-	-	State-owned shares	-	-



Before release			After release		
Type of share	Amount of shares	Proportion (%)	Type of share	Amount of shares	Proportion (%)
State-owned legal person shares	29,351,473	7.09	State-owned legal person 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
Other	-	-	Other	-	-
II. Total un-restricted tradable shares	376,693,560	91.07	II. Total un-restricted tradable shares	405,821,132	98.11
A Public share	263,593,560	63.73	A Public share	292,721,132	70.77
B-share	113,100,000	27.34	B-share	113,100,000	27.34
H share and others	-	-	H share and others	-	-
III. Total shares	413,642,949	100.00	III. Total shares	413,642,949	100.00

Pursuit to the approval from the 32<sup>nd</sup> Meeting of 6<sup>th</sup> Board held on April 19, 2010, the 2<sup>nd</sup> 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	36 months
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	Founder 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	7,253,592	1.75	85,074,592	16.04
Domestic natural person's	-	-	-	-
4. Foreign shares	-	-	-	-
Including: Foreign legal	-	-	-	-
Foreign natural person's	-	-	-	-
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	113,100,000	27.34	113,100,000	21.33
3. Overseas listed foreign	-	-	-	-
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.

Till end of 30 June 2011, he share structure of the Compny as follow:

Type of stock	Before change		After change	
	Quantity	Proportion(%)	Quantity	Proportion(%)
I. Restricted shares	124,553,317	23.48	124,575,736	23.49

1. State-owned shares	-	-	-	-
2. State-owned legal person's	67,461,338	12.72	67,461,338	12.72
3. Other domestic shares	57,024,724	10.75	57,024,724	10.75
Including: Domestic	57,024,724	10.75	56,939,337	10.73
Domestic natural person's	-	-	85,387	0.02
4. Foreign shares	-	-	-	-
Including: Foreign legal	-	-	-	-
Foreign natural person's	-	-	-	-
5. Senior executives' shares	67,255	0.01	89,674	0.02
II. Unrestricted shares	405,821,132	76.52	405,798,713	76.51
1. RMB Ordinary shares	292,721,132	55.19	292,698,713	55.19
2. Domestically listed foreign	113,100,000	21.33	113,100,000	21.32
3. Overseas listed foreign	-	-	-	-
4. Others	-	-	-	-
III. Total shares	530,374,449	100.00	530,374,449	100.00

In report period, 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 belongs to 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

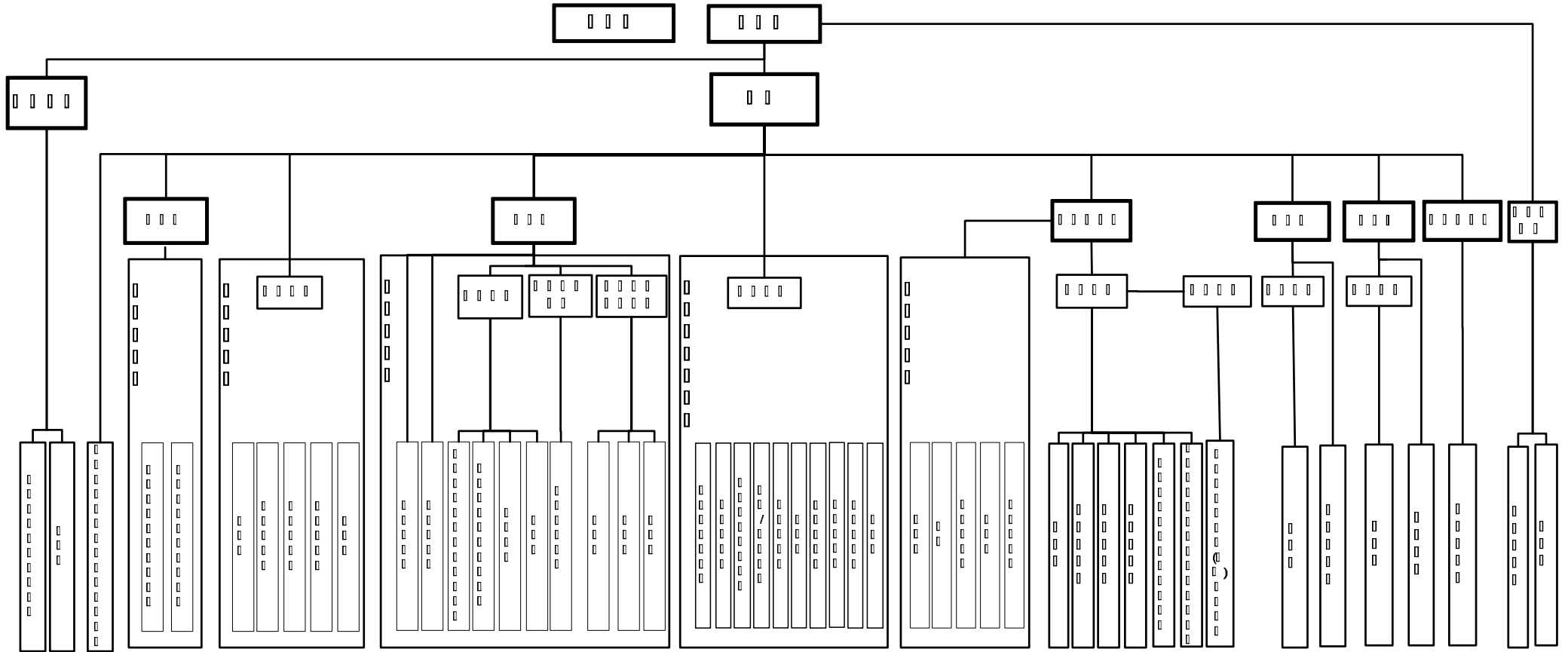
Parent Company of the Company is Sichuan Changhong Electric Co., Ltd., ended June 30, 2011, Sichuan Changhong and its accord actionist totally held 24.62% shares of the Company and is the first largest shareholder; Changhong Group held 1,061,720,526 shares of Sichuan Changhong accounting for 29.83% and 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, Academe, Technology Center, HR Department, Financial Management Department, air conditioner division, ice cuber division, refrigerator division, domestic marketing division and overseas division 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
Combination 2	Account receivable of the reserve loans of employee, investment loans and
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 1 year (1 year included)	5	5
1-2 years	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 soley 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		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	30-40 years	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 reliably measured.

Expenditure arising during development not satisfying the above conditions shall be recorded in current gains and losses upon occurrence. 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 uncertain 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, refrigerator and freezer, 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 surcharge	Turnover tax	2%
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 2<sup>nd</sup> 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 1<sup>st</sup> 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%. The Company's controlling subsidiary Sichuan Changhong Air Conditioner Co., Ltd. was recognized as one the 2<sup>nd</sup> batch of high-tech enterprises of Sichuan Province in 2010, and was granted the *Certificate of High-tech Enterprise* (certificate No.: GR201051000154 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	registrati on place	Bu siness nature	Registered capital (RMB'0000)	Business scope	Investment amount at year-end (RMB'0000)	Balance of other items materially forming net investment to subsidiary	Holdin g propor tion (%)	Voting right proporti on (%)	State ments combi ned 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
<b>Subsidiaries established through direct investment</b>													
Zhongke Meiling Cryogenics Co., Ltd. (1)	Limite Compa ny	Hefei	Manufa cturing 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	18,919,949.93	-	-
Jiangxi Meiling Refrigeration Co., Ltd. (2)	Limite Compa ny	Jingde Town	Manufa cturing 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	99,532.40	-	-
Mianyang Meiling Refrigeration Co., Ltd. (3)	Other limited liability	Mianyang	Manufa cturing and sales	10,000.00	R&D, manufacturing and sales of refrigeration appliances, electronic products and fittings	9,500.00	-	95.00	98.50	Yes	-110,756.09	-	-
Hefei Meiling Electric Marketing Co., Ltd. (4)	Limite Compa ny	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	-	99.8182	99.997273	Yes	43,967,286.16	-	-
Jiangxi Meiling Electric Limited Liability Co., (5)	limited liability	Jingde Town	Manufa cturing and sales	5000.00	R&D, manufacture and sales of refrigerator and its assessor	1,000.00	-	98.75	99.98125	Yes	-17.10	-	-
<b>Subsidiaries obtained through business combination under the same control</b>													

Sichuan Changhong Air-conditioners Co., Ltd. (6)	Limite 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. (7)	Limite 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 (8)	Limite 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 Household Appliance (Hefei) Co., Ltd. (9)	Limite 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; Manufacrues 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. (10)	Limite 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. (11)	Limite 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. (12)	Limite 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. (13)	Limite Company	Hefei	Manufacturing and sales	1,740.00	Manufacture and sales of corrugated board, paper boxes, paper element, EPS, foam package materials and aluminum foil sealing tape	952.00	-	48.28	100.00	Yes	-	-	-



Hefei Meiling Envirommet-friendly Package Materials Co., Ltd. (14)	Limite Compa ny	Hefei	Manufa cturing 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&Commer ce Co., Ltd. (15)	Limite Compa ny	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 (16)	Limite Compa ny	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 aboved 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. On January 19, 2011, the Company increase capital to Mianyang Meiling with RMB 50 million. The real capital receipt has been verified by the Chengdu Branch of ShineWing CPA Co., Ltd. With the verification report of [XYZH/2010CDA6040] . At present, Mianyang Meiling owes its register capital and real capital of 100 million yuan. Among which: RMB 95 million was invested by the Company, a 95% of the register capital; RMB 5 million was invested by Zhongke Meiling, 5 % of the register capital.

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) Jiangxi Meiling Electric Limited Liability Co., (“Jiangxi Meiling Electric”) a company jointly set up by the Company and Mianyang Meiling Company, was founded on May 23, 2011. The company plans with its investment capital of RMB 80 million, RMB79 million was invested by the Company while 1 million yuan was invested by Mianyang Meiling. Register capital of Jiangxi Meiling Electric was amounting to 50 million yuan, among which: 49.375 million yuan was capital from the Company in cash, a 98.75% of the equity proportion for jointly venture; Mianyang Meiling invested 0.625 million yuan, a 1.25% of the equity proportion. The 30 million yuan, which was over the register capital, was reckoned into capital reserve. Pursuit to the regulation of Company Law, the initial investment for all of the shareholders shall not be less than the 20 percent of the register capital. On May 13 of 2011, the initial investment of 10 million yuan was invested by the Company, Mianyang Meiling invested 0.5 million yuan initially on May 12 of 2011. Rest of the capital shall be invested fully within 2 years after the joint ventures established according to capital requirement. The initial investment capital were verified by the [JXKYZi(2011) No. 090] issued from Jingdezhen Xingci CPA Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 360200110004455; Address: South part of Wutong Revenue, High-Tech Industrial Development District, Jingdezhen; Legal Representative: Wang Yong; Business Scope: R&D, manufacturing and sales of refrigerator and its accessories.

(6) Sichuan Changhong Air-conditioners Co., Ltd.(Changhong Air-conditioner for short), a limited liability company jointly set up by Sichuan Changhong and Changhong Chuangtou, 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 Chuangtou 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)

(7) 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

(8) 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.

(9) 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

(10) 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 register 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 Shiqun; 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 limited by the national excluded)

(11) 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

(12) 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

(13) 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. Being approved by 46<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board, while purchase the Meiling Group, the assets and liabilities of Hefei Meiling Packaging Products Co., Ltd., that out of the transfer range was conducting derivative separation—Hefei Xingmei Assets Management Co., Ltd. The register capital of original Meiling Packaging Company reduced to 17.4 million yuan. The changes of registration for industrial and commerce have been done on June 27, 2011.

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

(14) 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)

(15) Hefei Meiling Appliance Indusy&Commerce Co., Ltd. (Appliance Indusy&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)

(16) 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	Holding proportion (%)	Net assets at year-end	Net profit of the year
Subsidiary newly consolidated in this period				
Jiangxi Meiling Electric Limited Liability Co., <sup>Note1</sup>	Newly company set up in the period		10,408,821.97	-91,178.03
Sub-subsidiary newly consolidated in the period				
Nanchang Meiling Apparatus Marketing Co.,Ltd. <sup>Note2</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	3,125,268.15	125,268.15
Jinzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note3</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	60.00%	3,940,423.29	-59,576.71
Liu An Meiling Apparatus Marketing Co.,Ltd <sup>Note4</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	1,005,664.30	-3,994,335.70
Wuhan Meiling Apparatus Marketing Co.,Ltd <sup>Note5</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	91.00%	4,258,047.22	-741,952.78
Shijiazhuang Meiling Apparatus Marketing Co.,Ltd <sup>Note6</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	2,808,838.88	-191,161.12

Zhenzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note7</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	2,789,007.41	-210,992.59
Hefei Meiling White Apparatus Marketing Co.,Ltd <sup>Note8</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	85.00%	5,100,960.26	-899,039.74
Guiyang Meiling Apparatus Marketing Co.,Ltd <sup>Note9</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	26.00%	2,279,878.14	-720,121.86
Fuzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note10</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	99.00%	1,432,353.87	-1,567,646.13
Shenyang Meiling Apparatus Marketing Co.,Ltd <sup>Note11</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	94.80%	2,144,671.53	-855,328.47
Chemhdu Meiling Apparatus Marketing Co.,Ltd <sup>Note12</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	83.40%	3,337,663.66	-1,662,336.34
Mianyang Meiling Apparatus Marketing Co.,Ltd <sup>Note13</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	52.00%	4,972,517.63	-27,482.37
Nanjing Meiling Apparatus Marketing Co.,Ltd <sup>Note14</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	99.00%	1,444,479.27	-1,555,520.73
Changsha Meiling Apparatus Marketing Co.,Ltd <sup>Note15</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	4,262,181.09	-737,818.91
Taiyuan Meiling Apparatus Marketing Co.,Ltd <sup>Note16</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	39.75%	3,212,816.35	-787,183.65
Nantong Meiling Apparatus Marketing Co.,Ltd <sup>Note17</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	58.00%	2,763,276.58	-236,723.42
Urumqi Meiling Apparatus Marketing Co.,Ltd <sup>Note18</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	90.00%	2,671,414.37	-328,585.63
Hanzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note19</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	88.50%	2,226,505.54	-773,494.46
Harbin Meiling Apparatus Marketing Co.,Ltd <sup>Note20</sup>	2 <sup>nd</sup> Joint venture subsidiary	36.00%	2,652,373.22	-347,626.78
Chaohu Meiling Apparatus Marketing Co.,Ltd <sup>Note21</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	50.00%	5,767,185.99	618,850.84
Huhhot Meiling Apparatus Marketing Co.,Ltd <sup>Note22</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	55.00%	2,248,771.37	-751,228.63

Lanzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note23</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	40.55%	3,049,182.97	49,182.97
Neijiang Meiling Apparatus Marketing Co.,Ltd <sup>Note24</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	80.00%	2,997,108.58	-2,891.42
Beijing Meiling Apparatus Marketing Co.,Ltd <sup>Note25</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	99.00%	3,002,726.53	2,726.53
Xi'an Meiling Apparatus Marketing Co.,Ltd <sup>Note26</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	61.00%	3,004,800.53	4,800.53
Chongqing Meiling Apparatus Marketing Co.,Ltd <sup>Note27</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	85.00%	619,699.64	-2,380,300.36
Shanghai Meiling Apparatus Marketing Co.,Ltd <sup>Note28</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	99.00%	1,174,438.59	-1,825,561.41
Tianjin Meiling Apparatus Marketing Co.,Ltd <sup>Note29</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	85.50%	2,942,204.56	-57,795.44
Guangzhou Meiling Apparatus Marketing Co.,Ltd <sup>Note30</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	86.00%	5,006,307.31	6,307.31
Kunming Meiling Apparatus Marketing Co.,Ltd <sup>Note31</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	46.50%	2,610,608.65	-389,391.35
Jinan Meiling Apparatus Marketing Co.,Ltd <sup>Note32</sup>	2 <sup>nd</sup> Joint venture subsidiary newly set-up	36.00%	3,000,000.00	-

Note1: Jiangxi Meiling Electric Limited Liability Co. was established on May 23, 2011 with investment capital of RMB 80 million, register capital of RMB 50 million. Among which, the Company invested RMB49.375 million in cash with 98.75% in total equity of the joint venture; Mianyang Meiling invested RMB 0.625 million in cash with 1.25% in total equity of the joint venture. The exceeding capital from shareholders' investment was reckoned into capital reserve of RMB 30 million.

Note2: Nanchang Meiling Apparatus Marketing Co.,Ltd was established on January 5, 2011 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 private Limited Liability Company; Address for business: No. 192, High-Tech Rd., High-Tec Distric, Nanchang; Legal representative: Zhu Pu; Business scope: whole sales, maintenance and retails of household appliance.

Note3: Jinzhou Meiling Apparatus Marketing Co.,Ltd was established on January 10, 2011 with register capital of RMB 4 million. Among which, Meiling Marketing invested RMB 2.4 million with 60% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Economy 3<sup>rd</sup> Rd. Management Committee Building, Liu An Economy Development Zone District; Legal representative: Cui Lianbin; Business scope: sales and maintainance of the household appliance.

Note4: Liu'an Meiling Apparatus Marketing Co.,Ltd was established on January 10, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 1.8 million with 36% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.302, Yujan Cell, Yujia Team, Jiangdong Village, Zhuhui District, Hengyang City; Legal representative: Zhu Pu; Business scope: sales and maintainance of the household appliance.

Note5: Wuhan Meiling Apparatus Marketing Co.,Ltd was established on January 10, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB4.55 million with 91% in total register capital; nature



of the enterprise was Limited Liability Company; Address for business: 15/F, Taihe Square, No.72, Wusheng Rd., Qiaokou District, Wuhan City; Legal representative: Zhu Pu; Business scope: sales of the cooling appliance, air conditioner, washing machine, electronic products and its accessories and department.

Note6: Shijiazhuang Meiling Apparatus Marketing Co.,Ltd was established on January 14, 2011 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 Limited Liability Company; Address for business: No.669, Chengjiao South Street, Qiaoxi District, Shijiazhuang City; Legal representative: Tang Yiliang; Business scope: sales and maintainance of the household appliance.

Note7: Zhenzhou Meiling Apparatus Marketing Co.,Ltd was established on January 17, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.08 million with 36% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.15, 5/F, No.18, Chengdong Rd. East, Guangcheng District, Zhenzhou City; Legal representative: Guo Gang; Business scope: sales and maintainance of the household appliance.

Note8: Hefei Meiling White Apparatus Marketing Co.,Ltd was established on January 17, 2011 with register capital of RMB 6 million. Among which, Meiling Marketing invested RMB 5.1 million with 85% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: A-201, Huayi Science Zone, High-Tech Distric, Hefei City; Legal representative: Qin Tangzong; Business scope: sales and maintainance of the household appliance.

Note9: Guiyang Meiling Apparatus Marketing Co.,Ltd was established on January 24, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 0.78 million with 26% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No. 16-3, Pubu Mansion, No.19, Yan'an Xi Rd., Yunyan District, Guiyang City; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note10: Fuzhou Meiling Apparatus Marketing Co.,Ltd was established on January 25, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.97 million with 99% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 05 of 22/F, Jin'an Mansion, Jinyuan Garden, No.328, Liuyi North Rd., Ji'an District, Fuzhou City; Legal representative: Zhu Pu; Business scope: sales and maintainance of the household appliance.

Note11: Shenyang Meiling Apparatus Marketing Co.,Ltd was established on January 26, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.844 million with 94.8% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.30, Renao Rd., Shenhe District, Shenyang City; Legal representative: Tang Yiliang; Business scope: sales and maintainance of the household appliance.

Note12: Chengdu Meiling Apparatus Marketing Co.,Ltd was established on January 26, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 4.17 million with 83.4% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.22, Shuangfengxi Rd., Wuhou District, Chengdu City; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note13: Mianyang Meiling Apparatus Marketing Co.,Ltd was established on January 27, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 2.6 million with 52% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Commercial Square, Mianyang Gaoxin District; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note14: Nanjing Meiling Apparatus Marketing Co.,Ltd was established on February 14, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.97 million with 99% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 14/F, Dongheng International Commercial Building, No.288, Zhongshan South Rd., Baixia District, Nanjing City; Legal representative: Qin Tangzong; Business scope: sales and maintainance of the household appliance.

Note15: Changsha Meiling Apparatus Marketing Co.,Ltd was established on January 26, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 1.8 million with 36% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Room 301, Oriental Ginza, No.348,

Yuandayi Rd., Fu Rong District, Changsha City; Legal representative: Zhu Pu; Business scope: sales and maintainance of the household appliance.

Note16: Taiyuan Meiling Apparatus Marketing Co.,Ltd was established on January 18, 2011 with register capital of RMB 4 million. Among which, Meiling Marketing invested RMB 1.59 million with 39.75% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 6/F, Hangyuan Mansion, Qinxian North Street, Xiao Dian District, Taiyuan City; Legal representative: Tang Yiliang; Business scope: sales and maintainance of the household appliance.

Note17: Nantong Meiling Apparatus Marketing Co.,Ltd was established on March 8, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.74 million with 58% in total register capital; nature of the enterprise was Limited Company; Address for business: Room 2207, 1<sup>st</sup> Building, Wangfu Mansion, No.6, Renmin East Rd., Nantong City; Legal representative: Zhou Wenhui; Business scope: sales and maintainance of the household appliance.

Note18: Urumqi Meiling Apparatus Marketing Co.,Ltd was established on March 4, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.7 million with 90% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Room 505, Ginza Center, No.196, Tianjin South Rd., Urumqi City; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note19: Hanzhou Meiling Apparatus Marketing Co.,Ltd was established on Febuary 17, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.655 million with 88.5% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Room 609, 1<sup>st</sup> Building, Nanbei Commercial Lane., Gong Su District; Legal representative: Zhou Wenhui; Business scope: sales and maintainance of the household appliance.

Note20: Harbin Meiling Apparatus Marketing Co.,Ltd was established on April 6, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.08 million with 36% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.4, Hengshan Rd., Nangang Jizhong District, Economy Development Zone, Harbin City; Legal representative: Tang Yiliang; Business scope: sales and maintainance of the household appliance.

Note21: Chaohu Meiling Apparatus Marketing Co.,Ltd was established on Dec. 1, 2009 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 2.5 million with 50% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.107, No.56 Building, Lijing International Cell, Jiangkang West Rd., Chaohu City; Legal representative: Cui Lianbin; Business scope: sales and maintainance of the household appliance.

Note22: Huhhot Meiling Apparatus Marketing Co.,Ltd was established on Feb. 21, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.65 million with 55% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.518, 4/F, Jiangjun Gardent Comprehensive Building, No.139, Dongku St., Xin Cheng District, Huhhot City; Legal representative: Tang Yiliang; Business scope: sales and maintainance of the household appliance.

