

合肥美菱股份有限公司

Hefei Meiling Co.,Ltd.



二〇一二年半年度报告
Semi-Annual Report 2012

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Chapter I. Important Notice

1. Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Hefei Meiling Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

2. The Company did not have that directors, supervisors and senior executives of the Company could not guarantee the reality, accuracy and completion of the whole contents or have objections.

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

4. The company semi-annual financial report 2012 has not been audited.

5. Chairman of the Company Mr. Liu Tibin, President Mr. Wang Yong, deputy president Mr. Yu Wanchun and Person in Charge of Accounting Organ Mr. Tang Bin hereby confirm that the Financial Report of the Annual Report is true and complete.

Paraphrase:

Items	Refers to	Definition
Company, the Company or Meiling Electric	Refers to	HEFEI MEILING CO., LTD
Sichuan Changhong	Refers to	Sichuan Changhong Electric Co., LTD
Changhong Group	Refers to	Sichuan Changhong Electronics Group Co., Ltd.
Hong Kong Changhong	Refers to	Changhong (Hong Kong) Trading Company Limited
Meiling Group	Refers to	Hefei Meiling Group Holdings Limited
Xingtai Holding	Refers to	Hefei Xingtai Holding Group Co., Ltd.
Jiangxi Meiling Refrigeration	Refers to	Jiangxi Meiling Refrigeration Company Limited
Jiangxi Meiling Electric	Refers to	Jiangxi Meiling Electrical Co., Ltd.
Huayi Compressor	Refers to	Huayi Compressor Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Anhui Securities Bureau	Refers to	China Securities Regulatory Commission, Anhui Province Securities Regulatory Bureau
SSE	Refers to	Shenzhen Stock Exchange

Chapter II. Company Profile

I. Company information

Code for A-share	000521	Code for B-share	200521
Short form for A-share	MEILINGDIANQI	Short form for B-share	WANMEILING-B
Listing stock exchange	Shenzhen Stock Exchange		
Legal Chinese name of the Company	合肥美菱股份有限公司		
Abbr. of legal Chinese name of the Company	美菱电器		
Legal English name of the Company	HEFEI MEILING CO.,LTD.		
Abbr. of legal English name of the Company	HFML		
Legal Representative	Liu Tibin		
Registered Add.	No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei		
Post Code of registered add.	230601		
Office Add.	No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei		
Post Code of office add.	230601		
Internet website	http://www.meiling.com		
E-mail	info@meiling.com		

II. Contact person and ways

	Secretary of the Board
Name	Li Xia
Contact adds.	No. 2163, Lian Hua Road, Economic and Technology Development Zone, Hefei
Tel.	0551-2219021
Fax.	0551-2219021
E-mail	lixia@meiling.com

III. Information disclosure and place for preparation

Newspapers Designated for information disclosure	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
Website designated by CSRC for publishing semi-annual report	http://www.cninfo.com.cn
place for preparation of semi-annual report	Secretariat of the Board of Directors, on 2/F of the Company's Office Bldg.

IV. Other relevant information of the company

1. Initial registration date: 31 December 1992

Registration address: Hefei Municipal Administration Bureau of Industrial and Commerce

The latest registration date: 23 February 2012

Registration address: Anhui Provincial Administration for Industry and Commerce

2. Legal Person Business License Registration No: 340000400001278

3. Legal Representative: Liu Tibin

4. Register capital: RMB 636,449,338

5. Code of taxation registration: GSWZi No.: 34011114918555X

WDHZi No.: 34011114918555X

6. Organization Code Certificate: 14918555-X

7. The name of CPAs engaged by the Company: Shine Wing Certified Public Accountants Co., Ltd.

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

8. Sponsor engaged by the Company for implementation of supervisory accountability continuously

Name: CHINA MERCHANTS SECURITIES CO., LTD.