Note23: Lanzhou Meiling Apparatus Marketing Co.,Ltd was established on March 25, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.215 million with 40.55% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.134, Jiayuguan West Rd., Cheng Guan District, Lanzhou City; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note24: Neijiang Meiling Apparatus Marketing Co.,Ltd was established on March 8, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.4 million with 80% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Middle layer, No.386, Yuxi Rd., Zhongxin District, Neijiang City; Legal representative: Fang Rongxin; Business scope: sales and maintainance of the household appliance.

Note25: Beijing Meiling Apparatus Marketing Co.,Ltd was established on March 28, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.97 million with 99% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Middle layer, No.23, Xinhua West St., Majuqiao Town, Tongzhou District, Beijing City; Legal representative: Qin Tangzong; Business scope: sales and

maintenance of the household appliance.

Note26: Xi'an Meiling Apparatus Marketing Co.,Ltd was established on April 13, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.83 million with 61% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.10715, Unit one, 12# Building, Xinxing Junjing Garden, No.369, Jinghua Rd., Xincheng District, Xi'an City; Legal representative: Fang Rongxin; Business scope: sales and maintenance of the household appliance.

Note27: Chongqing Meiling Apparatus Marketing Co.,Ltd was established on March 1, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.55 million with 85% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No.105, 106 and 111, Dayang Gongqiao, Shapingba District, Chongqing City; Legal representative: Fang Rongxin; Business scope: sales and maintenance of the household appliance.

Note28: Shanghai Meiling Apparatus Marketing Co.,Ltd was established on March 9, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.97 million with 99% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: Room 201-9, No.15 A, 152 Lane, Yangchang Rd.; Legal representative:; Business scope: sales and maintenance of the household appliance.

Note29: Tianjing Meiling Apparatus Marketing Co.,Ltd was established on March 2, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 2.565 million with 85.5% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 3001-96, Economy Development Center, No. 9, Junling Rd., Electronic Industry Zone, Beizakou, Jinnan District; Legal representative: Tang Yiliang; Business scope: sales and maintenance of the household appliance.

Note30: Guangzhou Meiling Apparatus Marketing Co.,Ltd was established on May 13, 2011 with register capital of RMB 5 million. Among which, Meiling Marketing invested RMB 4.3 million with 86% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 2/F, No. 98, Tangxin St., Dongheng Rd., Baiyun District, Guangzhou City; Legal representative: Zhu Pu; Business scope: whole sales and maintenance of the household appliance.

Note31: Kunming Meiling Apparatus Marketing Co.,Ltd was established on Feb. 28, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.395 million with 46.5% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: 6/F, No. 13, Longquan Rd., Kunming City; Legal representative: Fang Rongxin; Business scope: sales and maintenance of the household appliance.

Note32: Jinan Meiling Apparatus Marketing Co.,Ltd was established on June 3, 2011 with register capital of RMB 3 million. Among which, Meiling Marketing invested RMB 1.08 million with 36% in total register capital; nature of the enterprise was Limited Liability Company; Address for business: No. 249, Huangqiao Industrial Zone, Donglihe West Rd., Tianqiao District, Jinan City; Legal representative: Qin Tangzong; Business scope: sales and maintenance of the household appliance.

2. The companies deconsolidated in this period: Nil

(IV) Business combination during the period

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

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

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, 2011; "period-end" refers to June 30, 2011; "the period" refers to Jan. 1 to June 30, 2011; "same period of last year" refers to Jan. 1 to June. 30, 2010; the currency is RMB.

#### 1.Monetary fund

Item	Amount at period-end	Amount at year-beginning
------	----------------------	--------------------------

	Original currency	Exchange rate	RMB converted	Original currency	Excha nge rate	RMB converted
Cash holdings			1,836,692.45			315,125.48
RMB	1,836,692.45		1,836,692.45	315,125.48		315,125.48
Bank deposit			1,124,042,167.14			1,711,459,024.44
RMB	1,103,093,33 1.94		1,103,093,331.94	1,681,969,769.91		1,681,969,769.91
USD	2,869,189.78	6.4716	18,568,248.59	4,252,397.72	6.622	28,162,354.38
EUR	217,805.26	9.3612	2,038,918.60	136,031.58	8.806	1,197,962.10
AUD	50,095.01	6.8204	341,668.01	-	-	-
JPY	-	-	-	20.00	0.081	1.63
HKD	-	-	-	151,524.12	0.850	128,936.42
Other monetary fund			353,578,244.56			274,666,354.37
RMB	330,764,959.		330,764,959.44	252,374,879.88		252,374,879.88
USD	3,077,261.70	6.4716	19,914,806.83	3,261,604.39	6.622	21,600,627.38
EUR	309,626.79	9.3612	2,898,478.29	78,447.41	8.806	690,847.11
<b>Total</b>	-	-	<b>1,479,457,104.15</b>	-	-	<b>1,986,440,504.29</b>

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.

## 2. Notes receivable

### (1) Category of notes receivable

Category	Amount at period-end	Amount at year-beginning
Bank acceptance notes	2,367,312,801.73	1,194,506,906.44
Commercial acceptance notes	443,500.00	-
<b>Total</b>	<b>2,367,756,301.73</b>	<b>1,194,506,906.44</b>

Notes receivable increased 98.22% to RMB 1,173,249,395.29 at year-end as compared to year-beginning, primarily due to the enlargement of sales and the sales of the pay-back notes increased.

### (2) Notes receivable mortgaged (Top 5) by end of the period amounting to RMB71,606,963.44, details as:

Category	Issuing company	Issuing	Maturity	Amount
Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-3-25	2011-9-25	24,852,303.70
Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-5-23	2011-11-23	14,539,522.67
Bank acceptance	Jiangsu Five Star Appliance Co., Ltd.	2011-5-16	2011-11-16	12,215,137.07
Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-5-27	2011-11-27	10,000,000.00

Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-5-27	2011-11-27	10,000,000.00
<b>Total</b>				<b>71,606,963.44</b>

(3) Notes endorsed to others but not yet due at the end of the period amounting to RMB 69,286,282.04, details for large amount as:

Category	Issuing company	Issuin	Maturit	Amount	Note Serials
Bank acceptance	Shanghai Suning Appliance Co., Ltd.	2011-5-13	2011-11-13	13,671,838.89	20252909
Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-6-16	2011-12-16	10,000,000.00	20557501
Bank acceptance	Nanjing Purchase Center of Suning Appliance Co., Ltd.	2011-4-25	2011-10-25	3,343,567.39	425001549330
Bank acceptance	Foreign Economy & Trade Yingfeng Co., Ltd. Of Huaihua City	2011-3-24	2011-9-24	2,120,000.00	324001390070
Bank acceptance	Xinqinai Materials Co., Ltd. Of Yichuan County	2011-1-25	2011-7-24	2,000,000.00	GB0103915165
Bank acceptance	Yongqian Textile Dyeing Co., Ltd. Of Wujiang City	2011-1-6	2011-7-6	2,000,000.00	CA0103074263
Bank acceptance	Xinyang Midea Cooling Products Sales Co., Ltd.	2011-1-7	2011-7-7	2,000,000.00	13054910300232 01101070010110 85
Bank acceptance	Hongcheng Tongyong Machanic Holding Co., Ltd. Of Hubei	2011-1-18	2011-7-18	1,000,000.00	GA/0101522916
<b>Total</b>				<b>36,135,406.28</b>	

### 3. Accounts receivable

(1) Accounts receivable classify by account age

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	841,218,483.47	98.371	36,121,484.57	83.68	381,516,498.19	96.64	17,089,751.23	76.99
1-2	7,680,055.52	0.546	1,098,498.21	2.54	6,815,713.12	1.73	861,812.90	3.88
2-3	3,612,953.94	0.421	2,206,430.45	5.11	2,425,433.81	0.61	2,109,034.22	9.50
3-4	2,611,896.52	0.304	1,080,525.13	2.50	3,336,760.22	0.85	2,078,759.50	9.37
4-5	3,033,433.07	0.353	2,629,985.66	6.09	21,703.00	0.01	21,703.00	0.10
Over 5 years	28,761.45	0.003	28,761.45	0.07	642,946.08	0.16	34,983.45	0.16

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
<b>Total</b>	<b>858,185,583.97</b>	<b>100.00</b>	<b>43,165,685.47</b>	<b>100.00</b>	<b>394,759,054.42</b>	<b>100.00</b>	<b>22,196,044.30</b>	<b>100.00</b>
<b>Net value</b>	<b>815,019,898.50</b>				<b>372,563,010.12</b>			

Account receivable at period-end increase 442,456,888.38 yuan over that of year-begging with 118.76% up mainly due to the enlargement of sales scale and the unearned account receivable increased.

(2) Disclosure of accounts receivable by category

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Significant account receivable and withdrawal bad debt provision singly	-	-	-	-	-	-	-	-

Account receivable withdrawal bad debt provision by combination

Account contact except with related parties	730,974,840.17	85.18	40,700,663.96	5.57	350,825,120.23	88.87	19,663,114.97	5.60
Account contact with related parties	124,745,722.29	14.54	-	-	41,401,004.86	10.49	-	-
Subtotal of combination	855,720,562.46	99.71	40,700,663.96	4.76	392,226,125.09	99.36	19,663,114.97	5.01
Account receivable with single minor amount but withdrawal bad debt provision singly	2,465,021.51	0.29	2,465,021.51	100.00	2,532,929.33	0.64	2,532,929.33	100.00
<b>Total</b>	<b>858,185,583.97</b>	<b>100.00</b>	<b>43,165,685.47</b>	<b>5.03</b>	<b>394,759,054.42</b>	<b>100.00</b>	<b>22,196,044.30</b>	<b>5.62</b>
<b>Net value</b>	<b>815,019,898.50</b>				<b>372,563,010.12</b>			

(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 period-end			Amount at year-beginning		
	Amount	Proportion(%)	bad debt provision	Amount	Proportion(%)	bad debt provision

With 1 year	717,951,047.36	5	35,891,641.47	341,795,024.33	5	17,089,751.23
1-2 years	7,323,321.40	15	1,098,498.21	5,745,419.25	15	861,812.89
2-3 years	1,167,850.29	35	408,747.60	484,807.82	35	169,682.74
3-4 years	1,838,660.07	55	1,011,263.04	2,795,557.15	55	1,537,556.43
4-5 years	2,689,649.37	85	2,286,201.96	-	85	-
Over 5 years	4,311.68	100	4,311.68	4,311.68	100	4,311.68
<b>Total</b>	<b>730,974,840.17</b>		<b>40,700,663.96</b>	<b>350,825,120.23</b>		<b>19,663,114.97</b>
<b>Net value</b>			<b>690,274,176.21</b>			<b>331,162,005.26</b>

## (5) Account connect with related parties in combination:

Combination	Book balance	Provision proportion(%)	Bad debt provision
Account connect with related parties	82,168,897.10	-	-
Letter of Credit	34,252,160.63	-	-
Account receivable insured	2,417,784.56	-	-
Other	5,906,880.00	-	-
<b>Total</b>	<b>124,745,722.29</b>		

## (6) Account receivable with single minor amount but withdrawal bad debt provision singly at period-end

Details of account receivable	Book balance	Bad debt provision	Provision proportion(%)	Reasons
Nanjing Central Emporium Co., Ltd.	512,925.85	512,925.85	100%	Cease business contact for 2 to 3 years; predicted un-receivable for failure urging
Taizhou Luqiao Branch of Zhejiang Yongle Appliance Co., Ltd.	95,090.82	95,090.82	100%	
Gaomi Sanhe Household Appliance Marketing Co., Ltd.	610,458.57	610,458.57	100%	
Cifeng Baixin Appliance Limited Liability Company	271,114.97	271,114.97	100%	
Yanji Branch of Jilin Gome Appliance Co., Ltd.	161,112.50	161,112.50	100%	

Helong Bajiazi Zhaolin Appliance	2,231.60	2,231.60	100%	
Yichun Jixing Household Appliance City	218,509.36	218,509.36	100%	
Shandong Wendeng Department Genral Co.,	129,051.14	129,051.14	100%	
Shanxi Yongle·Dazhong Life Appliance Co., Ltd.	94,067.09	94,067.09	100%	
Jiangsu ZHenjiang Gome Appliance Co., Ltd.	176,425.61	176,425.61	100%	
Appliacne Market of Jilin Gome Appliance,Wulan Street	90,071.23	90,071.23	100%	
Liuzhou Minyu Hardware Appliance Marketing Division	51,588.00	51,588.00	100%	
Hongtaiyang Appliance Market of Longsha District,Qiqihar City	1,470.00	1,470.00	100%	
Jianhua Suning Appliance Co, Ltd.	7,122.00	7,122.00	100%	
Jiangxi Hongtai Household Appliance Industrial& Trade Co., Ltd.	2,698.00	2,698.00	100%	
Tongliao Wantong Appliance Commercial&Trade Co., Ltd.	10,413.00	10,413.00	100%	
Hefei Greatwall Cooling Technology Co., Ltd.	24,449.77	24,449.77	100%	
Linlong Sanitary Products Co., Ltd.	6,222.00	6,222.00	100%	
<b>Total</b>	<b>2,465,021.51</b>	<b>2,465,021.51</b>		

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

Details of account receivable	Amount at year-begging	Reversal amount	Amount at period-end	Reversal reason
Exchange of the user receiver in Weifang division	40.00	40.00	0.00	Loans recoverd
Yanji Branch of Jilin Gome Electric Co., Ltd.	228,980.32	67,867.82	161,112.50	Returned goods and reimbursement



<b>Total</b>	<b>229,020.32</b>	<b>67,907.82</b>	<b>161,112.50</b>	
--------------	-------------------	------------------	-------------------	--

(8) Previous year's account receivable received in the period which have been verified: Nil

(9) Account receivable verified in the period: Nil

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

Company	Amount at period-end		Amount at year-beginning	
	Arrears	Bad debt provision	Arrears	Bad debt provision
Sichuan Changhong Electric Co., Ltd.	-	-	417,189.59	-

(11) Particular about Top five accounts receivable

Company	Relationship with the Company	Amount	Age	Percentage in total accounts receivable
Nanjing Purchase center of Suning Appliance Co., Ltd.	Non-related party	246,166,538.24	Within one year	28.68%
Chengdu Gome Electrical Appliance Co., Ltd.	Non-related party	32,853,025.54	Within one year	3.83%
SISTEMAS PRIME DE MEXICO	Non-related party	23,572,509.61	Within one year	2.75%
Jiangsu Five Star Apparatus Co., Ltd.	Non-related party	23,064,303.59	Within one year	2.69%
Electrolux Major Appliances Europe	Non-related party	16,601,673.92	Within one year	1.93%
<b>Total</b>		<b>342,258,050.90</b>		<b>39.88%</b>

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

(13) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at period-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	30,232,295.52	6.4716	195,651,323.69	7,846,228.46	6.6227	51,963,217.22
EUR	595,891.78	9.3612	5,578,262.13	29,025.24	8.8065	255,610.78
AUD	877,208.35	6.8204	5,982,911.83	851,315.96	6.7139	5,715,650.22
<b>Total</b>			<b>207,212,497.65</b>			<b>57,934,478.22</b>

(14) No derecognition account receivable.

#### 4.Accounts paid in advance

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

Item	Amount at period-end		Amount at year-beginning	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	151,225,373.57	91.15	182,900,811.86	97.79

1-2 years	10,780,964.00	6.50	327,345.28	0.18
2-3 years	443,961.47	0.27	76,300.02	0.04
Over 3 years	3,451,228.10	2.08	3,722,320.43	1.99
<b>Total</b>	<b>165,901,527.14</b>	<b>100.00</b>	<b>187,026,777.59</b>	<b>100.00</b>

## (2) Account of top five companies paid in advance

Company	Relationship with the Company	Amount	Age	Reason for unsettlement
Anhui Baosteel Steel Distribution Co., Ltd.	Non-related parties supplier	32,843,564.62	Within 1 year	Goods not received
Huntsman Polyurethanes Shanghai Ltd.	Non-related parties supplier	24,884,172.42	Within 1 year	Goods not received
Yantai WanHua Polyurethanes Co., Ltd.	Non-related parties supplier	11,748,593.42	Within 1 year	Goods not received
Angang Steel Co., Ltd.	Non-related parties supplier	9,081,451.84	Within 1 year	Goods not received
Cannon Far East Pte Ltd	Non-related parties supplier	6,944,492.91	Within 1 year	Goods not received
<b>Total</b>		<b>85,502,275.21</b>		

(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 period-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	7533097.82	6.5850	49,605,555.82	1,830,316.92	6.6227	12,121,639.87
EUR	1170248.22	8.4148	9,847,453.62	2,164,502.01	8.8065	19,061,686.95
JPY	294000.00	0.0797	23,437.09	-	-	-
<b>Total</b>			<b>59,476,446.53</b>			<b>31,183,326.82</b>

## 5. Other accounts receivable

## (1) Other account receivable classify by age structure

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	67,593,109.06	93.13	335,784.18	10.57	39,208,026.45	60.08	760,165.28	19.78

1-2years	1,220,718.21	1.68	151,468.39	4.11	22,347,466.57	34.24	227,459.29	5.92
2-3 years	1,128,621.74	1.55	396,698.00	11.96	770,794.75	1.17	269,778.17	7.01
3-4 years	182,284.97	0.25	99,244.32	2.99	501,908.48	0.77	258,282.62	6.72
4-5 years	260,190.21	0.36	136,161.68	4.10	154,731.00	0.24	46,521.35	1.21
Over 5 years	2,197,892.93	3.03	2,197,892.93	66.26	2,281,621.65	3.50	2,281,621.65	59.36
<b>Total</b>	<b>72,582,817.12</b>	<b>100.00</b>	<b>3,317,249.50</b>	<b>100.00</b>	<b>65,264,548.90</b>	<b>100.00</b>	<b>3,843,828.36</b>	<b>100.00</b>
<b>Net</b>	<b>69,265,567.62</b>				<b>61,420,720.54</b>			

## (2) Other account receivables classify by category

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Significant account receivable and withdrawal bad debt provision singly	-				-	-	-	-
Account receivable withdrawal bad debt provision by combination								
Accounts except the reserve loans, investment loans and connected account with related parties	9,140,958.41	12.59	1,062,316.84	11.62	18,699,890.11	28.65	1,776,211.40	9.50
Accounts of reserve loans, investment loans and connected account with related parties	61,186,926.05	84.30	-	-	44,497,041.83	68.18	-	-
Subtotal of combination	70,327,884.46	96.89	1,062,316.84	1.51	63,196,931.94	96.83	1,776,211.40	2.81
Account receivable with single minor amount but withdrawal bad debt provision singly	2,254,932.66	3.11	2,254,932.66	100.00	2,067,616.96	3.17	2,067,616.96	100.00
<b>Total</b>	<b>72,582,817.12</b>	<b>100.00</b>	<b>3,317,249.50</b>	<b>4.57</b>	<b>65,264,548.90</b>	<b>100.00</b>	<b>3,843,828.36</b>	<b>5.89</b>
<b>Net value</b>	<b>69,265,567.62</b>				<b>61,420,720.54</b>			

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

(4) 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 period-end			Amount at year-beginning		
	Amount	Proportion(%)	Reserve for bad debts	Amount	Proportion(%)	Reserve for bad debts
within 1 year	6,745,062.93	5	321,061.67	15,725,972.20	5	786,298.61
1-2 years	995,787.64	15	149,368.14	1,561,541.94	15	234,231.30
2-3 years	1,127,621.74	35	394,667.61	748,371.50	35	261,930.03
3-4 years	114,645.89	55	63,055.24	360,329.70	55	198,181.34
4-5 years	157,840.21	85	134,164.18	54,031.00	85	45,926.35
over 5 years	-	100	-	249,643.77	100	249,643.77
<b>Total</b>	<b>9,140,958.41</b>		<b>1,062,316.84</b>	<b>18,699,890.11</b>		<b>1,776,211.40</b>
<b>Net value</b>			<b>8,078,641.57</b>			<b>16,923,678.71</b>

(5) 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	9,841,116.85	-	-	within 1 year
Contact amount with related parties	2,463,871.32	-	-	within 1 year
Export tax rebate	47,125,891.01			within 1 year
Air conditioner income from taobao Alipay	1,756,046.87			within 1 year
<b>Total</b>	<b>61,186,926.05</b>	<b>-</b>	<b>-</b>	

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

Details of other account receivable	Book balance	Bad debt provision	Withdrawal proportion	Reasons
Resignation staff	2,176,803.23	2,176,803.23	100%	Loans to resigned staff and unrecover by prediction
Odd customers	35,970.35	35,970.35	100%	Unrecover by prediction
Construction & division	6,520.00	6,520.00	100%	Unrecover by prediction
Other	35,639.08	35,639.08	100%	Unrecover by prediction
<b>Total</b>	<b>2,254,932.66</b>	<b>2,254,932.66</b>		

(7) Reversal of reserve for bad debts: Nil

(8) Previous year's other account receivable received in the period which have been verified: Nil

(9) Other account receivables verified this period approved by the 3<sup>rd</sup> Meeting of 7<sup>th</sup> Session of the Board:

Company	Nature of account	Verified amount	Reasons	Raised from related transaction Yes/No
Lv Zhengxin	Business trip loans	2,000.00	Demise	No

Yang Weiye	Hospitalization loans	50,000.00	Demise	No
Ji Kai	Business trip		Demise	No
Hubei Transportation Team	Supplier contact	271,597.00	The unit was write-off, and legal person dead	No
<b>Total</b>		<b>325,597.00</b>		

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

(11) Top five of other account receivable

Company	Relationship with the Company	Amount	Age	Proportion in total other receivables
Export tax refund	Non-related party	47,125,891.01	within 1 year	50.90%
Air conditioner income from taobao Alipay	Non-related party	1,756,046.87	within 1 year	1.90%
Reserve fund of Jinan Division	Marketing branch	904,495.95	within 1 year	0.98%
Reserve fund of Beijing Division	Marketing branch	849,984.50	within 1 year	0.92%
Margin of the appliance of town-oriented	Non-related party	300,000.00	2-3 years	0.32%
<b>Total</b>		<b>50,936,418.33</b>		<b>55.01%</b>

(12) Other account receivable from related parties: Nil

(13) Derecognition of other account receivable: Nil

## 6. Inventories

(1) Classification of inventories

Item	Amount at period-end			Amount at year-beginning		
	Book balance	Impairment provision	Book value	Book balance	Impairment	Book value
Raw materials	177,200,708.34	8,272,791.71	168,927,916.63	211,396,131.40	12,194,478.76	199,201,652.64
Stock commodities	1,453,571,933.07	71,013,530.63	1,382,558,402.44	1,206,099,840.88	66,645,310.66	1,139,454,530.22
Low value consumable articles	3,285,689.36	-	3,285,689.36	9,213,036.97	-	9,213,036.97
Goods in transit	67,631,580.21	2,256,593.60	65,374,986.61	145,342,435.25	2,483,014.63	142,859,420.62
Goods-in-process	56,138,949.19	1,116,977.45	55,021,971.74	78,035,957.67	1,116,977.45	76,918,980.22

Item	Amount at period-end			Amount at year-beginning		
	Book balance	Impairment provision	Book value	Book balance	Impairment	Book value
Deferred expense for molds	34,216,124.52	-	34,216,124.52	15,520,346.20	-	15,520,346.20
Entrust process materials	808,434.47	714,889.55	93,544.92	860,323.76	714,889.55	145,434.21
<b>Total</b>	<b>1,792,853,419.16</b>	<b>83,374,782.94</b>	<b>1,709,478,636.22</b>	<b>1,666,468,072.13</b>	<b>83,154,671.05</b>	<b>1,583,313,401.08</b>

## (2) Provision for impairment of inventories

Item	Amount at the year-beginning	Increase during the period	Decrease during the period		Amount at the period-end
			reversal	Switch-back	
Raw materials	12,194,478.76	574,862.59	2,408,848.14	2,087,701.5	8,272,791.71
Goods in process	1,116,977.45	-	-	-	1,116,977.45
Stock commodities	66,645,310.66	4,918,528.47	529,180.92	21,127.58	71,013,530.63
Goods in transit	2,483,014.63	-	226,421.03	-	2,256,593.60
Entrust process materials	714,889.55	-	-	-	714,889.55
<b>Total</b>	<b>83,154,671.05</b>	<b>5,493,391.06</b>	<b>3,164,450.09</b>	<b>2,108,829.0</b>	<b>83,374,782.94</b>

## (3) Provision for impairment of inventories provided

Item	Provision basis	Reason for reversal during the period	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	Decrease of the inventory, reverse provision for impairment of depreciation	1.36%
Goods in process		-	-
Stock commodities		Decrease of the inventory, reverse provision for impairment of depreciation	0.04%

## 7. Long-term equity investment

## (1) Classification of long-term equity investment

Item	Amount at period-end	Amount at year-beginning
Long-term equity investment accounted in the cost method	10,370,000.00	11,270,000.00
Long-term equity investment accounted in the equity method	16,236,580.63	6,648,060.59
<b>Total long-term equity investment</b>	<b>26,606,580.63</b>	<b>17,918,060.59</b>
Less: Provision for impairment of long-term equity investment	-	-
<b>Value of long-term equity investment</b>	<b>26,606,580.63</b>	<b>17,918,060.59</b>

Long-term equity investment at period-end increase 8,688,520.04 yuan over that of year-beginning with 48.49% up. Mainly because while purchase the Meiling Group, the newly established company, Hefei Xingmei Assets Management Co., Ltd which was derived from partial equity of Packaging Company, not included in the assets transfer range, was not reckoned into the consolidation range for failure controller by the Company.

## (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-beginni ng	Increase during the period	Decrease during the period	Amount at period-end	Cash dividend for the period
<b>Accounting in the cost method</b>								
1. Huishang Bank Co., Ltd.	1.15	1.15	5,000,000.00	5,000,000.00	-	-	5,000,000.00	-
2. Jiujiang Meiling Electric Marketing Co., Ltd.	19.00	19.00	1,000,000.00	950,000.00	-	-	950,000.00	-
3. Chaohu Meiling Electric Marketing Co., Ltd. <sup>Note 1</sup>	50.00	50.00	1,000,000.00	900,000.00	-	900,000.00	-	-
3. Bozhou Meiling Electric Marketing Co., Ltd.	18.00	18.00	800,000.00	720,000.00	-	-	720,000.00	-
4. Guangyuan Meiling Electric Marketing Co., Ltd.	20.00	20.00	800,000.00	800,000.00	-	-	800,000.00	-
5. Guangxi Meiling Household Apparatus Co., Ltd.	20.00	20.00	1,000,000.00	1,000,000.00	-	-	1,000,000.00	-
6. Changzhou Meiling Electric Marketing Co., Ltd.	20.00	20.00	600,000.00	600,000.00	-	-	600,000.00	-
7. Xuancheng Meiling Electric Marketing Co., Ltd.	16.00	16.00	800,000.00	800,000.00	-	-	800,000.00	-
8. Buyang Meiling Electric Marketing Co., Ltd.	10.00	10.00	500,000.00	500,000.00	-	-	500,000.00	-
<b>Subtotal</b>	-	-	<b>11,500,000.00</b>	<b>11,270,000.00</b>	-	<b>900,000.00</b>	<b>10,370,000.00</b>	-
<b>Accounting in the equity method</b>								
1. Anhui United Technology Property Exchange Co., Ltd. <sup>Note 2</sup>	28.57	28.57	1,000,000.00	2,331,812.72	-	2,331,812.72	-	-
2. Hefei Meiling Solar Energy Technology Co., Ltd.	32.75	32.75	3,111,400.00	4,316,247.87	-	136,457.31	4,179,790.56	-
3. Hefei Xingmei Assets Management Co., Ltd. <sup>Note 3</sup>	48.28	48.28	12,056,790.07	-	12,056,790.07	-	12,056,790.07	-

Invested company	Holding proportion (%)	Voting right proportion (%)	Initial amount	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end	Cash dividend for the period
Subtotal			16,168,190.07	6,648,060.59	12,056,790.07	2,468,270.03	16,236,580.63	-
Total			27,668,190.07	17,918,060.59	12,056,790.07	3,368,270.03	26,606,580.63	-

Note1: Based on the Equity Transfer Contract of Chaohu Meiling Apparatus Marketing Co., Ltd. signed between the Company and Chaohu Hualong Appliance Co., Ltd., after 32% equity of Chaohu Meiling Apparatus Marketing Co., Ltd. transfer by the Company, Chaohu Meiling Apparatus Marketing Co., Ltd. comes to the controlling subsidiary of the Company, which was off-setting by consolidation in consolidated statement.

Note2: According to the resolution of 44<sup>th</sup> Meeting of 6<sup>th</sup> Session of eth Board, 28.57% equity of Anhui United Technology Property Exchange Co., Ltd. Held by the Company was transferred in total.

Note3: According to the resolution of 46<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board. The out-of-transfer range assets and liabilities of Hefei Meiling Packaging Products Co., Ltd. was consented for derivation while purchase the Meiling Group. Hefei Xingmei Assets Management Co., Ltd. was set up from derivation. Original Meiling Package Company still in exist. Therefore, part of the investment interest was separated to Hefei Xingmei Assets Management Co., Ltd.. Due to the 48.28 voting right of Xingmei Assets held by the Company, the Company has no control on it, Xingmei Assets reckoned into no consolidation range with equity method for calculation.

## (2) Investment in associated companies

Invested company	Business type	Registration place	Legal representative	Business quality	Registered capital	Holding proportion (%)	Voting right proportion (%)
Hefei Meiling Solar Energy Technology Co., Ltd.	Limited Company	Feidong County	Ren Sheming	Manufacture and sales	9.5 million yuan	32.75	32.75
Hefei Xingmei Assets Management Co., Ltd	Limited Company	Hefei City	Huang Youzhi	Management of real estate and leasing	1 million yuan	48.28	48.28

(continued)

Invested company	Total assets at period-end	Total liabilities at period-end	Total net assets at period-end	Total operating income of the period	Net profit of the period
Hefei Meiling Solar Energy Technology Co., Ltd.	54,759,815.35	41,992,615.02	12,767,200.33	24,977,415.52	-416,650.83
Hefei Xingmei Assets Management Co., Ltd	30,890,557.26	5,917,918.34	24,972,638.92	-	-

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

## 8. Investment properties

(1) Investment properties measured at costs

Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
Original value	6,582,644.93	-	-	6,582,644.93
Houses and buildings	5,665,953.55			5,665,953.55



Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
Land use rights	916,691.38			916,691.38
<b>Accumulated depreciation and accumulated amortization</b>	<b>2,630,868.21</b>	<b>139,455.60</b>	-	<b>2,770,323.81</b>
Houses and buildings	2,406,281.52	123,468.70		2,529,750.22
Land use rights	224,586.69	15,986.90		240,573.59
<b>Provision for impairment</b>	-	-	-	-
Houses and buildings				
Land use rights				
<b>Book value</b>	<b>3,951,776.72</b>	<b>-139,455.60</b>	-	<b>3,812,321.12</b>
Houses and buildings	3,259,672.03	-123,468.70	-	3,136,203.33
Land use rights	692,104.69	-15,986.90	-	676,117.79

## (2) Particular about mortgage of investment property

Items	Land certificate serials	Area M <sup>2</sup>	Net book value	Mortgage bank
Office Buld.	Zhong Fuguoyong No. (2003) 020642	845.00	676,117.79	Ronggui sub-branch of Foshan Branch of China Merchants Bank
Office Buld.	Yue Real Estate Zhengzi No. C1628036	5,153.32	3,136,203.33	Ronggui sub-branch of Foshan Branch of China Merchants Bank
<b>Total</b>		<b>5,998.32</b>	<b>3,812,321.12</b>	

**9.Fixed assets**

## (1) Classification of fixed assets by item

Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
<b>Original value</b>	<b>1,496,531,882.81</b>	<b>155,973,548.59</b>	<b>86,952,836.15</b>	<b>1,565,552,595.25</b>
Houses and buildings	478,611,832.38	128,600,799.60	60,929,431.10	546,283,200.88
Mechanical equipment	913,450,415.60	20,521,607.16	19,040,941.27	914,931,081.49
Transport equipment	29,626,377.18	911,339.06	1,265,747.50	29,271,968.74
Others	74,843,257.65	5,939,802.77	5,716,716.28	75,066,344.14
<b>Accumulated depreciation</b>	<b>612,127,597.26</b>	<b>58,924,685.90</b>	<b>35,889,908.77</b>	<b>635,162,374.39</b>
Houses and buildings	79,969,894.64	7,687,461.45	14,933,367.01	72,723,989.08

Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
Mechanical equipment	491,735,839.79	38,115,343.28	15,745,958.09	514,105,224.98
Transport equipment	16,157,810.10	1,836,311.34	582,387.17	17,411,734.27
Others	24,264,052.73	11,285,569.83	4,628,196.50	30,921,426.06
<b>Provision for impairment</b>	<b>19,170,153.01</b>	-	<b>1,616,151.37</b>	<b>17,554,001.64</b>
Houses and buildings	1,850,000.00	-	900,000.00	950,000.00
Mechanical equipment	13,586,119.51	-	716,151.37	12,869,968.14
Transport equipment	596,067.96	-	-	596,067.96
Others	3,137,965.54	-	-	3,137,965.54
<b>Book value</b>	<b>865,234,132.54</b>	<b>97,048,862.69</b>	<b>49,446,776.01</b>	<b>912,836,219.22</b>
Houses and buildings	396,791,937.74	120,913,338.15	45,096,064.09	472,609,211.80
Mechanical equipment	408,128,456.30	-17,593,736.12	2,578,831.81	387,955,888.37
Transport equipment	12,872,499.12	-924,972.28	683,360.33	11,264,166.51
Others	47,441,239.38	-5,345,767.06	1,088,519.78	41,006,952.54

## (2) Fixed assts temporary idle

Items	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Houses and buildings	3,560,856.00	514,733.00	-	3,046,123.00
Mechanical equipment	7,327,089.65	2,775,387.39	1,354,665.91	3,197,036.35
Others	39,183.66	24,951.10	-	14,232.56
<b>Total</b>	<b>10,927,129.31</b>	<b>3,315,071.49</b>	<b>1,354,665.91</b>	<b>6,257,391.91</b>

## (3) Fixed assets leased through operating lease:

Items	Original book	Accumulated	Depreciation	Net book value
-------	---------------	-------------	--------------	----------------

Mechanical equipment	7,704,952.30	1,550,667.66	-	6,154,284.64
Transport equipment	250,119.00	126,810.76	-	123,308.24
Others	86,065.00	-	-	86,065.00
<b>Total</b>	<b>8,041,136.30</b>	<b>1,677,478.42</b>	<b>-</b>	<b>6,363,657.88</b>

## (4) Fixed assets used for mortgage

Name	Property certificate serials	Original value	Net value	Bank for mortgage
Office buld.	YFDZZ No.C1628036	860,810.06	204,671.50	Foshan Branch of China Merchants Bank
Office buld.(Fitment)	YFDZZ No.C1628036	1,309,613.63	876,000.54	
Office buld.(Fitment) 2	YFDZZ No.C1628036	3,332,464.76	2,229,085.67	
2/F of 1# plant; 2/F of 2# plant	YFDZZ No.C1628035	4,461,822.45	2,376,844.25	
1/F of 1# plant	YFDZZ No.C1628035	2,230,911.23	1,188,421.91	
1/F of 2# plant	YFDZZ No.C1628035	2,230,911.23	1,188,421.91	
3# plant	YFDZZ No.C1628037	10,510,553.63	5,827,792.82	
2# plant 2	YFDZZ No.C1628037	961,963.73	533,380.59	
Warehouse	YFDZZ No.C1628037	1,897,142.05	1,051,909.47	
4# plant 2	YFDZZ No.C1652820	1,212,957.95	672,549.50	
5# plant	ZFGY(2003)No. 020640	6,580,091.13	5,043,378.58	
5# plant 2	ZFGY (2003) No.020640	408,822.23	313,346.00	
6# temporary storage	ZFGY (2003) No.020640	382,020.00	160,236.15	
Dormitory 1#, 2# and 3#	YFDZZ No.C1652755; YFDZZ No.C1652821; YFDZZ No.C1628038	4,910,007.80	2,717,645.81	
Dormitory 4#	YFDZZ No.C1652754	1,519,062.18	840,787.38	
Canteen	YFDZZ No.C1652823	1,178,632.00	653,516.67	
Plant project	Property Ownership Right FD Zi No. 10005351	6,749,649.58	6,244,575.53	eCITIC
Office buld, road of the plant area	Property Ownership Right FD Zi No. 10005351	6,180,980.52	5,720,204.26	
<b>Total</b>		<b>56,918,416.16</b>	<b>37,842,768.54</b>	

**10. Construction in progress**

## (1) Breakdown of construction in progress

Item	Amount at period-end	Amount at year-beginning
------	----------------------	--------------------------

	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Phase II of Changhong Meiling industry park	1,861,804.89	-	1,861,804.89	582,704.23	-	582,704.23
Foundation construction of the project of ice cuber capacity expansion	-	-	-	52,255,649.63	-	52,255,649.63
Capacity expansion project of energy-saving and environmental refrigerator	13,488,293.42	-	13,488,293.42	7,596,497.23	-	7,596,497.23
Construction project of Phase II for the affiliated daily zone of Meiling High-Tech Industrial Zone	8,146,044.34	-	8,146,044.34	22,916.00	-	22,916.00
Equipments pending for installation and etc.	33,412,566.50	-	33,412,566.50	12,402,080.06	-	12,402,080.06
Manufacture base project of the Athena luxury refrigerator	4,104,247.56	-	4,104,247.56	-	-	-
Other minor projects etc.	7,610,302.08	-	7,610,302.08	2,319,453.79	-	2,319,453.79
<b>Total</b>	<b>68,623,258.79</b>	<b>-</b>	<b>68,623,258.79</b>	<b>75,179,300.94</b>	<b>-</b>	<b>75,179,300.94</b>

## (2) Changes in significant construction in progress

Name	Amount at year-beginning	Increase during the period	Decrease during the period		Amount at period-end
			Transfer to fixed assets	Other decre	
Phase II of Changhong Meiling industry park	582,704.23	1,279,100.66	-	-	1,861,804.89
Foundation construction of the project of ice cuber capacity expansion	52,255,649.63	61,799,888.61	114,055,538.24	-	0.00
Capacity expansion project of energy-saving and environmental refrigerator	7,596,497.23	6,632,180.79	740,384.60	-	13,488,293.42

Name	Amount at year-beginning	Increase during the period	Decrease during the period		Amount at period-end
			Transfer to fixed assets	Other decre	
Construction project of Phase II for the affiliated daily zone of Meiling High-Tech Industrial Zone	22,916.00	8,123,128.34	-	-	8,146,044.34
Manufacture base project of the Athena luxury refrigerator	-	4,104,247.56	-	-	4,104,247.56
<b>Total</b>	<b>60,457,767.09</b>	<b>81,938,545.96</b>	<b>114,795,922.84</b>	-	<b>27,600,390.21</b>

(continued)

Name	Budget	Proportion of project investment in budget (%)	Progress	Accumulated amount of interest capitalization	Including: interest capitalized amount of the period	Interest capitalization rate of the period (%)	Capital source
Phase II of Changhong Meiling industry park	0.28 Billion yuan	72.44	99%	723,142.19	-	-	Loan
Foundation construction of the project of ice cuber capacity expansion	0.265 billion yuan	43.04	60%	-	-	-	Additional placement
Capacity expansion project of energy-saving and environmental refrigerator	0.046 billion yuan	30.99	90%	-	-	-	Additional placement
Construction project of Phase II for the affiliated daily zone of Meiling High-Tech Industrial Zone	0.041 billion yuan	19.87	80%	-	-	-	Self-financing
Manufacture base project of the Athena luxury refrigerator	0.512 billion yuan	0.80	20%	-	-	-	Additional placement

(3) Provision for impairment of construction in progress: Nil

**11. Intangible assets**

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

Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
------	--------------------------	----------------------------	----------------------------	----------------------

<b>Original price of intangible assets</b>	<b>966,306,649.58</b>	<b>11,250.00</b>	<b>49,763,902.40</b>	<b>916,553,997.18</b>
Land use right	644,247,266.80	-	49,763,902.40	594,483,364.40
Trademark special right	283,292,439.34	-	-	283,292,439.34
patent technology	2,066,100.00	-	-	2,066,100.00
Non-patent technology	36,700,843.44	11,250.00	-	36,712,093.44
<b>Accumulated amortization</b>	<b>283,524,215.74</b>	<b>20,521,678.01</b>	<b>5,004,106.43</b>	<b>299,041,787.32</b>
Land use right	52,924,947.41	13,151,776.63	5,004,106.43	53,548,810.75
Trademark special right	214,952,807.59	2,455,785.00	-	224,932,399.45
patent technology	1,153,572.50	-	-	1,153,572.50
Non-patent technology	14,492,888.24	4,914,116.38	-	19,407,004.62
<b>Provision for impairment</b>	<b>912,527.50</b>	<b>-</b>	<b>-</b>	<b>912,527.50</b>
Land use right	-	-	-	-
Trademark special right	-	-	-	-
patent technology	912,527.50	-	-	912,527.50
Non-patent technology	-	-	-	-
<b>Book value</b>	<b>681,869,906.34</b>	<b>-20,510,428.01</b>	<b>44,759,795.97</b>	<b>616,599,682.36</b>
Land use right	591,322,319.39	-5,627,969.77	44,759,795.97	540,934,553.65
Trademark special right	68,339,631.75	-9,979,591.86	-	58,360,039.89
patent technology	-	-	-	-
Non-patent technology	22,207,955.20	-4,902,866.38	-	17,305,088.82

Intangible assets decrease in the period mainly because the land compensation 64 million yuan was received by Jiangxi Meiling according to regulation of relevant contracts; corresponding land use right, 31,084,385 yuan has been turn-off regulated by relevant tax and financial systems. The partial separated land use right of 13,573,625.36 yuan was transfer to Xingmei Assets Company from Meiling Packaging Company.

## (2) Details of land-use right

Company held	Certificate serials	Original value	Book value	Note
The Company	HJK(GY) (2007) No.076	170,916,716.00	149,996,043.77	Note <sup>1</sup>
	HJK(GY) (2007) No.061	352,569,599.58	303,164,582.41	Note <sup>1</sup>
	DGY (2002) Zi No.0257	36,407,000.00	29,961,941.92	
	DGY (2002) Zi No.0258			
	DGY (2002) Zi No.0259			
	DGY (2004) Zi No.0200			
Zhongshan Changhong	ZFGY (2003) No.020639	1,926,204.65	1,463,513.76	
	ZFGY (2003) No.020640	698,050.03	530,372.42	
	ZFGY (2003) No.020641	2,103,304.38	1,598,072.61	
	ZFGY (2003) No.020642	1,719,071.07	1,306,135.44	
	ZFGY (2003) No.020643	1,997,244.51	1,517,489.23	
	ZFGY (2003) No.020644	1,876,446.88	1,425,708.23	
Non-ferrous metal	DGY (2005) Zi No. 180	1,627,217.08	1,627,217.08	
Yingkaite Apparatus	DGY (2008) No.0367	4,724,729.40	2,952,350.86	
Meiling Packaging	DGY (2009) No.1775	7,289,974.87	7,014,395.48	
Precision tube	DGY (2005) Zi No.181	842,798.38	842,798.38	
<b>Total</b>		<b>570,213,637.09</b>	<b>490,963,859.80</b>	

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.

## (3) exclusive right of trademark

The Company entered into *Transference Contract of Trademark* with original Meiling Group on April 29, 2002 concerning refrigerators, 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 2010, Hefei Meiling Sole Energy Technology Co., Ltd.,

Hefei Meiling Vehicle Industry Co., Ltd. and others 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 of original Meiling Group.

After acquisition of 100% state-owned property of Hefei Meiling Group Holding Co., Ltd. (“Meiling Group”), 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*. Till end of 30 June of 2011, the first instance has been closed, and waiting the judgment recently.

#### (4) Patent technology

Yingkaite 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 withdrawal by the Company due to its failure actual value.

(5) As of the end of 30 June of 2011, mortgage 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)No. 020639	14,834.30 M <sup>2</sup>	1,463,513.76	Foshan Branch of China MerchantsBank
	ZFGY (2003) No. 020640	5,375.90 M <sup>2</sup>	530,372.42	
	ZFGY (2003) No. 020641	16,198.20 M <sup>2</sup>	1,598,072.61	
	ZFGY (2003) No. 020642	13,239.10 M <sup>2</sup>	1,306,135.44	
	ZFGY (2003) No. 020643	15,381.40 M <sup>2</sup>	1,517,489.23	
	ZFGY (2003) No. 020644	14,451.10 M <sup>2</sup>	1,425,708.23	
Land use right	DGY (2005) Zi No. 180	30,051.30 M <sup>2</sup>	1,443,738.11	Bank of Communications Hefei LinqunRoad Su-branch
<b>Total</b>			<b>9,285,029.8</b>	

#### 12. Development expenditure

items	Amount of year-begin	Increased in this period	Decreased in this year		Amount at period-end
			Reckoned into current gains/losses	Intangible assets recognition	



items	Amount of year-begin	Increased in this period	Decreased in this year		Amount at period-end
			Reckoned into current gains/losses	Intangible assets recognition	
Technology development of Changhong Air Conditioner	13,505,659.94	10,156,692.51	17,027.91	12,539.70	23,632,784.84
<b>Toal</b>	<b>13,505,659.94</b>	<b>10,156,692.51</b>	<b>17,027.91</b>	<b>-</b>	<b>23,632,784.84</b>

Period-end development expenditure increased RMB 10,127,124.9 with 74.98 percents over the year-begin mainly due to development expenditure for air-conditioners of Sichuan Changhong Air-conditioner Co., Ltd increased.