Office add.: 38-45/F, Block A, Jiangsu Building, Yitian Rd., Futian District, Shenzhen

Signature representative of sponsor: WU HONG XING, XU ZHONG ZHE

Chapter III. Major accounting data and business abstract

I. Major accounting data and financial indexes

Whether retroactive adjusted on previous financial report or not

Yes No

(I) Major accounting data

Major accounting data	Reporting period (Jan. to June)	Same period of last year	Increase/decrease in this report period year-on-year (%)
Total business revenue(RMB)	5,312,610,523.12	5,475,018,688.64	-2.97%
Business profit(RMB)	126,419,575.43	22,064,506.86	472.95%
Total profit(RMB)	125,373,406.07	139,463,828.43	-10.10%
Net profit attributable to shareholders of the listed company (RMB)	110,855,042.20	126,157,996.21	-12.13%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	111,636,785.91	115,854,863.04	-3.64%
Net cash flow arising from operating activities(RMB)	-260,544,290.53	-544,333,695.81	52.14%
	End of this period	End of last period	Increase/decrease in this period-end over that of last period-end (%)
Total assets(RMB)	8,395,162,020.63	7,602,563,620.91	10.43%
Owners' equity attributable to shareholders of the listed company(RMB)	2,906,754,333.79	2,796,317,375.44	3.95%
Share capital(Share)	636,449,338.00	636,449,338.00	-

(II) Major financial indexes

Major financial indexes	Reporting period (Jan. to June)	Same period of last year	Increase/decrease in this report period year-on-year (%)
Basic earnings per share (RMB/Share)	0.1742	0.2379	-26.78%
Diluted earnings per share (RMB/Share)	0.1742	0.2379	-26.78%
Basic EPS after deducting non-recurring gains/losses (RMB/Share)	0.1754	0.2184	-19.69%
Fully diluted ROE (%)	3.81%	4.44%	-0.63%

Weighted average ROE (%)	3.89%	4.54%	-0.65%
Fully diluted ROE after deducting non-recurring gains/losses (%)	3.84%	4.07%	-0.23%
Weighted average ROE after deducting non-recurring gains/losses (%)	3.91%	4.17%	-0.26%
Net cash flow per share arising from operating activities (RMB/Share)	-0.41	-1.03	60.19%
	End of this period	End of last period	Increase/decrease in this period-end over same period of last period-end (%)
Net assets per share attributable to shareholder of listed company (RMB/Share)	4.57	4.39	4.10%
Asset-liability ratio (%)	64.68%	62.46%	2.22%

Explanation on previous major accounting data and financial indexes at period-end:

The Company has implemented the 2010 profit distribution in August 2011, after the completion of company's total share capital increase from 530,374,449 shares to 636,449,338 shares. The denominator of earnings per share, net assets per share and other indicators on the table in the same period last year is the total stock of 530,374,449 shares prior to the implementation of the distribution of profits in 2010, during the report period the denominator of these indicators is the total share capital of 636,449,338 shares after the implementation of the distribution of profits in 2010.

II. Difference of accounting data under CAS and IAS

(I) Difference of net profit and net assets disclosed in financial report based on IAS and CAS

Applicable Not applicable

(II) Difference of net profit and net assets disclosed in financial report based on foreign accounting standards and CAS

Applicable Not applicable

Unit: RMB

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	This period	Last period	At period-end	At period-begin
CAS	110,855,042.20	126,157,996.21	2,906,754,333.79	2,796,317,375.44
Sub-items and total adjusted based on IAS: 0				
IAS	110,855,042.20	126,157,996.21	2,906,754,333.79	2,796,317,375.44
Explanations on differences between CAS and IAS rules	-	-	-	-

(III) Detail items for major differences

Nil

(IV) Explanation on accounting data difference under the foreign/domestic accounting standards

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

III. Item and amount with non-recurring gains/losses deducted

Applicable Not applicable

Items	Amount (RMB)	Note
Gains and losses from disposal of non-current assets	-5, 181, 933. 89	See the notes to financial statement "non-operating income"
Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	4, 237, 836. 91	See the notes to financial statement "non-operating income"
Other non-operating income and expenditure except the abovementioned	-102, 072. 38	See the notes to financial statement "non-operating income"
Other item that satisfied the definition of non-recurring gains and losses		
Influenced amount of minority shareholders' equity	302, 656. 89	
Impact on income tax	-38, 231. 24	
Total	-781, 743. 71	--

IV. The Company's return on equity and earnings per share in the first half of 2012 calculated in accordant with Requirements on the Information Disclosure of Companies Publicly Issuing Shares No. 9---Calculation and Disclosure on Return on Equity and Earnings per Share, as follows:

Profit during the reporting period	Weighted average Return on equity (%)	Earnings per share(RMB)	
		Basic ESP	Diluted ESP
Net profit attributable to common shareholders of the Company	3. 89%	0. 1742	0. 1742

Net profit attributable to common shareholders of the Company after deducting the non-recurring losses and gains	3.91%	0.1754	0.1754
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Chapter IV. Changes in Share Capital and Particular about Shareholders

I. Changes in share capital (ended of 30 June 2012)

(I) Statement of changes in shares

√Applicable □Not applicable

Unit: Share

	Before the Changes		Increase/Decrease in the Change (+, -)				After the Changes		
	Amount	Proportion	Newly issued shares	Bonus shares	Public reserve-converted shares	Others	Subtotal	Amount	Proportion
I. Restricted shares	149,383,274	23.47%				-93,993,046	-93,993,046	55,390,228	8.70%
1. State-owned shares	102,464	0.02%				-102,464	-102,464	0	0.00%
2. State-owned legal person's shares	80,953,606	12.72%				-33,490,596	-33,490,596	47,463,010	7.46%
3. Other domestic shares	68,327,204	10.73%				-60,399,986	-60,399,986	7,927,218	1.24%
Including: Domestic Non-state-owned legal person's shares	68,224,740	10.72%				-60,503,474	-60,503,474	7,721,266	1.21%
Domestic natural person's shares	102,464	0.01%				+103,488	+103,488	205,952	0.03%
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	0	0.00%				0	0	0	0.00%
II. Unrestricted shares	487,066,064	76.53%				+93,993,046	+93,993,046	581,059,110	91.30%
1. RMB Ordinary shares	351,346,064	55.20%				+93,993,046	+93,993,046	445,339,110	69.97%
2. Domestically listed foreign shares	135,720,000	21.33%				0	0	135,720,000	21.33%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	636,449,338	100.00%						636,449,338	100.00%

1. Approval of changes in shares (if applicable)

Inapplicable

2. Ownership transfer of changed restricted shares

In reporting period, in restricted shares of the Company, 103,488 shares held by former Changfeng County Qingjian Electrical Parts Plant were transferred to Xiong Xueqin.

3. Influence on latest EPS, net assets per share and other financial index from changes in shares (if applicable)

Inapplicable

4. Other information necessary to be disclosed by the Company or should be disclosed according to requirement of securities regulators

On 11 January 2012, part of the restricted shares of privately A-share offering in 2010 was

un-lock, totally 7 shareholders (excluding shares purchased by controlling shareholder - Sichuan Changhong Electronic Co., Ltd.) were un-lock in this time. Un-lock shares amounting to 93,385,200 shares, a 14.67% in total share capital of the Company.

The 5th restricted circulating shares after implementation of share-split reform was un-lock for trading dated 30 March 2012. Totally 5 shareholders are have shares released, un-lock shares amounting to 607,846 shares, a 0.0955% in total share capital of the Company.