### 13 Goodwill

Name of invested units	Year-begin amount	Increase of this period	Decrease of this period	Period-end amount	Period-end provision for devaluation
Hefei Meiling Group Holdings Co., Ltd	10,922,803.73	-	-	10,922,803.73	-

The assets of Meiling Group merged in 2010 includes the exclusive right to use a trademark on long-term equity investment and intangible assets of Yingkaite Appliance and other 7 subsidiaries as well as package company. On the consolidation day, on ground that whether this item of asset benefits from synergistic effect of enterprises combination and whether it can produce cash flow individually, and regarding the usage and disposal plan for this item of asset, the Company divided the assets of Meiling Group into 4 groups such as A, B, C, D and allotted the goodwill according to proportion of fair value of each asset group in total amount of fair value:

item		Asset group	Basis presumed by asset groups	Allotted goodwill
Long-term investment	Yingkaite Appliance	Asset group A	Synergistic effect, could individually produce cash flow, planning to be merged	846,742.35
	Yingkaite Electric Apparatus			
	Precise pipe industry	Asset group B	Synergistic effect, could individually produce cash flow, planning to be merged	2,706,625.42
	Nonferrous metal			
	Packaging products	Asset group C	Synergistic effect, could individually produce cash flow, planning to be merged	1,839,593.87
	Environmental protection package			
	Home Appliances Industry and Trade	Has no synergistic effect		-
Maidstone				

Intangible assets	Exclusive right to use the trademark	Asset group D	Synergistic effect, could produce individual cash flow if sold singly	5,529,842.09
<b>Total</b>				<b>10,922,803.73</b>

At the period-end we will take a devaluation test on the goodwill.

#### 14. Deferred income tax assets and deferred income tax liabilities

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

Item	Amount at period-end	Amount at year-begin
Deferred income tax assets		
impairment provision of assets	20,083,547.28	17,522,071.66
Projected liabilities	40,661,335.95	30,513,239.25
Long-term deferred and prepaid expenses (allocation period in tax law is longer than the period in the accounting policy)	51,706.07	103,412.14
Deductible loss		-
dismissal welfare		-
<b>Total</b>	<b>74,151,369.83</b>	<b>48,138,723.05</b>
Deferred income tax liabilities		-
estimation value of transactional financial instrument and derivative financial instrument	-	-
change of the fair value of financial assets available for sale reckoned into capital reserve	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

##### (2) items of deferred income tax assets without recognition

Item	Amount at period-end	Amount at year-begin
temporary difference deductible	458,036.25	13,603,591.04
deductible losses	3,105,681.99	61,982,485.24
<b>Total</b>	<b>3,563,718.24</b>	<b>75,586,076.28</b>

Period-end deferred income tax increased by RMB 26,012,646.78 with 54.04 percents over the same period of last year mainly due to we accrued assets devaluation provision and estimated expenses for the 10-year of Maintenance for refrigerators going to the rural and staffs' retirement welfare thus increased the deferred income tax.

Because there still is uncertainty whether subsidiaries Meiling Group and Mianyang Meiling could get enough taxable income, we didn't confirm the deferred income tax.

## (3)Particulars about taxable income difference and deductible difference

Items	Amount
taxable income difference	
Estimated liabilities	271,075,573.00
<b>Subtotal</b>	<b>271,075,573.00</b>
deductible difference	-
bad debt provision of account receivable	41,355,002.11
bad debt provision of other account receivable	3,179,139.10
depreciation provision of inventory	77,818,067.68
depreciation provision of long-term equity investment	124,500.00
depreciation provision of construction in process	-
depreciation provision of fixed assets	11,084,491.98
Long-term deferred and prepaid expense (allocation period in tax law is longer than the period in accounting policy)	344,707.13
Dismission welfare	48,677,721.72
<b>Subtotal</b>	<b>182,583,629.73</b>

## 15. details of impairment provision of assets

Items	Amount at year-begin	Increased in this period	Decreased in this period		Amount at period-end
			Written-back	other	
Bad debt provision	26,039,872.66	21,379,103.49	610,444.18	325,597.00	46,482,934.97
depreciation provision of inventory	83,154,671.05	5,493,391.06	3,164,450.09	2,108,829.08	83,374,782.94
depreciation provision of financial assets available for sale	-	-	-	-	-
depreciation provision of investment held with due-maturity	-	-	-	-	-
depreciation provision of long-term equity investment	-	-	-	-	-

depreciation provision of investment real estate	-	-	-	-	-
depreciation provision of fixed assets	19,170,153.01	-	-	1,616,151.37	17,554,001.64
depreciation provision of engineering materials	-	-	-	-	-
depreciation provision of construction in process	-	-	-	-	-
depreciation provision of productive biological assets	-	-	-	-	-
incl: depreciation provision of marutiry productive biological assets	-	-	-	-	-
depreciation provision of oil and petrol assets	-	-	-	-	-
depreciation provision of intangible assets	912,527.50	-	-	-	912,527.50
depreciation provision of goodwill	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>129,277,224.22</b>	<b>26,872,494.55</b>	<b>3,774,894.27</b>	<b>4,050,577.45</b>	<b>148,324,247.05</b>

## 16. short-term loans

Type	Amoun at period-end	Amount at year-begin
Mortgage loan	8,953,361.30	2,563,801.11
Pledge loan	-	123,000,000.00
Guarantee loan	69,000,000.00	64,500,000.00
Credit loan	120,000,000.00	48,860,000.00
<b>Total</b>	<b>197,953,361.30</b>	<b>238,923,801.11</b>

There haven't no short borrowings waiting to be repaid at this period-end.

## 17. Notes payable

## (1)classified according to type

Type	Amount at period-end	Amount at year-begin
Bank acceptance bill	1,236,314,851.84	913,750,239.36
Commerce acceptance bill	80,350,000.00	6,926,000.00
<b>total</b>		<b>920,676,239.36</b>

Period-end notes payable increased by RMB 395,988,612.48 with 43.01 percents over the same period of last year mainly due to increased acceptance drafts for increased raw materials purchase.

## 18.Accounts payable

## (1)accounts payable

Item	Amount at period-end	Amount at year-begin
<b>Total</b>	<b>1,961,393,556.89</b>	<b>1,421,456,784.36</b>
Incl: over 1 year	41,213,640.82	31,393,432.37

Period-end accounts payable increased by RMB 539,936,772.53 with 37.98 percents over the same period of last year mainly due to expansion of production scale led to increased materials purchase of suppliers thus the loan balance payable due in normal period increased.

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

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd.	38,229,352.68	14,015,465.54

## (3)foreign currency balance in accout payables

Name	Amount at period-end			Amount at year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
USD	107,357.99	6.4716	694,777.97	5,076,865.51	6.6227	33,622,557.21
EUR				3,789.67	8.8065	33,373.73
JPY	35,804,100.00	0.080243	2,873,028.40	34,078,100.00	0.0812	2,769,186.41
<b>Total</b>			<b>3,567,806.36</b>			<b>36,425,117.35</b>

(4) particular of accounts payable to related parties could be seen in Note IV (3).

## 19.account received in advance

## (1) account received in advance

Item	Amount at period-end	Amount at year-begin
<b>Total</b>	<b>625,567,258.99</b>	<b>922,047,156.39</b>
Incl: over 1 year	25,000,025.41	37,019,790.49

Period-end accounts received in advance decreased by RMB 296,479,897.4 with 32.15 percents over the same period of last year mainly due to speed of goods dispatch and calculation became fast in busy season thus

accounts received in advance decreased.

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

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd.	65,946,822.83	26,888,716.12

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

Name	Amount at period-end			Amount at year-begin		
	Original currency	Conversion rate	Converted into RMB	Original currency	Conversion rate	Converted into RMB
AUD	-	-	-	1,334.24	6.7139	8,957.95
EUR	520.00	9.3612	4,867.82	10,923.75	8.8065	96,200.00
ASD	4,265,230.22	6.4716	27,602,863.89	6,334,878.19	6.6227	41,953,997.79
GBP	568.75	10.3986	5,914.20	-	-	-
<b>Total</b>			<b>27,613,645.91</b>			<b>42,059,155.74</b>

(4) Particular of accounts received in advance from related parties could be seen in Note IV (3).

#### 20. Wage payable

Item	Amount at year-begin	Increase in this period	Decrease in this period	Amount at period-end
Salary, bonus, allowance and subsidy	39,075,345.41	226,701,389.31	250,758,713.22	15,018,021.50
Welfare for workers and staff	84,254.32	6,536,106.17	6,384,381.15	235,979.34
Social insurance	7,078,730.68	31,707,675.44	36,424,502.80	2,361,903.32
Including: Medical insurance	179,450.56	7,632,986.20	7,348,493.53	463,943.23
Basic endowment insurance	6,461,654.66	21,208,296.05	26,231,762.18	1,438,188.53
Unemployment insurance	425,581.26	1,711,189.28	1,760,131.99	376,638.55
Work injury insurance	54.30	630,066.67	590,692.92	39,428.05
Maternity insurance	11,989.90	525,137.24	493,422.18	43,704.96
Housing accumulation fund	4,699,295.64	15,650,784.96	18,713,863.92	1,636,216.68
Labor union expenditure and personnel education expense	1,272,218.84	299,299.22	920,853.82	650,664.24
Non-monetary welfare	-	-	-	-
Discharge welfare *	43,346,889.72	9,851,706.50	4,520,874.50	48,677,721.72
Others	1,727,542.87	144,177.91	15,770.00	1,855,950.78
Including: cash-settled share-based payment	-	-	-	-

Total	<b>97,284,277.48</b>	<b>290,891,139.51</b>	<b>317,738,959.41</b>	<b>70,436,457.58</b>
-------	----------------------	-----------------------	-----------------------	----------------------

\*according to the internal retirement regulated in the Company and the Resolution of 29<sup>th</sup> Meeting of 5<sup>th</sup> Board of Directors on 28 January 2008, the female worker with over 45 ages and male workers with over 48 ages will voluntary for retirement before hand while centent with the Company. The withdrawal salary and social insurance welfare in first half year was RMB 9,824,271.02.

#### 21. Tax payable

Item	Amount at period-end	Amount at year-begin
Value-added tax	85,349,469.58	-18,712,080.31
Business tax	878,868.82	206,335.45
Enterprise income tax	86,804,292.06	83,584,879.23
Individual income tax	2,153,148.20	1,305,739.68
Urban maintenance and construction tax	6,931,355.06	3,490,835.72
House property tax	1,690,442.27	1,207,424.93
Land-use right tax	628,789.36	3,012,746.92
Educational surtax	4,740,998.52	2,249,843.21
Stamp tax	2,148,325.78	1,193,518.60
Construction fund of Water Conservancy Projects	951,120.72	547,466.57
Fund for coarse adjustment	526,971.21	338,708.19
Flood-control fund	698,586.62	513,642.05
embankment fee	75,399.17	28,804.77
Land value-added tax	742,000.00	
<b>Total</b>	<b>194,319,767.37</b>	<b>78,967,865.01</b>

Period-end tax payable increased by RMB 115,351,902.36 with 146.07 percents over the same period of last year mainly due to value added tax and extra increased dramatically in busy June of production and sales.

#### 22. Dividends payable

Name	Amount at period-end	Amount at year-begin	Reasons for delay payment over 1 day
International Business Department of Industry and Commercial Bank	153,697.50	153,697.50	No receiving procedure from
Communication Bank of Hefei Branch	153,697.50	153,697.50	No receiving procedure from
Other piecemeal units	431,300.30	431,300.30	No receiving procedure from
<b>Total</b>	<b>738,695.30</b>	<b>738,695.30</b>	

#### 23. Other payable

## (1)Other payable

Item	Amount at period-end	Amount at year-begin
Total	722,592,518.31	<b>410,610,813.51</b>
incl: Over 1 year	15,596,911.69	78,794,251.84

Period-end other payable increased by RMB 311,981,704.8 with 75.98 percents over the same period of last year mainly due to expenses which had occurred but not been paid increased in this period.

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

Name	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd	2,647,627.55	605,555.10

## (3)Balance of foreign currency in other accounts payable

Foreign currency	Amount at period-end			Amount at year-begin		
	Original currency	Cross rate	Equivalent in RMB	Original currency	Cross rate	Equivalent in RMB
USD	327,118.61	6.4716	2,116,980.80	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
<b>Total</b>			<b>2,116,980.80</b>			<b>3,925,490.23</b>

## 24.Non-current liabilities due within one year

Item	Amount at period-end	Amount at year-begin
long-term borrowings due within one year	950,900.00	-
bond payable due within one year	-	-
long-term payables due within one year	-	-
Deferred earnings transferred to earnings and losses within 1 year	1,195,791.72	1,189,452.90
<b>Total</b>		<b>1,189,452.90</b>

Period-end non-current liabilities due within one year increased by RMB 957,238.82 with 80.48 percents over the same period of last year mainly due to long-term borrowings due within 1 year increased in this period.

## 25.Long-term loans

## (1)classification of long-tern loans

Type	Amount at period-end	Amount at year-begin
Pledge loan	-	-
Mortgage loan	6,400,000.00	7,040,000.00



Guarantee loan	-	-
Credit loan	6,305,500.00	7,466,060.00
<b>Total</b>	<b>12,705,500.00</b>	<b>14,506,060.00</b>

## (2)Particulars about long-term borrowings in period-end amount

Company	Loans start from (date)	Loans end at (date)	Currency	Rate(%)	Amount at period-end		Amount at year-begin	
					Foreign currency amount	Local currency amount	Foreign currency amount	Local currency amount
Municipal Bureau of Finance of Hefei (1)	2006-11-9	2021-11-8	RMB	2.80	-	6,400,000.00	-	7,040,000.00
Municipal Bureau of Finance of Hefei(2)	2002-11-21	2017-11-20	RMB	2.25	-	3,905,500.00	-	4,556,400.00
Municipal Bureau of Finance of Hefei(3)	2004-12-20	2019-12-20	RMB	2.80	-	2,400,000.00	-	2,700,000.00
Municipal Bureau of Finance of Hefei(4)	-	-	RMB	-	-	-	-	209,660.00
<b>Total</b>						<b>12,705,500.00</b>		<b>14,506,060.00</b>

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 principle payment in this year is RMB 640,000.00 while 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 RMB 650,900.00 was classified into non-current liabilities due within 1 year, 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. 10<sup>th</sup>, 2004. The principal RMB 300,000.00 was classified into non-current

liabilities due within 1 year, and interest was RMB 76,500.00.

Note 4: balance at year-begin refers to long-term borrowings of Packaging Products which is subsidiary of Meiling Group. This account is out of purchase scope when the Company consolidated Meiling Group last year.

## 26.Special payable

Item	Amount at year-begin	Increase during the year	Decrease during the year	Amount at year-end
Governmental subsidy for relocation of parent company	33,214,132.26	-	120,544.00	33,093,588.26
Government subsidies for Jiangxi Meiling Refrigerating	-	64,000,000.00	47,439,476.50	16,560,523.50
<b>Total</b>	<b>33,214,132.26</b>	<b>64,000,000.00</b>	<b>47,560,020.50</b>	<b>49,654,111.76</b>

Period-end special payable increased by RMB 16,439,979.5 with 49.5 percents over the same period of last year mainly due to subsidiary Jiangxi Meiling Refrigerating Co., Ltd received compensation for land reclaim and storage of previous and old plant.

On Jan. 20 of 2011 the Company held the 41<sup>st</sup> meeting of the 6<sup>th</sup> session of Board of Directors which reviewed and passed the Proposal on Reclaiming and Storing Land Use Right of Jiangxi Meiling Refrigerating Co., Ltd. On Jan. 14 of 2010 Jiangxi Meiling (side B), the subordinate controlled subsidiary of the Company, together with land storage center of Jingde Town (side A), signed the Contract on Storing Use Right of State-Owned Land. Jiangxi Meiling planed to transfer the land use right of total 159,448.8 squares (equivalent to 239.17 acres) of land located in Street Porcelain City GZJTY (2010) No. 0121 to land storage center of Jingde Town, with RMB 65 million of land compensation price. Till Jun. 30 of 2011, RMB 64 million of land compensation fees had been in place actually in accordance with the rules of contract. Relevant land and property had been transferred and withdrawn in the light of relevant financial tax.

## 27.Projected liability

Item	Amount at year-begin	Increase during the period	Carry-forward during the period	Amount at period -end
External guarantee	-	-	-	-
Outstanding lawsuit	-	-	-	-
Product quality guarantee	9,317,083.00	-	-	9,317,083.00
Specific gurantee fund for quality service of products	194,104,512.00	67,653,978.00	-	261,758,490.00
Reorganization duty	-	-	-	-
Loss contract waiting for execution	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>203,421,595.00</b>	<b>67,653,978.00</b>	<b>-</b>	<b>271,075,573.00</b>

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" within 1-4 years.

Period-end projected liabilities increased by RMB 67,653,978.00 with 33.26 percents over the same period of last year mainly due to provision for service expenses of 10-year of free maintenance for refrigerators going to the rural increased.

**28. Other non-current liabilities**

Item	Amount at period-end	Amount at year-begin
Deferred income	26,425,893.61	26,937,022.85

(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 1,195,791.72 as of this report period was carried forward to non-operating income from deferred income. RMB 1,184,680.56 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 period-end		Amount reckon into current gain/loss	Amount return this period	Reasons for return
	Amount listed in other non-current liability	Amount listed in other current liability			
Removal compensation	26,425,893.61	1,195,791.72	625,334.42	-	
<b>Total</b>	<b>26,425,893.61</b>	<b>1,195,791.72</b>	<b>625,334.42</b>	<b>-</b>	

**29. Share capital**

Shareholders / type	Amount at year-begin		Change during the period					Amount at period-end	
	Amount	Proportion%	New shares issued	Bonus share	Shares transferred from capital reserve	Others (transfer)	Subtotal	Amount	Proportion%
<b>Shares with conditional subscription</b>	124,553,317	23.48	-	-	-	22,419	22,419	124,575,736	23.49
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	67,461,338	12.72	-	-	-	-	-	67,461,338	12.72
Other domestic shares	57,024,724	10.75	-	-	-	-	-	57,024,724	10.75
Including: Domestic un-state-owned legal person shares	57,024,724	10.75	-	-	-	-85,387	-85,387	56,939,337	10.74
Domestic natural person shares	-	-	-	-	-	85,387	85,387	85,387	0.01
Foreign shares	-	-	-	-	-	-	-	-	-
Including: Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Executives' shares	67,255	0.01	-	-	-	22,419	22,419	89,674	0.02
<b>Shares with no restricted condition</b>	405,821,132	76.52	-	-	-	-22,419	-22,419	405,798,713	76.51

RMB common shares	292,721,132	55.19	-	-	-	-22,419	-22,419	292,698,713	55.19
Domestically listed foreign shares	113,100,000	21.33	-	-	-	-	-	113,100,000	21.32
Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total shares</b>	<b>530,374,449</b>	<b>100.0</b>	-	-	-	-	-	<b>530,374,449</b>	<b>100.0</b>

Details of the private placement shares issued in the year and release condition on restricted shares found in Company Profile in I.

### 30.Capital reserve

Item	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-end
Share premium	1,562,490,888.35	-	-	1,562,490,888.35
Other capital reserve	48,080,558.82	-	-	48,080,558.82
<b>Total</b>	<b>1,610,571,447.17</b>	-	-	<b>1,610,571,447.17</b>

### 31.Surplus reserves

Item	Amount at year-begin	Increase during the period	Decrease during the period	Amount at year-end
Statutory surplus reserve	163,989,991.35	-	-	163,989,991.35
Discretionary surplus reserve	115,607,702.16	-	-	115,607,702.16
Other	-	-	-	-
<b>Total</b>	<b>279,597,693.51</b>	-	-	<b>279,597,693.51</b>

### 32.Undistributed profit

Item	Amount	Withdraw or distribution ratio
<b>Amount at the end of last period</b>	<b>296,750,782.08</b>	
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	-	
<b>Amount at the beginning of this year</b>	<b>296,750,782.08</b>	
Add: net profit attributable to shareholders of parent company for this year	126,157,996.21	
Deficit coverage of surplus reserve	-	
Less: withdraw of statutory surplus reserve	-	
withdraw of discretionary surplus reserve	-	
Withdraw of general risk provision	-	

Dividend payable for ordinary shares	-
Dividend of ordinary shares transferred to sharecapital	-
<b>Amount at the end of this period</b>	<b>422,908,778.29</b>

Period-end undistributed profit increased by 126,157,996.21 with 42.51 percents over the same period of last year mainly due to net profit realized in this period increased.