(II) Changes in restricted shares

√ Applicable □ Not applicable

Unit: Share

Name of shareholders	Restricted shares at the beginning of the period	Restricted shares released this period	Restricted shares increased this period	Restricted shares at the end of period	Reason for restriction	Date of releasing
China life insurance asset management Co., LTD.-zhengde life insurance Co., LTD-universal insurance products	24,000,000	24,000,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Fullgoal Fund Management Co., Ltd.(Note 1)	24,000,000	24,000,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Guotai Junan Securities Co., Ltd.	12,000,000	12,000,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
FOUNDER SECURITIES CO., LTD.	10,800,000	10,800,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Ningbo Wei Chuang Joint Investment Co., Ltd.	10,800,000	10,800,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Donghai Securities Co. Ltd.	10,800,000	10,800,000	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Guotai Fund Management Co., Ltd(note2)	985,200	985,200	0	0	Subscribe 2010 non-public offering of shares	2012-1-11
Anhui BaiHu electronic equipment factory	86,835	86,835	0	0	Share reform commitments	2012-3-30
Hefei Carton Factory	86,835	86,835	0	0	Share reform commitments	2012-3-30
Nanjing Lide Plastic Co., LTD	86,835	86,835	0	0	Share reform commitments	2012-3-30
Liaoning Huaxing Machinery Co., Ltd.	260,506	260,506	0	0	Share reform commitments	2012-3-30

Hefei State-Owned Assets Holding Co., LTD	86,835	86,835	0	0	Share reform commitments	2012-3-30
Total	93,993,046	93,993,046	0	0	-	-

Note 1: Fullgoal Fund Management Co., Ltd. hold 24,000,000 shares of the Company in total through its nine kinds of fund products, accounting 3.77% of the total share capital of the Company; the restricted shares of the Company held by its subordinate fund products 24,000,000 shares have been released for listing dated 11 January 2012.

Note 2: Guotai Fund Management Co., Ltd. holds 985,200 shares of the Company through its fund products, "National Social Security Fund 111 combination, representing 0.15% of the total share capital of the Company; the restricted shares of the Company held by its subordinate fund products 985,200 shares have been released for listing dated 11 January 2012.

II. Security offering and listing

(I) Security offering in previous three years

Applicable Not applicable

Stocks and their derivative securities	Offering date	Offering price RMB/Share)	The issuing numbers	Listing date	Numbers for listing authorized	Dead deal date
Stock						
2010 non-public offering of A shares	2010-12-29	10.28	116,731,500	2011-1-10	116,731,500	-
Convertible corporate bonds, separable-traded convertible bond and Corporate bonds						
N/A						
Warrants						
N/A						

Explanation of securities offering in previous three years (explaining those bond owes different rate in duration respectively)

As deliberated and approved by the second extraordinary shareholders' general meeting and the 32nd Meeting of the 6th session of the Board, and approved by CSRC [Zheng Jian Xu Ke (2010) No. 1715], the Company issued 116.7315 million A shares to specified 8 investors including Sichuang Changhong in a non-public offering way with issued price of 10.28 Yuan/Share. According to the *Capital Verification* (No.: XYZH2010CDA6021) issued by Shine Wing Certified Public Accounts, total proceeds raised in this offering are RMB1,199,999,820.00 and the net proceeds amount to RMB1,177,954,320.00 after deducted offering expenses RMB 22.0455 million (including underwriting and sponsoring fee RMB 20.5 million). On 29 December 2010, the Company has accomplished registration and custody procedures as well as shares restriction sales of this issuing of new shares in China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. On 10 January 2011, the 116.7315 million newly non-publicly issued A shares were officially listed in Shenzhen Stock Exchange.

(II) Changes of total shares and structures as well as outcome of asset-liability structures

Applicable Not applicable

(III) Current shares held by internal staffs
 Applicable Not applicable

III. Shareholders and actual controller
(I) Total shareholders at period-end

Till end of reporting period, total shareholders of the Company amounting to 67,178.

(II) Particulars about the top ten shareholders and the top 10 shareholders of unlimited sale conditions

1. Shares held by top ten shareholders

Particulars about the shares held by the top ten shareholders						
Shareholders (full name)	Nature of shareholders	Proportion of shares held (%)	Total amount of shares held	Amount of the restricted shares held	Shares pledged or frozen	
					Share status	Amount
Sichuan Changhong electric Co., LTD	State-owned corporate	21.58%	137,356,942	46,692,600		
Hefei Xingtai Holding Group Co., Ltd.	State-owned corporate	6.26%	39,852,835	601,164		
Zhengde life insurance Co., LTD-universal insurance products	Funds, financial products, etc.	3.77%	24,000,000			
Changhong Electric (Hong Kong) Trading Co., Ltd.	foreign legal person	3.30%	20,971,519			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	foreign legal person	2.16%	13,716,869			
Ningbo Wei Chuang Joint Investment Co., Ltd.	Domestic general legal person	1.70%	10,800,000		Pledge	10,800,000
FOUNDER SECURITIES CO., LTD.	State-owned legal person	1.70%	10,800,000			
Donghai Securities Co. Ltd.	State-owned legal person	1.70%	10,800,000			
CAO SHENGCHUN	Foreign natural person	1.64%	10,447,206			
Long Qinfang	Foreign natural person	0.40%	2,574,757			
Explanation of shareholders		N/A				

2. Particulars about the shares held by the top ten unrestricted shareholders

Shareholders	Amount of shares held at period-end	Type/amount of shares	
		Type	Amount
Sichuan Changhong electric Co., LTD	90,664,342	A-share	90,664,342
Hefei Xingtai Holding Group Co., Ltd.	39,251,671	A-share	39,251,671
Zhengde life insurance Co., LTD-universal insurance products	24,000,000	A-share	24,000,000
Changhong Electric (Hong Kong) Trading Co., Ltd.	20,971,519	B-share	20,971,519
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	13,716,869	B-share	13,716,869
Ningbo Wei Chuang Joint Investment	10,800,000	A-share	10,800,000

Co., Ltd.			
FOUNDER SECURITIES CO., LTD.	10,800,000	A-share	10,800,000
Donghai Securities Co. Ltd.	10,800,000	A-share	10,800,000
CAO SHENGCHUN	10,447,206	B-share	10,447,206
Long Qinfang	2,574,757	B-share	2,574,757

Explanation on associated relationship or accordant action among the aforesaid shareholders:

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

3. Particulars about shares amount held by the top ten restricted shareholders and the restricted condition in report period

Unit: Share

Name of shareholders	Restricted shares held	Restricted condition
Sichuan Changhong Electronic Co., Ltd	46,692,600	Subscription issued shares non-publicly in 2010, still in restricted period within report period.
Provincial Agricultural Bank of China, Hefei Office Trust	1,844,370	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Hefei Science & Technology Bank	1,024,650	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
City Insurance Company	1,024,650	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Hefei Xingtai Holding Group Co., Ltd.	601,164	Advanced on the price of the shares of the share reform received from the other shareholders during the report period , such shares are selling restriction shares, and not yet handle lift restrictions on sale.
Hefei Branch of Bank of China	512,325	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet

Hefei Union Industrial Enterprise	512,324	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Provincial Agricultural Bank of China, Wuhu Office Trust	409,860	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Long tang Ice Factory	204,930	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Hefei Plastic Plant	204,930	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Hefei Chengdong Ice Factory	204,930	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Trust and Investment Company	204,930	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet
Wanbao Group Cooler Production Industry Company	204,930	Share reform commitments; not return the compensation payment; the shares held have been not in circulation yet