### 33.Minority shareholder's equity

Subsidiaries	Minority shareholding ratio at period-end	Amount at period-end	Amount at year-begin
Zhongke Meiling Cryogenics Limited Company	30%	18,919,949.93	17,935,101.79
Mianyang Meiling Refrigerating Co., Ltd	1.5%	-110,756.09	-113,184.28
Jiangxi Meiling Refrigerating Co., Ltd	3%	99,532.40	79,471.01
Jiangxi Meiling Electrics Co., Ltd	0.01875%		
Hefei Meiling Appliance Marketing Co., Ltd.	0.002727%	-363.56	26.70
Xinxiang Meiling Appliance Marketing Co., Ltd.	41%	1,036,961.72	1,544,472.07
Luohe Meiling Appliance Marketing Co., Ltd.	63%	3,174,948.39	3,150,000.00
Wuhu Meiling Appliance Marketing Co., Ltd.	64%	3,707,436.39	3,840,000.00
Changchun Meiling Appliance Marketing Co., Ltd.	3%	89,201.89	90,000.00
Bengbu Meiling Appliance Marketing Co., Ltd.	15%	499,207.65	450,000.00
Hengyang Meiling Appliance Marketing Co., Ltd.	59%	1,635,870.80	1,920,000.00
Nanchang Meiling Appliance Marketing Co., Ltd.	64%	2,000,171.62	-
Liu'an Meiling Appliance Marketing Co., Ltd.	64%	643,625.15	-
Jinzhou Meiling Appliance Marketing	40%	1,576,169.32	-
Shenyang Meiling Appliance Marketing	5%	111,522.92	-

Wuhan Marketing	Meiling	Appliance	9%	383,224.25	-
Zhengzhou Marketing	Meiling	Appliance	64%	1,784,964.74	-
Shijiazhuang Marketing	Meiling	Appliance	64%	1,797,656.88	-
Mianyang Marketing	Meiling	Appliance	48%	2,386,808.46	-
Chengdu Marketing	Meiling	Appliance	17%	554,052.17	-
Guiyang Marketing	Meiling	Appliance	74%	1,687,109.82	-
Fuzhou Marketing	Meiling	Appliance	1%	14,323.54	-
Nanjing Marketing Co., Ltd.	Meiling	Appliance	1%	14,444.79	-
Hefei White Marketing Co., Ltd.	Meiling	Appliance	15%	765,144.04	-
Taiyuan Marketing	Meiling	Appliance	60%	1,935,721.85	-
Changsha Marketing	Meiling	Appliance	64%	2,727,795.90	-
Huhhot Marketing	Meiling	Appliance	45%	1,011,947.12	-
Hangzhou Marketing	Meiling	Appliance	12%	256,048.14	-
Chongqing Marketing	Meiling	Appliance	15%	92,954.95	-
Kunming Marketing	Meiling	Appliance	54%	1,396,675.63	-
Shanghai Marketing	Meiling	Appliance	1%	11,744.39	-
Nantong Marketing	Meiling	Appliance	42%	1,160,576.16	-
Neijiang Marketing	Meiling	Appliance	20%	599,421.72	-

Tianjin Marketing	Meiling Appliance	15%	426,619.66	-
Urumqi Marketing	Meiling Appliance	10%	267,141.44	-
Chaohu Marketing	Meiling Appliance	50%	2,883,592.99	-
Harbin Marketing	Meiling Appliance	64%	1,697,518.86	-
Beijing Marketing	Meiling Appliance	1%	30,027.27	-
Lanzhou Marketing	Meiling Appliance	60%	1,814,263.87	-
Xi'an Meiling Appliance Marketing		39%	1,171,872.21	-
Guangzhou Marketing	Meiling Appliance	14%	700,883.02	-
Jinan Meiling Appliance Marketing		64%		
<b>Total</b>				

Period-end minority shareholders' equity increased by RMB 33,980,108.01 by 117.59 percents over the same period of last year mainly due to marketing model of the Company was reformed and secondary subsidiaries were set up successively thus minority shareholders' equity increased.

#### 34. Operating income and operating cost

##### (1) Operating income and operating cost

Item	Amount for this period	Amount for same period of last year
Main business income	5,168,549,152.44	4,289,072,025.85
Other business income	306,469,536.20	286,687,781.11
<b>Total</b>	<b>5,475,018,688.64</b>	<b>4,575,759,806.96</b>
Main business income	4,019,061,177.42	3,201,834,567.45
Other business income	282,394,871.08	246,264,163.37
<b>Total</b>	<b>4,301,456,048.50</b>	<b>3,448,098,730.82</b>

##### (2) Main business classified according to product

Product	Amount for this period		Amount for same period of last year	
	Operating income	Operating cost	Operating income	Operating cost
Refrigerator, freezer	3,539,624,036.27	2,588,293,007.07	3,273,223,447.00	2,265,448,780.85
Air conditioner	1,522,538,794.50	1,341,976,407.24	1,015,848,578.85	936,385,786.60
Washing machine	56,711,859.87	49,255,837.49	-	-
Other	49,674,461.80	39,535,925.62	-	-
<b>Total</b>	<b>5,168,549,152.44</b>	<b>4,019,061,177.42</b>	<b>4,289,072,025.85</b>	<b>3,201,834,567.45</b>

##### (3) Main business classified according to sales region

Region	Amount for this period		Amount for same period of last year	
	Operating income	Operating cost	Operating income	Operating cost
Domestic	4,524,774,628.61	3,390,966,852.43	3,894,283,359.62	2,835,012,783.88
Overseas	643,774,523.83	628,094,324.99	394,788,666.23	366,821,783.57
<b>Total</b>	<b>5,168,549,152.44</b>	<b>4,019,061,177.42</b>	<b>4,289,072,025.85</b>	<b>3,201,834,567.45</b>

## (4) Sales income received from the top 5 customers this period

Customer	Operating income	Proportion taking in total
Sichuan Changhong Electric Co. Ltd	630,121,729.39	11.51%
Suning Appliance Co., Ltd. Nanjing Purchase Center	466,576,189.72	8.52%
Guangxi Meiling House Apparatus Co., Ltd	65,373,326.63	1.19%
Buyang Meiling Appliance Marketing Co., Ltd	56,826,215.80	1.04%
Chongqing Yuao Electric Appliance Sales Co. Ltd	50,348,935.40	0.92%
<b>Total</b>	<b>1,269,246,396.94</b>	<b>23.18%</b>

## 35. Business tax and extra charges

Item	Amount for this period	Amount for same period of last year
Business tax	213,161.00	120,876.52
City construction tax	11,211,699.26	11,505,185.55
Extra charge for education	8,028,992.56	6,816,024.21
<b>Total</b>	<b>19,453,852.82</b>	<b>18,442,086.28</b>

## 36. Sales expense

Item	Amount for this period	Amount for same period of last year
Market support	332,026,794.94	317,792,258.09
Transport expenses	182,289,436.10	167,445,489.95
National three guarantees expense	66,726,845.17	55,112,304.06
Accrued expense of 10-year guarantee for county-oriented appliance	67,653,978.00	57,127,854.00
Salary and extra charges	71,641,628.47	131,115,249.44
Social insurance	6,232,141.96	3,787,319.55
House accumulation fund	1,804,929.55	1,383,945.35
Advertisement expenses	45,483,220.37	90,095,738.32
Air conditioner installation fee	95,697,936.42	35,410,966.66
Operation activities expenses	8,342,091.28	11,867,997.44
Exhibition expenses	27,735,395.97	40,162,599.21
Storage lease expenses	29,815,327.56	24,572,457.05



Traveling expenses	12,931,053.87	11,911,126.51
Meeting organization	6,662,076.03	9,967,074.67
House-lease expenses	4,999,637.90	4,427,552.38
Communication expenses	3,173,313.24	3,677,065.32
Vehicle consumption	3,412,457.85	3,548,840.18
Office expenses	1,517,758.02	2,207,881.28
Consumption of machinery materials	1,332,676.94	2,271,675.23
Depreciation expenses	1,683,199.36	1,605,377.60
Other expenses	9,813,654.78	10,908,466.55
<b>Total</b>	<b>980,975,553.78</b>	<b>986,399,238.84</b>

### 37. Administration expense

Item	Amount for this period	Amount for same period of
Salary and extra expenses	40,525,932.53	21,572,285.54
Amortized intangible assets	20,056,465.44	17,241,541.02
Dismission welfare	9,824,271.02	5,473,061.00
Social insurance and Public Housing Reserve Fund	11,673,885.96	9,656,324.18
Tax	9,222,727.52	7,667,470.25
Trial fee of R&D	7,131,665.02	4,953,844.93
Depreciation	7,745,818.63	4,443,207.51
Insection and authentication fee	1,962,781.39	1,268,710.76
Domestic travelling fee	1,841,605.79	1,315,021.21
Use chage of software	517,592.99	879,780.19
Business activities	1,759,396.51	770,211.49
Property insurance	1,566,730.34	1,321,035.32
Funds of Board	642,980.44	577,241.10
Office charge	1,738,572.15	828,747.62
Others	27,333,738.49	6,390,592.98
<b>Total</b>	<b>143,544,164.22</b>	<b>84,359,075.10</b>

Administration expense increased over the same period of last year mainly due to salary expenses increased in this period and the consolidation scope of consolidation statement added Meiling Group and its subsidiaries as well as joint marketing companies.

### 33. Financial expense

Item	Amount for this period	Amount for same period of last year
Interest expenditure	4,204,824.66	4,422,220.94
Less: Interest income	7,494,271.83	3,392,394.20
Add: exchange loss	1,093,505.60	4,716,418.74

Add: procedure charge expenditure	2,751,113.85	1,870,212.49
Add: discount expenditure	-16,991,034.30	-11,511,174.36
Add: other expenditure	1,195,220.44	-530,325.76
<b>Total</b>	<b>-15,240,641.58</b>	<b>-4,425,042.15</b>

Financial expenses decreased over the same period of last year mainly due to interests from raised capital increased and the cash discount amount from suppliers increased.

### 39.Assets depreciation reserves

Item	Amount for this period	Amount for same period of last year
Bad debt losses	20,768,659.31	11,105,398.62
Provision for falling price of inventory	2,328,940.97	4,424,470.56
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	-	124,500.00
Provision for devaluation of engineering materials	-	-
Provision for devaluation of construction in progress	-	-124,500.00
Provision for devaluation of productive biological asset	-	-
Provision for devaluation of oil asset	-	-
Provision for devaluation of intangible asset	-	-
Provision for devaluation of goodwill	-	-
<b>Total</b>	<b>23,097,600.28</b>	<b>15,529,869.18</b>

Assets depreciation reserves increased over the same period of last year mainly due to the bad debts provision and inventory devaluation provision accrued according to corporate accounting policy and the actual condition of accounts receivable and inventory of the Company, increased.

### 40.investment income

#### (1)Sources of investment income

Item	Amount for this period	Amount for same period of last year
Long-term equity investment income by cost method		4,360,593.46
Long-term equity investment income by equity method	-136,457.31	-1,738,998.66

Investment income from disposal of long-term equity investment	201,850.28	-
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
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	-	134,809,167.26
<b>Total</b>		<b>137,640,762.06</b>

Investment income decreased over the same period of last year mainly due to we sold financial asset available for sale, Keda Xunfei Stock last year thus got income while this year we had no this part of income.

(2) Long-term equity investment income by cost method

Item	Amount for this period	Amount for same period of	Remark
Chaohu Meiling Electrics Appliance Marketing Co., Ltd	267,003.27	-	

(3) Long-term equity investment income by equity method

Item	Amount for this period	Amount for same period of last year	Remark
Hefei Meiling Solar Energy Technology Co., Ltd.	-136,457.31	-	
United Technologies Equity Exchange Co., Ltd. Anhui	-	-764,088.90	
Hefei Meiling Packaging Co., Ltd.	-	-974,909.76	

(4) Investment income from disposal of financial assets available for sale: Nil

41. Non-operation revenue

(1) Details about non-operation revenue

Item	Amount for this period	Amount for same period of last year
Gains from disposal of non-current assets	10,974,329.05	2,550,725.51
Incl.: gains from disposal of fixed assets		2,550,725.51
gains from disposal of Intangible assets	10,940,815.31	-
Gains from debt restructuring		-
Gains from exchange of non-monetary capital		-
Gains from donation		-
Government subsidy	108,247,649.58	91,039,565.49

Allocation of deferred income	-	560,801.71
Income of penalty		157,530.61
Others		464,554.19
<b>Total</b>	<b>119,542,650.05</b>	<b>94,773,177.51</b>

RMB 625,334.42 of deferred income confirmed in this period together with annual report disclosure had been included in governmental subsidies and we won't list them singly.

(2)Details about government subsidy

Item	Amount for this period	Amount for same period of last year	Sources and accordance
Capital for keeping stable increase of foreign trade	513,874.00	-	Reward Policy for Promoting A Stable and Rapid Development of Industrial Economy
Transferred deferred income	625,334.42	560,801.71	
Subsidies for fixed assets	226,286.00	-	Issue the notice of usage plan for special capital for 2009 annual environmental protection in Hefei (the 2 <sup>nd</sup> series) (HH [2009] No. 157)
Subsidy in favor of energy-saving air conditioner	105,114,545.73	68,950,000.00	Notice of Finance department, NDRC [CJ(2009)] No. 213; Finance department, NDRC [CJ(2009)] No. 5 and No. 6;
Sporadic government incentives	989,300.00	2,046,431.56	Brand reward, specific subsidies for environmental protection, technology improvement reward and enterprise improvement reward
Tax return	326,353.18	665,204.93	
Subsidies for obsorption of re-innovation	451,956.25	-	
R & D Awards	-	16,047,100.00	
job subsidies for ifficult enterprise	-	1,649,700	
Post-disaster financial discount capital	-	1,125,600.00	
Grant for measurement instrument	-	90,900.00	
Reward for independent research project	-	400,000.00	
subsidies for return on export tax in the third quarter of 2009	-	64,629.00	
<b>Total</b>	<b>108,247,649.58</b>	<b>91,600,367.20</b>	

**42. Non-operating expenditure**

Item	Amount for this period	Amount for same period of last year
Loss from disposal of non-current assets	1,884,529.38	513,620.69
Incl.: loss from disposal of fixed assets	1,884,529.38	513,620.69
loss from disposal of Intangible assets	-	-
Loss from debt restructuring	-	-
Loss from exchange of non-monetary asset capital	-	-
External donation	-	14,947.27
Penalty and late fee	174,850.08	-
Others	83,949.02	-
<b>Total</b>	<b>2,143,328.48</b>	<b>528,567.96</b>

Non-operating expenses increased over the same period of last year mainly due to discard of fixed assets of this period increased.

**43. Income tax expenses**

Item	Amount for this period	Amount for same period of last year
Current income tax	44,148,538.56	48,698,374.92
Deferred Income Tax	-26,012,646.78	-8,396,979.87
<b>Total</b>	<b>18,135,891.78</b>	<b>40,301,395.05</b>

Income tax expenses decreased by RMB 22,165,503.27 over the same period of last year mainly due to the Company accrued quality service expense for 10-year of free maintenance for refrigerators going to the rural and staffs' retirement benefit thus the confirmed deferred income tax increased.

## Current income tax

Item	Amount
<b>Total consolidated profit this period</b>	<b>139,463,828.43</b>
Add: Combined offset	-6,144,091.46
Add: Amount increased by taxation adjustment	487,774,532.98
Less: Amount decreased by taxation adjustment	321,834,886.13
Add: Domestic deficit coverage by overseas taxable income	-
Less: Deficit coverage for previously years	309,860.86
Add: Deficit of subsidiary this year	-
<b>Amount of taxation income this period</b>	<b>298,949,522.96</b>
Including: 25% rate applicable	-10,181,519.69
15% rate applicable	309,131,042.65

Item	Amount
12.5% rate applicable	-
<b>Income tax paid this period</b>	<b>46,841,766.75</b>
Including: 25% rate applicable	472,110.35
15% rate applicable	46,369,656.40
12.5% rate applicable	-
Less: Deduction amount of income tax	-
Less: Offset amount of income tax	113,697.29
<b>Tax payable this period</b>	<b>46,728,069.46</b>
Add: Income tax payable for oversea's income	-
Less: Income tax offset for oversea's income	-
Add: Other adjustment factor	-2,579,530.90
<b>Current income tax</b>	<b>44,148,538.56</b>

#### 44. Calculation for basic earnings per share and diluted earnings per share

Item	Serials	Amount for this period	Amount for same period of last year
Net profit attributable to shareholders of parent company	1	126,157,996.21	218,616,696.38
Non-current gains and losses attributable to parent company	2	10,303,133.16	135,723,223.84
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	3=1-2	115,854,863.05	82,893,472.54
Total shares at the beginning of the year	4	530,374,449.00	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	-	-
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	6	6
Weighted average of ordinary shares issued	$12=4+5+6\times7\div11-8\times9\div11-10$	530,374,449.00	413,642,949.00
<b>Basic earnings per share(I)</b>	$13=1\div12$	0.2379	0.5285
<b>Basic earnings per share(II)</b>	$14=3\div12$	0.2184	0.2004
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	-	-
<b>Diluted earnings per share(I)</b>	$19= [ 1+(15-16)\times(1-17) ] \div(12+18)$	0.2379	0.5285
<b>Diluted earnings per share(II)</b>	$20= [ 3+(15-16)\times(1-17) ] \div(12+18)$	0.2184	0.2004

Basic earnings per share and diluted earnings per share decreased over the same period of last year mainly due to additional share sales of this year brought growth of total share capital of the Company, and we had no income from financial asset available for sale.

#### 45. Other comprehensive income

Item	Amount for this period	Amount for same period of last
1. gains (losses) arising from financial assets available for sale	-	-45,774.18
Less: affect of income tax arising from financial assets available for sale	-	-6,866.13
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period	-	105,412,229.69
Subtotal	-	-105,451,137.74
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	-	-
<b>Total</b>	<b>-</b>	<b>-105,451,137.74</b>

Other comprehensive income decreased over the same period of last year mainly due to the financial assets available for sale sold in the last year was calculated by fair value while in this period we had no such financial asset calculated by fair value.

#### 46. 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 period
Subsidies for energy-saving and benefiting people	105,114,545.73
Other received temporary accounts payable	38,095,454.27
Received deposit	3,161,124.49
Other income from governmental subsidies	2,168,018.25
Leasing income	2,024,494.16
Supporting expenses received by customers and services	1,776,243.22
Others	2,507,755.73
<b>Total</b>	<b>154,847,635.85</b>

2) Cash paid for other activities relating to operation

Item	Amount for this period
Market support fee paid	175,012,491.31
Advertisement paid	40,379,218.20
Installation fee paid	34,834,525.88
Water and electricity fee paid	33,251,082.04
Exhibition fee paid	18,648,473.20
Lease expenses paid for storage	13,250,735.56



Borrowings paid for staffs	12,745,457.00
Domestic business trip expenses paid	12,226,698.67
Delivery expenses paid for products	10,129,920.57
Expenses paid for business activities	8,932,831.03
Expenses paid for organization of meetings	6,616,725.40
Housing rent paid	4,228,946.55
Expenses paid for middle trial	4,016,925.12
Bus fare paid	3,829,857.00
Expenses for office business	3,146,872.14
Expenses paid for telephone	3,073,356.02
Expenses paid for verification and authentication	2,268,415.81
Insurance paid	2,179,030.83
Expenses paid for maintenance of equipments	2,139,858.21
Expenses paid for support for services	1,882,653.08
Medical expenses paid	1,811,556.07
Vehicles expenses paid	1,791,738.25
Information consultancy expenses paid	1,653,421.60
Other charge paid	15,488,515.88
Total	413,539,305.42

## 3) Cash received from other activities relating to investment

Item	Amount for this period
Interest income arising from bank savings	6,984,392.49
Deposit received from projects bid	896,370.00
<b>Total</b>	<b>7,880,762.49</b>

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: Nil.

## (2) Supplementary information about consolidated cash flow statement

Item	Amount for this period	Amount for same period of last year
<b>1 . Net profit is adjusted to cash flow of operation activities:</b>		
Net profit	121,327,936.65	218,939,825.45
Add: provision for depreciation of assets	23,097,600.28	15,529,869.18
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	60,809,710.71	61,524,991.55
Amortization of intangible assets	20,521,678.01	16,152,537.26
Amortization of long-term retained expense		300,000.00

Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with “-”)	-9,089,799.67	-1,704,426.03
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 “-”)	-15,240,641.58	1,268,294.65
Investment loss (gain is listed with “-”)	-332,396.24	-137,640,762.06
Decrease of deferred income tax assets (increase is listed with “-”)	-26,012,646.78	-8,396,979.87
Increase of deferred income tax liabilities (decrease is listed with “-”)	-	-18,609,024.30
Decrease of inventories (increase is listed with “-”)	-126,385,347.03	-207,036,484.71
Decrease of operational accounts receivable (increase is listed with “-”)	-1,632,961,065.03	-1,483,491,254.32
Increase of operational accounts payable (decrease is listed with “-”)	1,039,931,274.87	1,379,172,191.19
Others	-	-
Net cash flow arising from operation activities	-544,333,695.81	-163,991,222.01
<b>2. Significant investment and financing activities with no reference to cash collection and payment:</b>		
Debt convert to capital		-
Convertible bond due within one year		-
Fixed assets leased in by financing		-
<b>3. Net change in cash and cash equivalent:</b>		
Balance of cash at period-end	1,479,457,104.15	503,480,177.19
Less: Balance of cash at period-begin	1,986,440,504.29	747,572,445.88
Add: Balance of cash equivalent at period-end		-
Less: Balance of cash equivalent at period-begin		-
Net increase in cash and cash equivalent	-506,983,400.14	-244,092,268.69

## (3) Relevant information about acquiring or disposing subsidiaries or other operation units in previous years

Item	Amount for this period	Amount for same period of last year
Relevant information about acquiring subsidiaries or other operation units		
1. Price for acquiring subsidiaries or other operation units	1,647,467.25	-
2. Cash and cash equivalent paid for acquiring subsidiaries or other operation units	1,647,467.25	-
Less: Cash and cash equivalent held by subsidiaries or other operation units	668,779.28	-

3. Net cash paid for acquiring subsidiaries or other operation units	978,687.97	-
4. Acquiring net assets of subsidiaries	-	-
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
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	-	-
Less: Cash and cash equivalent held by subsidiaries or other operation units	-	-
3. Net cash received from disposing subsidiaries or other operation units	-	-
4. Disposing net assets of subsidiaries	-	-
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-

## (4) Cash and cash equivalent

Item	Amount for this period	Amount for same period of last year
Cash	1,479,457,104.15	503,480,177.19
Including: stock cash	1,836,692.45	182,525.20
Bank deposit available for payment at any time	1,124,042,167.14	236,348,632.63
Other monetary capital available for payment at any time	353,578,244.56	266,949,019.36
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	1,479,457,104.15	503,480,177.19
Including: restricted cash and cash equivalent used by parent company or subsidiaries	353,578,244.56	237,171,551.36

**47. 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 Shareholders' 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	Zhao Yong	20541230-8
Sichuan Changhong Electrical Group Co., Ltd.	Limited company	Mianyang	Manufacture and	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 period	Decrease during the period	Amount at period-end
Sichuan Changhong Electrical Appliance Co., Ltd.	2,847,317,127	711,829,282	-	3,559,146,409

## (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 period-end	Amount at year-begin	Ratio at period-end	Ratio at year-begin
Sichuan Changhong Electrical Appliance Co., Ltd.	130,553,267	130,553,267	24.62	24.62

## 2. the first and second class of subsidiary

## (1) subsidiaries

The first and second class of 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	Wang Yong	66748284-5
Jiangxi Meiling Electric Appliance LLC	Limited liability company	Jingde Town	Manufacture and sales	Wang Yong	57364516-4
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	Manufacture of home appliancee	Wang Yong	69573778-8