(III) Controlling shareholder and actual controller

1. Changes of controlling shareholders and actual controller

Applicable Not applicable

On 18 May 2006 and 11 January 2007, Meiling Group Holdings respectively signed Share Transfer Agreement of Meiling Electronic Appliance and Share Transfer Supplementary Agreement of Meiling Electronic Appliance with Sichuan Changhong and 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 21 January 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 privately A share offering 2010 of the Company. Finally, A share of the Company amounting to 38,910,500 shares were subscribed by Sichuan Changhong with price of RMB10.28 per share. The profit distribution plan 2010 of the Company was implemented on 4 August 2011. Take total share capital 530,374,449 shares as base dated 31 December 2010, distributed cash bonus RMB 0.5(tax included) with 2 shares more to every 10 shares held by all shareholders. Being completed, shares of the Company held by Sichuan Changhong increase to 136,082,942 shares. As at the end of 31 December 2011, shares of the Company total as 156,839,461 shares, a 24.64% of total share capital, were jointly held by Sichuan Changhong and its persons acting in concert Hong Kong Changhong. Among these share holding, A share of the Company 136,082,942 shares, 21.38% of the share capital, were held by Sichuan Changhong directly while circulated B share of the Company 20,756,519 shares, 3.26% of the total share capital, were held by Hong Kong Changhong. First largest shareholder of the Company is Sichuan Changhong.

On 16 January 2012, letter about increasing shares holding of the Company was received by the Company from its controlling shareholder Sichuan Changhong. With the confidence of future development in respect ion, during 26 December 2011 to 13 January 2012, Sichuan Changhong and its subordinated wholly-owned subsidiary Hong Kong Changhong increase their shareholdings of the Company, totally to 1,664,541 shares together, a 0.26% of total share capital, via trading system of Shenzhen Stock Exchange. Among the shareholdings, Sichuan Changhong totally holding more 1,274,000 circulated A shares of the Company, a 0.20% of total share capital, on 13 January 2012 through trading system of Shenzhen Stock Exchange; during period of 26 December 2011 to 13 January 2012, Hong Kong Changhong holding more 390,541 circulated B shares of the Company, a 0.06% of the total share capital, through trading system of Shenzhen Stock Exchange.

As at the end of 13 January 2012, shares of the Company total as 158,328,461 shares, a 24.88% of total share capital, were jointly held by Sichuan Changhong and its persons acting in concert Hong Kong Changhong. Among these share holding, A share of the Company 137,356,942 shares, 21.58% of the share capital, were held by Sichuan Changhong directly while circulated B share of the Company 20,971,519 shares, 3.30% of the total share capital, were held by Hong Kong Changhong--person acting in concert of Sichuan Changhong.

2. Introduction of controlling shareholders and actual controller

Whether has new actual controller or not

Applicable Not applicable

Name of actual controller	State-owned Assets Supervision & Administration Commission of Mianyang Municipality
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Type of actual controller	Local State-Owned Assets Supervision & Administration Committee
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Statement: 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 and Name List of Shareholders issued by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, Sichuan Changhong Electronic Co., Ltd is the controlling shareholder of the Company.

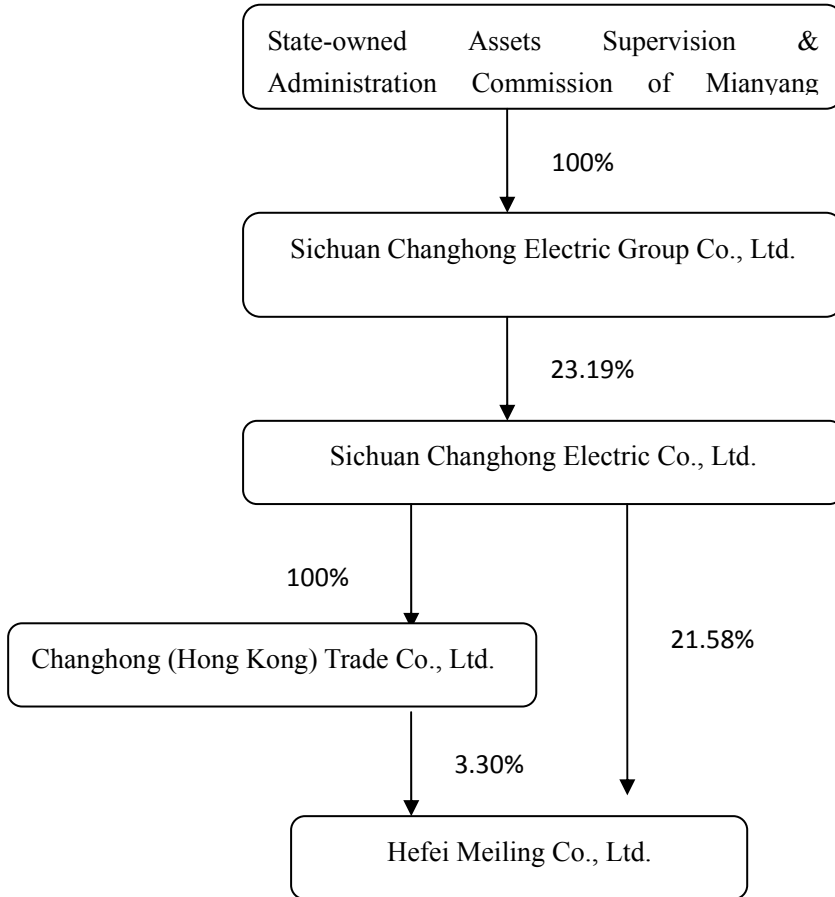
Sichuan Changhong Electronic Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 4,616,244,222; establishment dated 8 April 1993; code of organization: 20541230-8; registered address: No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan; business scope: manufactures, sales and maintenance of household appliance, Electronic products and spare parts, communications equipments, computer and other Electronic equipments, specialized equipments of Electronic and Electronic, Electronic machinery and equipment, series products of batteries, Electronic medicine products, Electronic equipments, digital monitoring products, metal products, apparatus and instruments, culture and office machines, culture and education and sports products, furniture, kitchen cabinet and gas appliance; house and equipment rental, packing products and technical services; road transportation, storage and discharging convey; e-commerce; R&D, sales and services of software; consultancy and services of enterprise management; hi-tech project investment and other state-permitted business; development and operation of property; callback and disposal of obsolete appliance and Electronic products.

Sichuan Changhong Electronic Group Co., Ltd. is the controlling shareholder of Sichuan Changhong Electronic Co., Ltd.: Legal representative: Mr. Zhao Yong; registered capital: RMB 898,040,000; establishment dated 16 June 1995; code of organization: 72081866-0; registered address: No. 35, Mianxing (E) Road, Hi-tech Zone, Mianyang, Sichuan; business scope: manufacturing and sales of household appliance, automobile Electronic appliance, Electronic products and components, products of Electronic information network, Electronic commerce, new materials, Electronic products, environmental products, equipment for communication transmission, and Electronic material; and property development. Ended as Dec. 31, 2011, Sichuan Changhong Electronic Group Co., Ltd. held 1,070,723,925 shares of Sichuan Changhong Electronic Co., Ltd. with accounting for 23.19 percent of the total share capital of Sichuan Changhong Electronic 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.

3. Property rights and the block diagram of the control relationship between the company and the actual control

Equity structure chart of the Company ended as 30 June 2012 is as follows:



4. Actual controller controlling the Company by means of entrust or other assets management

Applicable Not applicable

(IV) Other legal person’s shareholders with over ten percent shares held

Applicable Not applicable

IV. Convertible bonds

Applicable Not applicable

Chapter IV Directors, Supervisors and Senior Executives

I. Changes of shares held by directors, supervisors and senior executive

During the report period, Company directors, supervisors and senior management does not hold the company stock.