Sichuan Changhong Air Conditioner Co., Ltd.	Limited company	Mianyang	Manufacture of home appliancee	Li Jin	68236997-1
Zhongshan Changhong Appliance Co., Ltd.	Limited company	Zhongshan	Manufacture of home appliancee	Li Jin	728773292
Hefei Meiling Group Holding Co., ltd.	Limited company	Hefei	Manufacture of home appliancee	Wang Jiazhang	14918553-3
Hefei Meiling Home Appliances Industry and Trade Co., Ltd	Limited company	Hefei	Manufacture and sales	Jiang Changzhi	750970495
Hefei Maidstone Home Appliances Co., Ltd	Limited company	Hefei	Manufacture and sales	Jiang Changzhi	76900598-6
Meiling Yingkaite Home Appliance (Hefei) Co., Ltd	Limited company	Hefei	Manufacture and sales	Huang danian	76082307-7
Hefei Yingkaite Electric ApplianceCo., Ltd	Limited company	Hefei	Manufacture and sales	Liu shiqun	666245346
HefeiMeiling Environmental Packaging Material Co., Ltd	Limited company	Hefei	Manufacture and sales	Sun Qingfeng	77495478-0
HefeiMeiling Non-ferrous Metal Products Co., Ltd	Limited company	Hefei	Manufacture and sales	Huang danian	14911702-0
HefeiMeiling Precise Pipe IndustryCo., Ltd	Limited company	Hefei	Manufacture and sales	Wu Yong	75854571-7
HefeiMeiling Packaging ProductsCo., Ltd	Limited company	Hefei	Manufacture and sales	Huang danian	61030893-4
HefeiMeiling White Home Appliances MarketingCo., Ltd	Limited liability	Hefei	Manufacture and sales	Qin Tangzong	56897134-4
Xinxiang Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Xinxiang	Manufacture and sales	Qin Tangzong	55572305-0
LuoheMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Luohe	Manufacture and sales	Guo Gang	56648306-4
ChangchunMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Changchun	Manufacture and sales	Tang Yiliang	56392618-1
HengyangMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Hengyang	Manufacture and sales	Zhu Pu	56765228-8
WuhuMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Wuhu	Manufacture and sales	Cui Lianbing	56750847-0

BengbuMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Bengbu	Manufacture and sales	Cui Lianbing	56750904-3
NanchangMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Nanchang	Manufacture and sales	Zhu Pu	56629403-6
JingzhouMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Jingzhou	Manufacture and sales	Zhu Pu	56549519-4
Liu'anMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Liu'an	Manufacture and sales	Cui Lianbing	56753250-X
WuhanMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Wuhan	Manufacture and sales	Zhu Pu	56559357-9
ShijiazhuangMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Shijiazhuang	Manufacture and sales	Tang Yiliang	56891178-X
ZhengzhouMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Zhengzhou	Manufacture and sales	Guo Gang	56860761-4
GuiyangMeiling Electric Appliance Marketing Co., Ltd	Limited liability	Guiyang	Manufacture and sales	Fang Rongxin	56920577-2
FuzhouMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Fuzhou	Manufacture and sales	Zhu Pu	56928167-9
ShenyangMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Shenyang	Manufacture and sales	Tang Yiliang	56469998-8
ChengduMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Chengdu	Manufacture and sales	Fang Rongxin	56719153-0
MianyangMeiling Electric Appliance Marketing Co., Ltd	Limited liability	Mianyang	Manufacture and sales	Fang Rongxin	56764282-1
NanjingMeiling Electric Appliance Marketing Co., Ltd	Limited company	Nanjing	Manufacture and sales	Qin Tangzong	56722678-0
ChangshaMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Changsha	Manufacture and sales	Zhu Pu	56768891-8

TaiyuanMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Taiyuan	Manufacture and sales	Tang Yiliang	56847226-2
NantongMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Nantong	Manufacture and sales	Zou Wenhui	57038621-6
UrumqiMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Urumqi	Manufacture and sales	Fang Rongxin	56887356-8
Hangzhou Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Hangzhou	Manufacture and sales	Zou Wenhui	56877254-8
HarbinMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Harbin	Manufacture and sales	Tang Yiliang	57190675-4
ChaohuMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Chaohu	Manufacture and sales	Cui Lianbing	69739029-8
Huhhot Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Huhhot	Manufacture and sales	Tang Yiliang	56694949-3
Lanzhou Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Lanzhou	Manufacture and sales	Fang Rongxin	57160810-8
Neijiang Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Neijiang	Manufacture and sales	Fang Rongxin	57070719-8
BeijingMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Beijing	Manufacture and sales	Qin Tangzong	57324500-5
Xi'an Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Xi'an	Manufacture and sales	Fang Rongxin	57022777-6
Chongqing Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Chongqing	Manufacture and sales	Fang Rongxin	56991483-5
Shanghai Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Shanghai	Manufacture and sales	Zou Wenhui	56964771-4
Tianjin Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Tianjin	Manufacture and sales	Tang Yiliang	56932409-3

Guangzhou Meiling Electric Appliance Marketing Co., Ltd	Limited liability company	Guangzhou	Manufacture and sales	Zhu Pu	57404406-1
KunmingMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Kunming	Manufacture and sales	Fang Rongxin	56881940-6
JinanMeiling Electric Appliance Marketing Co., Ltd	Limited liability company	Jinan	Manufacture and sales	Qin Tangzong	57556057-8

## (2) Register capital and change thereof of subsidiaries

The first and second class of subsidiaries	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-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
Jiangxi Meiling Electric Appliance LLC	-	50,000,000.00	-	50,000,000.00
Mianyang Meiling Refrigeration Co., Ltd.	50,000,000.00	50,000,000.00	-	100,000,000.00
Hefei Meiling Appliance Marketing Co., Ltd.	55,000,000.00	-	-	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
HefeiMeilingHome Appliances Industry and TradeCo., Ltd	5,000,000.00	-	-	5,000,000.00
Hefei Maidstone Home Appliance Co., Ltd	3,980,000.00	-	-	3,980,000.00
Meiling Yingkaite Home Appliance (Hefei) Co., Ltd	24,793,100.00	-	-	24,793,100.00
Hefei Yingkaite Electric Appliance	12,000,000.00	-	-	12,000,000.00



HefeiMeiling Environmental Packaging Material Co., Ltd	800,000.00	-	-	800,000.00
HefeiMeiling Non-ferrous Metal Products Co., Ltd	24,286,800.00	-	-	24,286,800.00
HefeiMeiling Precise Pipe IndustryCo., Ltd	1,000,000.00	-	-	1,000,000.00
HefeiMeiling Packaging ProductsCo., Ltd	18,400,000.00	-	-	18,400,000.00
HefeiMeiling White Home Appliances MarketingCo., Ltd	-	6,000,000.00	-	6,000,000.00
XinxiangMeiling Electric Appliance Marketing Co., Ltd	3,500,000.00	-	-	3,500,000.00
LuoheMeiling Electric Appliance Marketing Co., Ltd	5,000,000.00	-	-	5,000,000.00
ChangchunMeiling Electric Appliance Marketing Co., Ltd	3,000,000.00	-	-	3,000,000.00
HengyangMeiling Electric Appliance Marketing Co., Ltd	3,000,000.00	-	-	3,000,000.00
WuhuMeiling Electric Appliance Marketing Co., Ltd	6,000,000.00	-	-	6,000,000.00
BengbuMeiling Electric Appliance Marketing Co., Ltd	3,000,000.00	-	-	3,000,000.00
NanchangMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
JingzhouMeiling Electric Appliance Marketing Co., Ltd	-	4,000,000.00	-	4,000,000.00
Liu'anMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
WuhanMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
ShijiazhuangMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
ZhengzhouMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
GuiyangMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00

FuzhouMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
ShenyangMeiling Electric Appliance	-	3,000,000.00	-	3,000,000.00
ChengduMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
MianyangMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
NanjingMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
ChangshaMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
TaiyuanMeiling Electric Appliance Marketing Co., Ltd	-	4,000,000.00	-	4,000,000.00
NantongMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
UrumqiMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Hangzhou Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
HarbinMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
ChaohuMeiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
Huhhot Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Lanzhou Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Neijiang Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
BeijingMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Xi'an Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Chongqing Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Shanghai Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
Tianjin Meiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00

Guangzhou Meiling Electric Appliance Marketing Co., Ltd	-	5,000,000.00	-	5,000,000.00
KunmingMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00
JinanMeiling Electric Appliance Marketing Co., Ltd	-	3,000,000.00	-	3,000,000.00

## (3)Shares held directly of subsidiary and its changes

The first and second class of subsidiaries	Amount of shares held		Shareholding ratio(%)	
	Amount at period-end	Amount at year-begin	Ratio at period-end	Ratio at year-begin
Zhongke MeilingLow Temperature TechnologyCo., Ltd	42,000,000.00	42,000,000.00	70.00%	70.00%
JiangxiMeilingZhilengCo., Ltd	36,000,000.00	36,000,000.00	90.00%	90.00%
JiangxiMeilingElectric ApplianceLLC	49,375,000.0	-	98.75%	-
MianyangMeilingZhilengLLC	95,000,000.00	45,000,000.00	95.00%	90.00%
HefeiMeiling Electric Appliance Marketing Co., Ltd	54,900,000.00	54,900,000.00	99.82%	99.82%
Sichuan Changhong Air-conditioner Co., Ltd	200,000,000.00	200,000,000.00	100.00%	100.00%
Zhongshan Changhong Electric ApplianceCo., Ltd	72,000,000.00	72,000,000.00	90.00%	90.00%
Hefei Meiling Group Holdings Co., Ltd	80,000,000.00	80,000,000.00	100.00%	100.00%
HefeiMeilingHome Appliances Industry and TradeCo., Ltd	5,000,000.00	5,000,000.00	100.00%	100.00%
Hefei Maidstone Home Appliance Co., Ltd	3,980,000.00	3,980,000.00	100.00%	100.00%
Meiling Yingkaite Home Appliance (Hefei) Co., Ltd	24,793,100.00	24,793,100.00	100.00%	100.00%
Hefei Yingkaite Electric Appliance Company	12,000,000.00	12,000,000.00	100.00%	100.00%
HefeiMeiling Environmental Packaging Material Co., Ltd	800,000.00	800,000.00	100.00%	100.00%
HefeiMeiling Non-ferrous Metal Products Co., Ltd	24,286,800.00	24,286,800.00	100.00%	100.00%
HefeiMeiling Precise Pipe IndustryCo., Ltd	1,000,000.00	1,000,000.00	100.00%	100.00%
HefeiMeiling Packaging ProductsCo., Ltd	9,520,000.00	9,520,000.00	48.28%	48.28%
HefeiMeiling White Home Appliances MarketingCo., Ltd	5,100,000.00	-	85.00%	-

XinxiangMeiling Marketing Co., Ltd	Electric Appliance	2,065,000.00	1,365,000.00	59.00%	39.00%
LuoheMeiling Co., Ltd	Electric Appliance	1,850,000.00	1,850,000.00	37.00%	37.00%
ChangchunMeiling Marketing Co., Ltd	Electric Appliance	2,910,000.00	2,910,000.00	97.00%	97.00%
HengyangMeiling Marketing Co., Ltd	Electric Appliance	1,230,000.00	1,080,000.00	41.00%	36.00%
WuhuMeiling Co., Ltd	Electric Appliance	2,160,000.00	2,160,000.00	36.00%	36.00%
BengbuMeiling Marketing Co., Ltd	Electric Appliance	2,550,000.00	2,550,000.00	85.00%	85.00%
NanchangMeiling Marketing Co., Ltd	Electric Appliance	1,080,000.00	-	36.00%	-
JingzhouMeiling Marketing Co., Ltd	Electric Appliance	2,400,000.00	-	60.00%	-
Liu'anMeiling Co., Ltd	Electric Appliance	1,800,000.00	-	36.00%	-
WuhanMeiling Co., Ltd	Electric Appliance	4,550,000.00	-	91.00%	-
ShijiazhuangMeiling Marketing Co., Ltd	Electric Appliance	1,080,000.00	-	36.00%	-
ZhengzhouMeiling Marketing Co., Ltd	Electric Appliance	1,080,000.00	-	36.00%	-
GuiyangMeiling Marketing Co., Ltd	Electric Appliance	780,000.00	-	26.00%	-
FuzhouMeiling Marketing Co., Ltd	Electric Appliance	2,970,000.00	-	99.00%	-
ShenyangMeiling Marketing Co., Ltd	Electric Appliance	2,844,000.00	-	94.80%	-
ChengduMeiling Marketing Co., Ltd	Electric Appliance	4,170,000.00	-	83.40%	-
MianyangMeiling Marketing Co., Ltd	Electric Appliance	2,600,000.00	-	52.00%	-
NanjingMeiling Marketing Co., Ltd	Electric Appliance	2,970,000.00	-	99.00%	-
ChangshaMeiling Marketing Co., Ltd	Electric Appliance	1,800,000.00	-	36.00%	-
TaiyuanMeiling Marketing Co., Ltd	Electric Appliance	1,590,000.00	-	39.75%	-
NantongMeiling Marketing Co., Ltd	Electric Appliance	1,740,000.00	-	58.00%	-

UrumqiMeiling Marketing Co., Ltd	Electric	Appliance	2,700,000.00	-	90.00%	-
Hangzhou Meiling Marketing Co., Ltd	Electric	Appliance	2,655,000.00	-	88.50%	-
HarbinMeiling Co., Ltd	Electric	Appliance	1,080,000.00	-	36.00%	-
ChaohuMeiling Marketing Co., Ltd	Electric	Appliance	2,500,000.00	1,000,000.00	50.00%	18.00%
Huhhot Meiling Marketing Co., Ltd	Electric	Appliance	1,650,000.00	-	55.00%	-
Lanzhou Meiling Marketing Co., Ltd	Electric	Appliance	1,215,000.00	-	40.55%	-
Neijiang Meiling Marketing Co., Ltd	Electric	Appliance	2,400,000.00	-	80.00%	-
BeijingMeiling Marketing Co., Ltd	Electric	Appliance	2,970,000.00	-	99.00%	-
Xi'an Meiling Co., Ltd	Electric	Appliance	1,830,000.00	-	61.00%	-
Chongqing Meiling Marketing Co., Ltd	Electric	Appliance	2,550,000.00	-	85.00%	-
Shanghai Meiling Marketing Co., Ltd	Electric	Appliance	2,970,000.00	-	99.00%	-
Tianjin Meiling Marketing Co., Ltd	Electric	Appliance	2,565,000.00	-	85.50%	-
Guangzhou Meiling Marketing Co., Ltd	Electric	Appliance	4,300,000.00	-	86.00%	-
KunmingMeiling Marketing Co., Ltd	Electric	Appliance	1,395,000.00	-	46.50%	-
JinanMeiling Co., Ltd	Electric	Appliance	1,080,000.00	-	36.00%	-

## 3. Joint enterprises and affiliated enterprises

Invested units	Type of entity	Place of registration	Nature of business	Legal representative	Registered capital	Shareholding ratio	Organization code
Joint-ventures(nil)							
Associates							
Hefei Xingmei Assets Management Co., Ltd	Limited company	Hefei	Real estate management, leasing	Huang Youzhi	1 million	48.28%	57851196-6
HefeiMeiling Technology LLC	Limited company	Feidong County	Manufacture and sales	Ren Sheming	9.5 million	32.751%	73733490-2

**4. Other related parties**

Type of relation	Related parties	Main business	Organization code
<b>Other enterprises under control from the same parent company or terminal controller</b>			
	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.,	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	Sales	667483178
	Kunming Yijiahong Trade Co., Ltd.	Sales	67656328-4
	Lejiayi Chain Management Co., Ltd.	Sales	66535156-9
	Mianyang Hongfa Mould Design Manufacture	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
	Sichuan Hongshi Display Technology Limited	Sales	66968647-0
	Sichuan Hongxin Software Co., Ltd.	Purchase ,labor	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	Purchase	795816686
	Sichuan Changhong International Hotel Co., Ltd.	Sales	720818652
	Sichuan Changhong Jijia Precise Co., Ltd.	Purchase , Sales	793998375
	Sichuan Changhong Precise Electrical	Purchase, Sales	79399836-7
	Sichuan Changhong Minsheng Logistics Limited	Transportation,	79785892-7
	Sichuan Changhong Mould Science &	Purchase , Sales	782291526
	Sichuan Changhong Equipment Science &	Purchase	793998359
	Sichuan Changhong Xinrui Science &	Purchase	66276762-2
	Sichuan Changhong New Energy Science &	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.,	Purchase	69226840
	Chongqing Hong Life Trade Co., Ltd.	Sales	69226840
	081 Electronic Group Sichuan Liyuan Electronic	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.,	Sales	66744793
	Sichuan Hongyu Metal Production Co., Ltd.	Purchase	665361804
<b>Associates of controlling shareholders and actual controllers</b>			
	BVCH Optronics (Sichuan) Corp	Purchase	69226840-2
	Sichuan Jinghong Packing Product Co.,Ltd.	Purchase	779814584
	Sichuan Changhe Science & Technology Co.,	Purchase	777909555
	Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchase , Sales	779841582
<b>Joint-ventures and associates</b>			
	Guangyuan Meiling Electric Appliance	Sales	69915460-0
	ChangzhouMeiling Electric Appliance Marketing	Sales	55026803-6
	Guangxi MeilingHomeElectric ApplianceCo.,	Sales	55225094-8
	Haozhou Meiling Electric Appliance Marketing	Sales	69896652-7
	Xuancheng Meiling Electric Appliance	Sales	55631828-4
	Jiujiang Meiling Electric Appliance Marketing	Sales	69609608-9
	Buyang Meiling Electric Appliance Marketing	Sales	56635286-5

**(II) Related transaction**

## 1. Purchase commodities

Type of related parties and names of related parties	Amount of this period		Amount of same period of last year	
	Amount (RMB '0000)	Proportion (%)	Amount (RMB '0000)	Proportion (%)
<b>parent company and terminal controller</b>				
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	4,325.87	0.79	3,665.57	0.94
<b>Other enterprises under control from the same parent company or terminal</b>				
Including: Sichuan Changhong Minsheng Logistics Co., Ltd	-	-	2,859.19	0.74
Huayi Compressor Co., Ltd.	27,599.97	5.07	20,457.92	5.27
Sichuan Changhong Mould Science & Technology Co., Ltd.	22,273.94	4.09	11,292.04	2.91
Sichuan Changhong Jijia Precise Co. Ltd	6,469.11	1.19	8,973.03	2.31
Sichuan Hongxin SoftwareCo., Ltd	-	-	70.00	0.02
Mianyang Hongfa Mould Design Manufacture Co., Ltd.	3.52	0.00	10.59	0.00
Sichuan Changhong Packing Business Limited	1,380.62	0.25	1,618.73	0.42

Type of related parties and names of related parties	Amount of this period		Amount of same period of last year	
	Amount (RMB '0000)	Proportion (%)	Amount (RMB '0000)	Proportion (%)
Sichuan Changhong Power Supply Limited	-	-	0.39	0.00
Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	2,118.58	0.39	1,886.66	0.49
Sichuan Changhong Precise Electrical Technology Limited Company	86.83	0.02	119.53	0.03
Sichuan Changhong Equipment Science & Technology Co., Ltd.	1,315.90	0.24	1,083.60	0.28
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd.	526.56	0.10	-	-
Sichuan Changhong New Energy Technology Co., Ltd	39.70	0.01	30.14	0.01
Sichuan Liyuan Electronic Co., Ltd	-	-	375.08	0.10
Mianyang Hongrun Electricals Co., Ltd.	724.98	0.13	-	-
Guangdong Changhong Electricals Co., Ltd.	46.76	0.01	1.05	0.00
Zhongshan Guanghong Mould & Plastic Science & Technology Co., Ltd.	31.97	0.00	10.7	0.00
<b>Associates of controlling shareholders and actual controllers:</b>				
Including: Sichuan Changhe Science & Technology Co., Ltd.	78.47	0.01	79.40	0.02
Sichuan Changxin Refrigeration Parts Co., Ltd.	8,227.50	1.51	238.83	0.06
Sichuan Jinghong Packing Product Co., Ltd.	1,697.76	0.31	413.61	0.11
Sichuan Hongyu Metal Manufacture LLC	45.79	0.01	35.25	0.01
<b>Total</b>	<b>76,993.83</b>	<b>14.13</b>	<b>55,699.25</b>	<b>14.34</b>

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	Amount of this period	Amount of same period of last year
--	-----------------------	------------------------------------



	Amount	Ratio	Amount	Ratio
<b>parent company and terminal controller</b>				
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	62,871.58	11.49	57,743.39	12.62
<b>Other enterprises under control from the same parent company or terminal controller</b>				
Including: PT.CHANGHONG ELECTRIC IND	48.33	0.01	3,043.97	0.67
Sichuan Changhong Jijia Precise Co., Ltd.	2,102.69	0.38	2,152.78	0.47
Sichuan Changhong Mould Science & Technology Co., Ltd.	5,290.03	0.97	4,013.21	0.88
Sichuan Hongshi Display Technology Limited	105.59	0.02	-	-
Mianyang Lejiayi Trade Chain Co.,Ltd.	464.51	0.08	95.35	0.02
Jiangxi Changhong Electrical Technology Development Co., Ltd.	-	-	6.76	0.00
Sichuan Changhong Precise Electronic TechnologyCo.,	-	-	125.87	0.03
Sichuan Changhong Xinrui TechnologyCo., Ltd	167.59	0.03	62.61	0.01
Sichuan Changhong International Hotel Co.,	26.41	0.00	0.39	0.00
Chongqing Hong Life Trade Co., Ltd.	82.11	0.02	25.25	0.01
Huayi Compressor Co., Ltd.	2.74	0.00	-	-
Sichuan Changhong Equipment Science &	-	-	13.33	0.00
Kunming Yijiahong Trade Co., Ltd.	-	-	5.93	0.00
Sichuan Changhong Electrical System Limited	-	-	3.09	0.00
Fuzhou Lejiayi Trade Co., Ltd.	0.20	0.00	-1.05	0.00
Tianjin Lejiayi Trade Co., Ltd.	1.65	0.00	-	-
Sichuan Hong'ou Display Co., Ltd.	-	-	458.59	0.10
Sichuan Changhong New Energy Science &	41.09	0.01	-	-
Sichuan Changhong Packaging Publishing Co.,	0.38	0.00	10.95	0.00
Guangdong Changhong Electronic Co., Ltd	-	-	47.60	0.01
Guangdong Changhong Digital TechnologyCo., Ltd	-	-	3.92	0.00
Sichuan Changhong Minsheng Logistics LLC	23.85	0.00	18.46	0.00
Sichuan Changhong Dongyuan Precise Equipments	-	-	0.44	0.00
Wandao Network TechnologyCo., Ltd	113.53	0.02	-	-
Changzhi Opto-electrical (Sichuan ) Co., Ltd	30.00	0.01	-	-
Sichuan Changhong Gerun Renewable Resource Co.,	13.53	0.00	-	-
Changhong Electric Appliance (Austria) Co., Ltd	1,012.98	0.19	221.03	0.05
Sichuan Kuaiyidian Electric ApplianceService Chain	264.84	0.05	0.38	0.00
Zhongshan Guanghong Mould Plastic TechnologyCo.,	27.19	0.00	10.00	0.00
<b>Joint-ventures and associates</b>				
Guangyuan Meiling Apparatus marketing Co.,	1,318.83	0.24	1,386.35	0.30
Changzhou Meiling Apparatus marketing Co.,	1,149.93	0.21	636.63	0.14

Guangxi Meiling Apparatus marketing Co.,	7,642.73	1.40	939.60	0.21
Haozhou Meiling Apparatus marketing Co., Ltd.	2,161.30	0.39	1,671.99	0.37
Xuancheng Meiling Apparatus marketing Co.,	2,247.09	0.41	-	-
Jiujiang Meiling Apparatus marketing Co., Ltd.	4,123.74	0.75	1,716.17	0.38
Buyang Meiling Electric Appliance Marketing Co., Ltd	6,561.33	1.20	-	-
<b>Total</b>	<b>97,895.77</b>	<b>17.88</b>	<b>76,836.06</b>	<b>16.79</b>

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
Hefei Meiling Co., Ltd.	Sichuan Changhong Mould Plastic technology Co., Ltd.	Injection mold plant of 6885 m <sup>2</sup> , steel-made shed of 4590 m <sup>2</sup>	3,146,929.72
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Pricise Co., Ltd.	Sheet metal plant of 3240 m <sup>2</sup>	2,648,088.00
Sichuan Changhong Minsheng Logistics Limited Company	Mianyang Meiling Refrigeration Co., Ltd.	620#、621#、622# Plant of Puming District, totally 51,615m <sup>2</sup> 7.8 yuan per month per square	26,669,311.34
Sichuan Changhong Electric Appliance Holdings Co., Ltd	Sichuan Changhong Air-conditioner Co., Ltd	Total areas of plants, warehouses and public houses is 72231 square meters	81,516,899.89
Sichuan Changhong Electronic Group Co., Ltd	Harbin Meiling Electric Appliance Marketing Co., Ltd	Office places	7,690,671.80
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Electronic Co., Ltd.	Office building	6,582,644.93
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Digital Technology Co., Ltd.	Office building	6,582,644.93
Zhongshan Changhong Appliance Co., Ltd.	Sichuan Changhong Minsheng Logistics Limited Company, Zhongsahn Branch	Office building	6,582,644.93
Zhongshan Changhong Electric Appliance Co., Ltd	Sichuan Kuaiyidian Electric Appliance Service Chain Co., Ltd	Office building	6,582,644.93
<b>Total</b>			<b>148,002,480.47</b>

(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
------------------------	---------------------------------	-------------------------	---	---

2011-1-1	2011-12-31	1,294,380.00	Plant leasing contract	Amount was small such that no material influence arised
2011-1-1	2011-12-31	466,560.00	Plant leasing contract	Amount was small such that no material influence arised
2011-1-1	2011-12-31	2,415,582.00	The signed leasing contract: 7.8 yuan/M2 per month	All the plants of the Company are leased to Changhong Minsheng Logistics
2011-1-1	2011-12-31	5,899,077.12	In the light of contract, the counterpart issues calculation settle invoice	Expenses increased in this period may add the cost
2011-1-1	2011-12-31	80,000.00	Lease contract	Amount was small such that no material influence arised
2011-1-1	2011-12-31	442,701.66	RMB10.96 / m <sup>2</sup> monthly	Amount was small such that no material influence arised
2011-1-1	2011-12-31	84,442.92	RMB10.96 / m <sup>2</sup> monthly	Amount was small such that no material influence arised
2011-1-1	2011-12-31	18,281.76	RMB10.96 / m <sup>2</sup> monthly	Amount was small such that no material influence arised
2011-1-1	2011-12-31	15,547.74	10.96 yuan per square meter	Amount was small such that no material influence arised
<b>Total</b>		<b>10,716,573.20</b>		

## 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	80,000,000	2010-6-1	2011-5-31	No
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited	10,000,000	2010-6-8	2011-6-8	Yes
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited	8,000,000	2010-8-1	2011-8-1	No
Hefei Meiling Co., Ltd.	Zhongke Meiling Cryogenics Limited	12,000,000	2010-8-1	2011-8-1	No
HefeiMeilingHoldingsCo., Ltd	Zhongshan Changhong Electric	50,000,000	2011-4-11	2012-4-10	No
HefeiMeilingHoldingsCo., Ltd	HefeiMeiling Non-ferrous Metal Products Co., Ltd	17,000,000	2011-6-10	2012-6-10	No
HefeiMeilingGroup	Meiling Yingkaite Home Appliance	10,000,000	2010-3-22	2011-3-22	Yes
HefeiMeilingGroup	Meiling Yingkaite Home Appliance	4,000,000	2009-6-22	2012-6-22	No
HefeiMeilingGroup	Hefei Yingkaite Electric	2,000,000	2009-6-22	2012-6-22	No
HefeiMeilingGroup	HefeiMeiling Packaging ProductsCo.,	10,000,000	2010-7-9	2011-7-9	No
HefeiMeilingGroup	HefeiMeiling Precise Pipe	3,500,000	2010-2-24	2011-2-24	Yes
HefeiMeilingGroup	HefeiMeiling Non-ferrous Metal Products Co., Ltd	2,000,000	2009-3-30	2011-3-30	Yes
HefeiMeilingGroup	HefeiMeiling Non-ferrous Metal Products Co., Ltd	8,050,000	2010-4-9	2011-4-9	Yes
Zhongke Meiling Low Temperature Technology LLC	HefeiMeilingHoldingsCo., Ltd	30,000,000	2010-6-8	2012-6-8	No

Sichuan Changhong Air-conditioner Co., Ltd.	HefeiMeilingHoldingsCo., Ltd	80,000,000	2010-6-15	2012-6-15	No
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	50,000,000	2010-7-30	2011-7-29	No
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	35,000,000	2009-5-19	2011-5-19	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	210,000,000	2009-1-4	2011-1-4	Yes
Sichuan Changhong Electrical Group Co., Ltd.	Hefei Meiling Co., Ltd.	80,000,000	2010-5-15	2012-5-15	No
<b>Total</b>		<b>701,550,000</b>			

(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 Jun. 1, 2010 to Mar. 31, 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, and letter of credit agreement/ guarantee agreement, financing agreement in trading. Till the end of Jun. 30, 2011, the bank acceptance bill undue issued in ceiling guarantee amounting to RMB 37,876887.62. (note: this guarantee contract had been due, but the bank acceptance hadn't been due, so the guarantee responsibility will be fulfilled till the bank acceptance was due and cancelled automatically.)

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 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 23905.35M<sup>2</sup>. Till the end of Jun. 30, 2011, Zhongke Meiling no events happened concerning the loans agreed in contract.

(3) 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 Jun. 30, 2011, Zhongke Meiling no events happened concerning the loans agreed in contract.

(4) 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 Jun. 30, 2011, no events happened concerning related agree in contract.

(5) On Apr. 11 of 2011, the Company signed the Guarantee Contract with the Highest Amount with China Commercial and Industrial Holdings Co., Ltd Zhongshan Nantou Branch ( 2011 Zi[20110214G] No. [6P023P01]) . The amount on the contract was RMB 50 million and the debtor (guarantee) was Zhongshan Changhong Electric ApplianceCo., Ltd. The guarantee period lasts from Apr. 11 of 2011 to Apr. 10 of 2020 and the guarantee scope of the contract includes main principal under the main contract claims, interest, compound interest, penalty, penal sum, damages, costs and claims of creditors to achieve all other fees payable, including but not limited to legal fees, arbitration fees, property preservation fees, appraisal fee etc. Till Jun. 30 of 2011, Zhongshan Changhong Electric ApplianceCo., Ltd had no guarantees relevant to the contract.

(6) On Jun. 1 of 2011, the Company signed the Contract on the Highest Amount (2011 BZi No. 02004) with Merchants Bank Hefei Big East Gate Branch. Amount on the contract is RMB 17 million and the debtor (guarantee) is HefeiMeiling Non-ferrous Metal Products Co., Ltd. The guarantee period lasts from Jun. 1 of 2011 to Jun. 1 of 2020 and the guarantee scope of the contract includes main principal under the main contract claims, interest, compound interest, penalty, penal sum, damages, costs and claims of creditors to achieve all other fees payable, including but not limited to legal fees, arbitration fees, property preservation fees, appraisal fee etc. Till Jun. 3 of 2011, HefeiMeiling Non-ferrous Metal Products Co., Ltd had no guarantees relevant to the contract.

(7) 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, artribution charge, property security charge and evaluation expenses etc. Till end of Jun. 30, 2011, the Company have RMB 50 million borrowed.

(8) 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.

(9) guarantee the MeilingGroup Company offered to its subsidiaries as follows:

Subsidiaries	Banks	Number of guarantee contract	Amount of loan (RMB '0000)	Beginning date	Ending date
Yingkaite Home Appliance	Hefei Agricultural and Technology Bank	0109342010120002	1,000.00	2010-3-22	2011-3-22
	Merchant Bank of Anhui		400.00	2009-6-22	2012-6-22
Yingkaite Electric Appliance	Merchant Bank of Anhui	622001	200.00	2009-6-22	2012-6-22
Packaging Products	Hefei Agricultural and	2010005	1,000.00	2010-7-9	2011-7-9

	Technology Bank			
<b>Total</b>		<b>2,600.00</b>		

## 5.Fixed assets purchased from related parties

Parties offering sales of assets	Amount of this period	Amount of this period of last year
Sichuan Changhong Electrical Appliance Co.,Ltd.	-	9,712,803.15
Sichuan Hongxin Software Co., ltd.	840,000.00	4,230,000.00
<b>Total</b>	<b>840,000.00</b>	<b>13,942,803.15</b>

## 6.Receive labor services

Labor services providers	Amount of this period	Amount of this period of last year
Sichuan Hongxin Software Co., ltd.	400,000.00	1,580,000.00
Sichuan Changhong Minsheng Logistics Limited Company	3,129,011.66	-
Sichuan Kuaiyidian Appliance Service Chain Co., Ltd.	29,722,014.22	12,076,661.19
Sichuan Jiahong Industrial Co., Ltd.	70,462,292.20	22,038,865.74
<b>Total</b>	<b>103,713,318.08</b>	<b>35,695,526.93</b>

## 7.Water &amp; power supply

Related parties (receivers)	Amount of this period	Amount of this period of last year
Guangdong Changhong Electrical Co.,Ltd.	260,666.19	638,946.87
Guangdong Changhong Digital Technology Co., Ltd.	57,631.71	53,298.48
Lejiayi Chain Management Co., Ltd.	-	2,646.13
Sichuan Changhong Minsheng Logistics Limited Company	13,141.52	-
Sichuan Kuaiyidian Appliance Service Chain Corp	1,541.42	4,400.20
<b>Total</b>	<b>332,980.84</b>	<b>699,291.68</b>

## 8.Water &amp; power acceptance

Related parties (suppliers)	Amount of this period	Amount of same period of last year
Sichuan Changhong Electric Appliance Holdings Co., Ltd	3,373,000.00	3,331,300.00
<b>Total</b>	<b>3,373,000.00</b>	<b>3,331,300.00</b>

## (III)Exchange balance of related parties

## 1. Accounts receivable of related parties

Related parties(items )	Amount at period-end	Amount at year-begin
<b>Parent company and terminal controller</b>		
Including: Sichuan Changhong Electrical Appliance Co.,Ltd.	-	417,189.59
<b>Joint-venture and associates</b>		
Guangyuan Meiling Electric Appliance Marketing Co., Ltd	76,970.81	-
Changzhou Meiling Electric Appliance Marketing Co., Ltd	5,522,518.12	-
Guangxi Meiling Home Electric Appliance Co., Ltd	10,393,359.04	-

Haozhou Meiling Electric Appliance Marketing Co., Ltd	308,901.61	-
Xuancheng Meiling Electric Appliance Marketing Co., Ltd	2,265,131.95	-
Jiujiang Meiling Electric Appliance Marketing Co., Ltd	2,890,757.48	-
Buyang Meiling Electric Appliance Marketing Co., Ltd	124,749,472.73	-
<b>Other enterprises under control from the same parent company or terminal controller</b>		
Including: Sichuan Hongshi Display Technology Limited	1,190,360.00	920,850.04
Sichuan Changhong Mould Science & Technology Co., Ltd.	8,190,580.30	1,673,830.47
Sichuan Changhong Minsheng Logistics LLC	39,755.00	-
Sichuan Changhong Precise Technology Co., Ltd	233,280.00	0.04
Sichuan Changhong New Energy Technology Co., Ltd	50,000.00	-
Changhong Appliance (Australia) Co., Ltd.	5,825,870.65	5,620,947.31
Jiangxi Changhong Electrical Science & Technology	267,550.00	267,550.00
Sichuan Changhong Xinrui Science & Technology Co., Ltd.	888,592.33	-
PT.CHANGHONG ELECTRIC IND	14,495,379.87	9,554,424.01
CHANGHONG ELECTRIC MIDDLE	11,096,258.81	-
Huayi Compressor Co., Ltd.	32,000.00	8,550.50
Guangdong Changhong Digital Technology Co., Ltd.	-	32,663.28
Sichuan Changhong Electronic System Co., Ltd	-	140.00
Sichuan Changhong Dongyuan Precise Equipments Co., Ltd	4,744.87	3,624.87
Sichuan Changhong International Hotel LLC	29,522.60	772.00
Sichuan Changhong Equipments Technology Co., Ltd	-	9,032.08
Guangdong Changhong Electronic Co., Ltd	-	149,647.15
Sichuan Hong'ou Display Equipments Co., Ltd	920,850.04	-
Sichuan Kuaiyidian Electric Appliance Service Chain Co., Ltd	1,189,588.24	-
Chongqing Hong Life Trade Co., Ltd	-	25,499.24
<b>Associated enterprises of controlling shareholders and actual controller</b>		
Changzhi Opto-electrical (Sichuan) Co., Ltd	175,500.00	-
<b>Total</b>	<b>190,836,944.45</b>	<b>18,684,720.58</b>

## 2. Account received in advance from relate parties

relate parties (item)	Amount at period-end	Amount at year-begin
<b>parent company and terminal controller</b>		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	65,946,822.83	26,888,716.12
<b>Other enterprises under control from the same parent company or terminal controller</b>		
Including: Mianyang Lejiayi Trade Chain Co., Ltd	2,108,077.45	7,272.65
Sichuan Changhong Precise Electronic Technology Co., Ltd	0.32	0.32
Sichuan Changhong Equipments Technology Co., Ltd	0.33	-

Changhong (Hong Kong) Trade Co., Ltd	25,085.34	27,207.44
Wandao Network Technology Co., Ltd	178,605.00	-
Chongqing Hong Life Trade Co., Ltd	45,302.00	-
Sichuan Changhong Gerun Renewable Resource Co., Ltd	18,435.81	-
Sichuan Changhong Electronic System Co., Ltd	0.40	-
<b>Joint-ventures and associates</b>		
Guangyuan Meiling Electric Appliance Marketing Co., Ltd	1,607,114.72	1,557,229.34
Changzhou Meiling Electric Appliance Marketing Co., Ltd	2,104,142.29	1,136,429.92
Guangxi Meiling Home Electric Appliance Co., Ltd	4,957,230.94	7,006,456.41
Haozhou Meiling Electric Appliance Marketing Co., Ltd	3,536,981.45	5,379,577.56
Xuancheng Meiling Electric Appliance Marketing Co., Ltd	7,127,248.51	-
Jiujiang Meiling Electric Appliance Marketing Co., Ltd	4,458,533.78	2,816,604.93
Buyang Meiling Electric Appliance Marketing Co., Ltd	13,777,003.84	-
<b>Total</b>	<b>105,890,585.01</b>	<b>44,819,494.69</b>

### 3. Account payable from related parties

relate parties (item)	Amount at period-end	Amount at year-begin
<b>parent company and terminal controller</b>		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	38,229,352.68	14,015,465.54
<b>Other enterprises under control from the same parent company or terminal controller</b>		
Including: Sichuan Changhong Mould Science & Technology Co., Ltd.	76,765,966.03	16,299,399.33
Huayi Compressor Co., Ltd.	45,693,442.48	63,759,612.42
Sichuan Changhong Jijia Precise Co., Ltd.	100,245,098.14	20,100,585.19
Sichuan Changhong Minsheng Logistics Limited Company	7,423,168.11	7,004,311.26
Sichuan Changhong Packing Business Limited	7,561,031.23	4,423,111.53
Sichuan Changhong Equipment Science & Technology Co., Ltd.	11,510,531.17	3,563,127.38
Mianyang Hongrun Electricals Co., Ltd.	4,054,972.61	521,304.38
Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	2,504,389.08	11,546,641.93
Sichuan Changhong Precise Electrical Technology Limited Company	989,543.09	289,475.43
Sichuan Changhong New Energy Science & Technology Co., Ltd.	175,556.16	83,478.47
Guangdong Changhong Electricals Co., Ltd.	47,239.05	-
Sichuan Hongxin Software Co., Ltd.	20,000.00	391,397.25
Sichuan Changhong Power Supply Limited	25,398.14	20,795.96
Sichuan Changhe Technology Co., Ltd	254,964.21	-
Sichuan Jinghong Packaging Products Co., Ltd	8,650,776.35	-
Sichuan Kuaiyidian Electric Appliance Service Chain Co., Ltd	9,503,763.75	-
Sichuan Hongyu Metal Manufacture LLC	367,206.51	126,111.00
081 Electronic Group Sichuan Liyuan Electronic Co., Ltd	1,207,270.10	457,707.51
Sichuan Changxin Zhileng Components Co., Ltd	20,239,712.08	-



Zhongshan Guanghong Mould Plastic Technology Co., Ltd	34,911.36	-
<b>Associates of controlling shareholders and actual controllers:</b>		
Including: Sichuan Changxin Refrigeration Parts Co., Ltd.	6,367,619.86	14,577,542.34
Sichuan Jinghong Packing Product Co., Ltd.	5,957,612.73	4,371,986.63
Sichuan Changhe Science & Technology Co., Ltd.	529,911.70	430,463.41
<b>Total</b>	<b>348,359,436.62</b>	<b>161,982,516.96</b>

## 4. Prepaid accounts for related parties

related parties (items)	Amount of period-end	Amount of year-begin
<b>parent company and the final controller</b>		
Including: Sichuan Changhong Electric Appliance Holdings Company	100,000.00	-
<b>Total</b>	<b>100,000.00</b>	<b>-</b>

## 5. Other account payable of related parties

related parties (item)	Amount at period-end	Amount at year-begin
<b>parent company and terminal controller</b>		
Including: Sichuan Changhong Electrical Appliance Co., Ltd.	2,647,627.55	605,555.10
<b>Other enterprises under control from the same parent company or</b>		
Including: Sichuan Changhong Minsheng Logistics Limited Company	1,874,584.26	3,659,909.36
Sichuan Changhong Mould Science & Technology Co., Ltd.	320,000.00	320,000.00
Sichuan Changhong Dongyuan Precise Equipments Co., Ltd	500,000.00	-
Sichuan Changhong Gerun Renewable Resource Co., Ltd	10,000.00	-
Sichuan Changhong Precise Technology Co., Ltd	170,000.00	170,000.00
<b>Affiliated enterprises of holding shareholders and actual controller</b>		
Sichuan Changhe Technology Co., Ltd	-	50,000.00
<b>Total</b>	<b>5,522,211.81</b>	<b>4,805,464.46</b>

**X. Contingent proceedings**

(I) Pending action or possible liabilities formed from arbitration: Nil

(II) Possible liabilities from guarantees for related parties: Nil

Besides the above contingencies, till Jun. 30, 2011, the Company had no other major contingencies.

**XI. Commitments**

Till Jun. 30 of 2011, no more significant commitments occurred in the Company.

**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:

Audited by Shinewing CPAs, net profit of respective statement of parent company in 2010 was RMB 327,015,262.81. The statement of parent company withdrew RMB 32,701,526.28 of surplus accumulation fund and the 2009 annual shareholders' meeting agreed to make up for RMB 38,211,546.96 of losses of the previous year with the surplus accumulation fund. And then accumulated retained profit of respective statement of parent company reached RMB 293,529,748.86.

In the light of relevant rules of laws and articles of association, considering shareholders' interest and demands for future development of the Company, we agreed to give more 2 shares per 10 shares and send cash dividend RMB 0.5 (tax included) which totalled RMB 132,593,612.25 (taking up 45.17% of 2010 annual profit available for distribution by shareholders) to all the shareholders based on the total capital share 530,374,449 shares on Dec. 31 of 2010. The remained profit will be distributed in future years after carryover.

The preplan about 2010 annual profit distribution had been reviewed and passed in the 2010 annual shareholders' meeting on Jun. 20 of 2011. The Company will conduct the profit distribution in accordance with relevant rules.

(X) Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

### XIII. Segment information (Unit: RMB'0000)

Items	Refrigerat or and	Air-conditi oner	Washing machine	Other	Offset	Total
Operation income	389,657.38	170,198.07	2,155.13	54,818.28	57,372.73	559,456.13
Including: income from external	345,314.54	169,051.33	164.48	44,925.78	-	559,456.13
Income from transaction	44,342.84	1,146.74	1,990.65	9,892.50	57,372.73	-
Operation expense	447,160.52	170,832.39	2,510.29	58,288.23	133,436.89	545,354.54
Operation profit(loss)	15,664.93	1,564.95	-355.16	-3,463.26	-	14,101.60
Total assets	715,707.06	181,096.25	4,536.96	68,187.14	131,726.54	837,800.87
Total liabilities	408,481.93	139,012.91	7,288.74	47,037.75	54,653.29	547,168.04
Supplementary information	-	-	-	-	-	-
Depreciation and amortization	5,875.22	1,219.35	142.16	1,396.95	704.94	7,928.75
Capital expenditure	14,265.58	1,236.64	30.73	1,601.22	-	17,134.17
Non-cash expense except for depreciation and amortization	32,771.29	12,737.52	91.52	2,908.14	-	48,508.48

### XIV. Other significant matters

(I) Operation of leased-out assets

Type of assets leased out	Amount at period-end	Amount at year-begin
Houses and buildings( investment real estate)	17,074,748.39	17,432,142.70
Machinery equipment(fixed assets leased)	6,154,284.64	18,379,601.36
Other equipment (fixed assets leased)	209,373.24	22,737.50
Land use right( investment real estate)	676,117.79	692,104.69
<b>Total</b>	<b>24,114,524.06</b>	<b>36,526,586.25</b>

(II) Assets and liabilities measured by fair value: Nil

## (III) Foreign currency financial assets and liabilities

Item	Amount at year-begin	Gains and losses of fair value change of this period	accumulative fair value change recorded in equity	Impairment withdrew this period	Amount at period-end
<b>Financial assets</b>					
Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Loans and account receivable	89,117,805.04	-	-	6,595,531.32	266,688,944.18
Financial assets available for sale	-	-	-	-	-
Hold-to-maturity investment	-	-	-	-	-
<b>Subtotal of financial assets</b>	<b>89,117,805.04</b>	<b>-</b>	<b>-</b>	<b>6,595,531.32</b>	<b>266,688,944.18</b>
<b>Financial liabilities</b>	-	-	-	-	-
Foreign currency loans	-	-	-	-	3,953,361.30
<b>Subtotal of financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,953,361.30</b>

## 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 period-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	516,621,474.70	98.60	23,588,558.65	81.90	285,115,466.63	97.59	13,105,093.32	75.54
1-2years	2,013,173.65	0.38	301,976.05	1.05	1,861,701.62	0.64	279,255.24	1.61
2-3 years	1,422,088.98	0.27	1,422,088.98	4.94	1,939,351.49	0.66	1,939,351.49	11.18
3-4 years	875,926.23	0.17	875,333.13	3.04	3,232,170.44	1.11	2,021,235.12	11.65
4-5 years	3,011,730.07	0.57	2,608,282.66	9.06	-	-	-	-
Over 5 years	4,311.68	0.00	4,311.68	0.01	4,311.68	0.00	4,311.68	0.02
<b>Total</b>	<b>523,948,705.31</b>	<b>100.00</b>	<b>28,800,551.16</b>	<b>100.00</b>	<b>292,153,001.86</b>	<b>100.00</b>	<b>17,349,246.85</b>	<b>100.00</b>
<b>Net value</b>	<b>495,148,154.15</b>				<b>274,803,755.01</b>			

## (2) Account receivable classify according to category

items	Amount at period-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	-	-	-	-	-	-	-	-
Account receivable withdrwal bad debt provision by comination								
Account except contract account with related parties	480,602,249.19	91.73	26,387,904.42	5.49	266,658,846.86	91.27	14,868,692.29	5.58
Account of contract account with related parties	40,933,809.38	7.81	-	0.00	23,013,600.44	7.88	-	-
Subtotal	521,536,058.57	99.54	26,387,904.42	5.06	289,672,447.30	99.15	14,868,692.29	5.13
Account receivable with single minor amount but withdrwal single item bad debt provision	2,412,646.74	0.46	2,412,646.74	100.00	2,480,554.56	0.85	2,480,554.56	100.00
<b>Total</b>	<b>523,948,705.31</b>	<b>100.00</b>	<b>28,800,551.16</b>	<b>5.50</b>	<b>292,153,001.86</b>	<b>100.0</b>	<b>17,349,246.85</b>	<b>5.94</b>
<b>Net value</b>	<b>495,148,154.15</b>				<b>274,803,755.01</b>			

(3) Account receivable with single significant amount and withdrwal 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 period-end			Amount at year-begin		
	Amount	Ratio (%)	Bad debt reserve	Amount	Ratio (%)	Bad debt reserve
within 1 year	475,893,796.4	5	23,794,689.8	262,101,866.19	5	13,105,093.3
1-2 years	2,013,173.65	15	301,976.05	1,861,701.62	15	279,255.24
2-3 years	-	35	-	-	35	-
3-4 years	1,318.00	55	724.90	2,690,967.37	55	1,480,032.05
4-5 years	2,689,649.37	85	2,286,201.96	-	85	-
over 5 years	4,311.68	100	4,311.68	4,311.68	100	4,311.68
<b>Total</b>	<b>480,602,249.1</b>		<b>26,387,904.4</b>	<b>266,658,846.86</b>		<b>14,868,692.2</b>
<b>Net value</b>	<b>454,214,344.77</b>			<b>251,790,154.57</b>		

(5) Among combinations, account from contract account with related parties:

Items	Book balance	Accrued proportion (%)	Bad debt provision
Account from related parties	6,681,648.75	-	-
Letter of credit	34,252,160.63	-	-
<b>Total</b>	<b>40,933,80.38</b>	<b>-</b>	<b>-</b>

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

Account receivable	Book balance	Accrued proportion (%)	Bad debt provision	Accrued reasons
Nanjing Central Market (group) Co., Ltd.	512,925.85	100%	512,925.85	Cease business contact 2-3 years; predicted un-recovered for urgent
Zhejiang Yongle Appliance Co., Ltd. (Taizhou)	95,090.82	100%	95,090.82	
Gaomi Sanhe Appliance Market Co., Ltd.	610,458.57	100%	610,458.57	
Cifeng Baixin Apparatus Co., Ltd.	271,114.97	100%	271,114.97	
Jilin Gume Electrical Appliances Co., Ltd. (Yanji)	161,112.50	100%	161,112.50	
Helong Bajiazi Zaolin Apparatus	2,231.60	100%	2,231.60	
Yichun Jixing Appliance Town	218,509.36	100%	218,509.36	
Shandong Wendeng Department Store General Company	129,051.14	100%	129,051.14	
Shanxi Yongle Dazhong Life Apparatus Co.,	94,067.09	100%	94,067.09	
Jiangsu Zhenjiang Gome Electrical Appliances Co., Ltd.	176,425.61	100%	176,425.61	
Jilin Gome Electrical Appliance Co., Ltd. (Ulan Bator)	90,071.23	100%	90,071.23	
Liuzhou Minyu Hardware Appliance Business	51,588.00	100%	51,588.00	
<b>Total</b>	<b>2,412,646.74</b>		<b>2,412,646.74</b>	

## (7) Bad debt provision swith-back

Contents of accounts receivable	Balance of year-begin	Concerted amount	Book balance
Transfer of partial subscriber's machines in Weifang	40.00	40.00	-
Jilin Guomei Electric Appliance Co., Ltd Yanji Branch	228,980.32	67,867.82	161,112.50

(8) Account receivable received of previous that being verified before this period: Nil

(9) Amount of accounts receivable verified and cancelled in this period: Nil

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

Unit	Amount at period-end		Amount at year-begin	
	Arrears	Bad debt provision	Arrears	Bad debt provision
Sichuan Changhong Electrical Appliance Co.,Ltd.	-	-	417,189.59	-

## (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	185,614,199.73	Within 1 year	35.43%
Chengdu Gome Electric Co., Ltd.	Non-related party	21,387,468.99	Within 1 year	4.08%
Jiangsu Five Star Appliance Co., Ltd.	Non-related party	17,523,596.71	Within 1 year	3.34%
Electrolux Major Appliances Europe	Non-related party	16,601,673.92	Within 1 year	3.17%

Electrolux Major Appliances, Latin America	Non-related party	14,212,684.71	Within 1year	2.71%
<b>Total</b>		<b>255,339,624.06</b>		<b>48.73%</b>

(12) Account receivable of related parties can be seen on Note IX (3)

(13) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at period-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	13,010,515.87	6.4716	84,198,854.50	4,570,423.13	6.6227	30,268,541.26
EUR	595,891.78	9.3612	5,578,262.13	29,025.24	8.8065	255,610.78
AUD	816,133.01	6.8204	5,566,353.58	350,198.22	6.7139	2,351,195.83
<b>Total</b>			<b>95,343,470.22</b>			<b>32,875,347.87</b>

(14) No derecognition account received.

2. Other account receivable

(1) Other account receivable classify according to account age

Age	Amount at period-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	46,332,646.59	93.56	291,545.26	21.26	14,785,229.84	79.68	731,418.49	21.26
1-2years	559,495.68	1.13	83,924.35	3.52	806,069.34	4.34	120,910.40	3.52
2-3 years	190,302.46	0.38	66,605.86	3.24	318,371.50	1.72	111,430.03	3.24
3-4 years	113,145.89	0.23	62,230.24	5.76	360,329.70	1.94	198,181.34	5.76
4-5 years	157,140.21	0.32	133,569.18	1.34	54,031.00	0.29	45,926.35	1.34
over5 years	2,169,287.01	4.38	2,169,287.01	64.88	2,231,615.08	12.03	2,231,615.08	64.88
<b>Total</b>	<b>49,522,017.84</b>	<b>100.00</b>	<b>2,807,161.90</b>	<b>100.00</b>	<b>18,555,646.46</b>	<b>100.00</b>	<b>3,439,481.69</b>	<b>100.00</b>
<b>Net value</b>	<b>46,714,855.94</b>				<b>15,116,164.77</b>			

(2) Other account receivable classify according to category

items	Amount at period-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 withdrawal single item bad debt provision	-	-	-	-	-	-	-	-

Account receivable withdrawal bad debt provision by combination

Account except employee reserve fund loan, investment loan and contract with	6,850,989.46	13.83	637,874.89	9.31	16,331,169.50	88.01	1,371,864.73	8.40
--	--------------	-------	------------	------	---------------	-------	--------------	------

related parties								
Account from employee reserve fund loan, investment loan and contract account with related parties	40,501,741.37	81.79	-		156,860.00	0.85	-	-
Combination Subtotal	47,352,730.83	95.62	637,874.89	1.35	16,488,029.50	88.86	1,371,864.73	8.32
Account receivable with single minor amount but withdrwal single item bad debt provision	2,169,287.01	4.38	2,169,287.01	100.00	2,067,616.96	11.14	2,067,616.96	100.00
<b>Total</b>	<b>49,522,017.84</b>	<b>100.00</b>	<b>2,807,161.90</b>	<b>5.67</b>	<b>18,555,646.46</b>	<b>100.00</b>	<b>3,439,481.69</b>	<b>18.54</b>
<b>Net value</b>	<b>46,714,855.94</b>				<b>15,116,164.77</b>			

(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 period-end			Amount at year-begin		
	Amount	Ratio(%)	Bad debt reserve	Amount	Ratio(%)	Bad debt reserve
Within 1year	5,830,905.22	5	291,545.26	14,628,369.84	5	731,418.49
1-2 years	559,495.68	15	83,924.35	806,069.34	15	120,910.40
2-3 years	190,302.46	35	66,605.86	318,371.50	35	111,430.03
3-4 years	113,145.89	55	62,230.24	360,329.70	55	198,181.34
4-5 years	157,140.21	85	133,569.18	54,031.00	85	45,926.35
Over 5 years		100		163,998.12	100	163,998.12
<b>Total</b>	<b>6,850,989.46</b>		<b>637,874.89</b>	<b>16,331,169.50</b>		<b>1,371,864.73</b>
<b>Net value</b>	<b>6,213,114.57</b>			<b>14,959,304.77</b>		

(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	40,501,741.37	-	-	Within 1year

(6) Other account receivable with single minor amount but withdrwal single item bad debt provision at period-end

Other account receivable	Book balance	Bad debt provision	Accrual proportion	Reasons
Resignation workers	2,169,287.01	100%	2,169,287.01	Loan from dismissed staffs, not expected to recover
<b>Total</b>	<b>2,169,287.01</b>			

(7) Swich-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 period:

Company	Nature	Amount verified	Reasons for verified	Raising from related transaction Yes/No
Lv Zhengxin	Loan of business trip	2,000.00	Dead	No
Yang Weiye	Hospitalization loan	50,000.00	Dead	No
Ji Kai	Loan of business trip	2,000.00	Dead	No
Convoy of northern of Huai River	Contact between suppliers	271,597.00	Unit must write off, legal representative was dead	No
Total		<b>325,597.00</b>		

(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: Nil

(11) Particulars about the top 5 others receivable

Unit	Amount	Ageing	Proportion taking in total accounts receivable	Nature
Reserve fund for Jinan Branch	904,495.95	Within 1 year	1.83%	Reserve fund for financial manager of branch
Reserve fund for Beijing Branch	849,984.50	Within 1 year	1.72%	Reserve fund for financial manager of branch
Loan of Reserve fund for staffs	420,000.00	Within 1 year	0.85%	Loan for booth fee of Canton Fair
Loan of Reserve fund for staffs	370,392.00	Within 1 year	0.75%	Verification fee for check of metrologic instrument
Loan of Reserve fund for staffs	348,483.00	Within 1 year	0.70%	CCC Verification fee
Total	<b>2,893,355.45</b>		<b>5.84%</b>	

(12) Other account receivable from related parties



Item	Amount at year-end	Amount at year-begin
Hefei Meiling Apparatus Marketing Co., ltd.	39,855,721.38	156,860.00

(13) Account receivable denominated in foreign currency: Nil

(14) Derecognition other account receivable: Nil

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	Amount at period-end	Amount at year-begin
Long-term equity investment calculated by cost method	760,348,087.68	712,442,457.16
Long-term equity investment calculated by equity method	12,056,790.07	2,331,812.72
<b>Total of long-term equity investment</b>	<b>772,404,877.75</b>	<b>714,774,269.88</b>
Less: provision for impairment of long-term equity investment		
<b>Value of long-term equity investment</b>	<b>772,404,877.75</b>	<b>714,774,269.88</b>

#### (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	-
Jiangxi Meiling Electric Appliance LLC (note 1)	98.75	99.98	10,000,000.00	-	10,000,000.00	-	10,000,000.00	-
Mianyang Meiling Refrigeration Co., Ltd. (note 2)	95.00	98.50	45,000,000.00	45,000,000.00	50,000,000.00	-	95,000,000.00	-
Hefei Meiling Appliance Marketing Co., Ltd.	99.82	100.00	9,900,000.00	54,900,000.00	-	-	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	100.00	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	-
Hefei Meiling Packaging Co., Ltd (note 3)	48.28	100.00	25,055,600.00	25,055,600.00		12,094,369.48	12,961,230.52	-
Hefei Meiling Group Holdings Co., Ltd	100.00	100.00	113,630,000.00	113,630,000.00	-	-	113,630,000.00	-
Subtotal	-	-	<b>677,442,457.</b>	<b>712,442,457.</b>	-	-	<b>760,348,087.</b>	-

			16	16			68	
Calculation by equity method								
Anhui United Technological Property Exchange Co., Ltd. (note 4)	28.57	28.57	1,000,000.00	2,331,812.72	-	2,331,812.72	-	514,300.00
Hefei Xingmei Assets Management Co., Ltd.(note 3)	48.28	48.28	12,056,790.07	-	12,056,790.07	-	12,056,790.07	-
<b>Subtotal</b>	-	-	<b>13,056,790.07</b>	<b>2,331,812.72</b>	-	-	<b>12,056,790.07</b>	<b>514,300.00</b>
<b>Total</b>	-	-	<b>695,158,057.16</b>	<b>714,774,269.88</b>	-	-	<b>772,404,877.75</b>	<b>514,300.00</b>

Note 1: Jiangxi Meiling Electric Appliance LLC was invested in and founded by the Company together with Mianyang Meiling on May 23 of 2011. Total investment was about RMB 80 million, including, the Company invested RMB 79 million and Mianyang Meiling RMB 1million. Registration capital was RMB 50 million while the surplus part of total shareholders' investment beyond registration capital RMB 30 million was included in capital reserve. The Company invested initiatively RMB 10 million on May 13 of 2011 while Mianyang Meiling RMB 0.5 million on May 12 of 2011. The second phase of remaining investment of the Company and Mianyang Meiling had been in place on Jul. 1 of 2011.

Note 2: The capital raised from non-public issue of A stock had been in place. According to the usage of capital raised from non-public issue, the Company had completed the RMB 50 million of capital increase on Mianyang Meiling Zhileng Co., Ltd.

Note 3: The 46<sup>th</sup> meeting of the 6<sup>th</sup> session of Board of Directors decided to derivative and split the assets and liabilities Hefei Meiling Packaging Products Co., Ltd didn't included in transferred assets scope when the Company purchased Meiling Group. Then Hefei Xingmei Assets Management Co., Ltd was founded and the previous Meiling Packaging existed still. Therefore the Company divided the investment income of Meiling Packaging into Xingmei Assets.

Note 4: In accordance with the decision of the 44<sup>th</sup> meeting of the 6<sup>th</sup> session of Board of Directors, the Company transferred 28.57% equity of Anhui United Technologies Equity Exchange Co., Ltd.

### (3)Investment in associates

Invested units	Type of enterprises	Registration palce	Legal representative	Business type	Registration capital	Share holding ratio (%)	Voting right ratio (%)
Hefei Xingmei Assets Management Co., Ltd	Co., Ltd	Hefei	Huang Youzhi	Real estate management, leasing	1,000,000.00	48.28	48.28

Continue Table

Invested unit	Total amount of period-end	Total amount of	Total amount of period-end	Total amount of	Net profit
---------------	----------------------------	-----------------	----------------------------	-----------------	------------

	capital	period-end liabilities	net assets	operational income of this period	of this period
Hefei Xingmei Assets Management Co., Ltd	30,890,557.26	5,917,918.34	24,972,638.92	-	-

(4)Provision for impairment of long-term equity investment: Nil

#### 4. Operation income and operation cost

##### (1)Operation income and operation cost

Item	Amount for this period	Amount for same period of last year
Main business income	3,604,607,979.80	3,253,792,487.32
Other business income	601,876,011.12	490,864,050.49
<b>Total</b>	<b>4,206,483,990.92</b>	<b>3,744,656,537.81</b>
Main business income	2,716,145,527.69	2,262,294,849.69
Other business income	588,185,835.37	459,953,413.92
<b>Total</b>	<b>3,304,331,363.06</b>	<b>2,722,248,263.61</b>

##### (2)Classified according to product

Products	Amount for this period		Amount for same period of last year	
	Operaion income	Operation cost	Operaion income	Operation cost
Main business income	3,604,607,979.80	2,716,145,527.69	3,253,792,487.32	2,262,294,849.69
Refrigerator and freezer	3,554,806,111.78	2,675,279,505.96	3,253,792,487.32	2,262,294,849.69
Income from air conditioner	-	-	-	-
Washing machine	49,801,868.02	40,866,021.73	-	-
Other business income	601,876,011.12	588,185,835.37	490,864,050.49	459,953,413.92
Sales of raw materials	599,909,278.56	587,956,070.36	490,125,830.49	459,774,576.18
Rental income	1,592,630.00	225,662.45	738,220.00	178,837.74
Other income	374,102.56	4,102.56		
<b>Total of operation income</b>	<b>4,206,483,990.92</b>	<b>3,304,331,363.06</b>	<b>3,744,656,537.81</b>	<b>2,722,248,263.61</b>

##### (3)Classified according to region

Products	Amount for this period		Amount for same period of last year	
	Operaion income	Operation cost	Operaion income	Operation cost
Domestic sales income	3,913,732,488.43	3,023,483,357.12	3,517,497,655.60	2,509,950,919.69

Overseas sales income	292,751,502.49	280,848,005.94	227,158,882.21	212,297,343.92
<b>Total</b>	<b>4,206,483,990.92</b>	<b>3,304,331,363.06</b>	<b>3,744,656,537.81</b>	<b>2,722,248,263.61</b>

## (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)	343,032,359.40	8.15%
Guangxi Meiling Home Electric Appliance Co., Ltd	65,014,358.25	1.55%
Buyang Meiling Electric Appliance Marketing Co., Ltd	51,616,745.71	1.23%
Wuhu Meiling Electric Appliance Marketing Co., Ltd	40,595,206.60	0.97%
Anhui Baida Apparatus Chain Co., Ltd.	39,344,092.93	0.94%
<b>Total</b>	<b>539,602,762.89</b>	<b>12.83%</b>

## 5. Investment income

## (1) Sources of investment income

Item	Amount for this period	Amount for same period of 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
Investment income from disposal of long-term equity investment	201,850.28	-
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	-	-
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	-	137,826,312.25
Accrued income from disposal of subsidiaries from cost method to equity method	-	-
<b>Total</b>	<b>164,270.87</b>	<b>141,929,934.48</b>

(2) long-term equity investment income by cost method: Nil

(3) Long-term equity investment income by equity method

Item	Amount for this period	Amount for same period of last year	Reasons for increase/decrease over last year
Hefei Xingmei Assets Management Co., Ltd	-37,579.41	-	

## 2. Supplementary information for cash flow statement of parent company

Item	Amount for this period	Amount for same period of last year
<b>1. Adjust net profit to cash flow for operational activities:</b>		
Net profit	126,786,138.15	204,889,022.04
Add: provision for depreciation of assets	12,483,061.95	10,315,178.84
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	36,905,963.72	38,300,628.78
Amortization of intangible assets	12,245,773.41	12,245,773.41
Amortization of long-term retained expense		-
Loss from disposal of fixed assets, intangible assets and other long term assets (gain is listed with "-")	1,876,439.38	465,977.93
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 "-")	-18,725,111.31	1,664,900.65
Investment loss (gain is listed with "-")	-164,270.87	-137,640,762.06
Decrease of deferred income tax assets (increase is listed with "-")	-18,988,030.67	-7,612,984.36
Increase of deferred income tax liabilities (decrease is listed with "-")		-18,609,024.30
Decrease of inventories (increase is listed with "-")	-26,384,122.87	-60,435,463.32
Decrease of operational accounts receivable (increase is listed with "-")	-895,455,379.10	-1,186,902,213.87
Increase of operational accounts payable (decrease is listed with "-")	270,530,983.97	932,761,970.95
Others		-
Net cash flow arising from operation activities	-498,888,554.24	-210,556,995.31
<b>2. Significant investment and financing activities with no reference to cash collection and payment:</b>		
Debt convert to capital		-
Convertible bond due within one year		-
Fixed assets leased in by financing		-
<b>3. Net change in cash and cash equivalent:</b>		
Balance of cash at period-end	1,062,368,214.04	373,124,414.96
Less: Balance of cash at period-begin	1,798,742,365.27	579,447,940.41
Add: Balance of cash equivalent at period-end		-
Less: Balance of cash equivalent at period-begin		-
Net increase in cash and cash equivalent	-736,374,151.23	-206,323,525.45

## 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 Issuance Enterprise No.1—Non-recurrent gains/losses(2008) from CSRC:

Item	Amount for this period	Amount for same period of last year	Explanation
Gains and losses from disposal of non-current assets	9,089,799.67	2,037,104.82	Details on non-operation expenses

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 <sup>Note1</sup>	3,133,103.85	22,650,367.20	Details on non-operation income
Capital occupancy expense, collected from	-	-	
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	-	-	
Gains and losses from assets under trusted	-	-	
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	-	-	
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	-	134,809,167.26	Details on investment earnings
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	61,872.32	607,137.53	Details on non-operation income and expenses
Other gains and losses items complying with	-	-	
<b>Subtotal</b>	<b>12,284,775.8</b>	<b>160,103,776.81</b>	

Affect on income tax	1,903,048.71	24,217,840.09	
Affect on minority equity(after taxation)	78,593.96	162,712.88	
<b>Total</b>	<b>10,303,133.1</b>	<b>135,723,223.84</b>	

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 this period 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	4.54%	0.2379	0.2379
Net profit attributable to shareholders of parent company after deduction of non-current gains and losses	4.17%	0.2184	0.2184

#### **XVIII. Approval of financial statement**

The financial statement has already been approved from the board of directors of the Company for reporting dated 1 August 2011.

### **Section VIII. Documents Available for Reference**

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

---

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

**Chairman of the Board: Zhao Yong**

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

**August 2, 2011**