Name	Title	Sex	Age	Office dated from	Office dated ended	Shares held at period-begin(Share)	Amount of shares increase in this period(Share)	Amount of shares decreased in this period (Share)	Shares held at period-end (Share)	Including: restricted shares held (Share)	Amount of stock option held at period-end (Share)	Reasons for changes	Whether received remuneration from shareholders' unit or other related unit or not
Liu Tibin	Director	M	49	2011-11-15	2014-6-20	0	0	0	0				Yes
Li Jin	Deputy chairman	M	45	2011-6-20	2014-6-20	0	0	0	0				Yes
Wang Yong	Director, President	M	45	2011-6-20	2014-6-20	0	0	0	0				NO
Li Wei	Director, deputy president	M	39	2011-6-20	2014-6-20	0	0	0	0				NO
Sun Liqiang	Director	M	51	2011-6-20	2014-6-20	0	0	0	0				Yes
Wang Xingzhong	Independent director	M	68	2011-6-20	2014-6-20	0	0	0	0				NO
Song Baozeng	Independent director	M	72	2011-6-20	2014-6-20	0	0	0	0				NO
Liu Youpeng	Independent director	M	57	2011-6-20	2014-6-20	0	0	0	0				NO
Zhang Shidi	Independent director	M	62	2011-6-20	2014-6-20	0	0	0	0				NO

Fei Minying	Chairman of Supervisory	F	53	2011-6-20	2014-6-20	0	0	0	0				Yes
Yu Xiao	Supervisor	M	44	2011-6-20	2014-6-20	0	0	0	0				Yes
Ye Honglin	Supervisor	M	40	2011-6-20	2014-6-20	0	0	0	0				Yes
Shang Wen	Staff Supervisor	M	45	2011-6-20	2014-6-20	0	0	0	0				NO
Zhang Ruhe	Staff Supervisor	M	53	2011-6-20	2014-6-20	0	0	0	0				NO
Liu Hongwei	Executive deputy chairman	M	49	2011-6-20	2014-6-20	0	0	0	0				NO
Yu Wanchun	Deputy Chairman	M	41	2011-6-20	2014-6-20	0	0	0	0				NO
Li Daijiang	Deputy Chairman	M	45	2011-6-20	2014-6-20	0	0	0	0				NO
Wang Yingmin	Deputy Chairman	M	53	2011-6-20	2014-6-20	0	0	0	0				NO
Deng Xiaohui	Deputy Chairman	M	42	2012-3-9	2014-6-20	0	0	0	0				NO
Li Xia	Secretary of the Board	F	31	2011-6-20	2014-6-20	0	0	0	0				NO
Total	--	--	--	--	--	0	0	0	0			--	--

Directors, supervisor and senior executives who awarded equity incentive in report period

Applicable Not applicable

II. Post holding

(I) Post holding in shareholders' unit

√Applicable □Not applicable

Name	Shareholders' unit	Post occupied	Service term from	Service term ended	Whether received remuneration from shareholders' unit or not
Liu Tibin	Sichuan Changhong Electronic Co., Ltd.	Deputy Chairman, GM, Standing Committee of the Party Committee	2011.06.08	2014.06.08	Yes
	Huayi Compressor Co., Ltd.	Chairman	2012.3.15	2015.3.15	No
	Sichuan Changhong Electronic Group Co., Ltd	Director	-	-	No
Li Jin	Sichuan Changhong Electronic Co., Ltd.	Deputy GM	2011.06.08	2014.06.08	Yes
	Huayi Compressor Co., Ltd.	Deputy Chairman	2012.03.15	2015.03.15	No
	Sichuan Changhong Electronic Group Co., Ltd	Director	-	-	No
Sun Liqiang	Hefei Xintai Holding Co., Ltd.	Chairman	2002.07.01	-	Yes
Yu Xiao	Sichuan Changhong Electronic Group Co., Ltd	CFO	-	-	Yes
Ye Honglin	Sichuan Changhong Electronic Co., Ltd.	CFO	2011.06.08	2014.06.08	Yes
Fei Mingying	Sichuan Changhong Electronic Co., Ltd.	Chairman of the Supervisory	2011.06.08	2014.06.08	Yes
	Sichuan Changhong Electronic Co., Ltd.	Ministry of Audit Department, deputy Secretary of Discipline Committee	-	-	
	Huayi Compressor Co., Ltd.	Chairman of the Supervisory	2012.03.15	2015.03.15	No
Explanation on job occupation in shareholders' unit	Ms. Fei Mingying is now under the Changhong Group, a subsidiary of Sichuan electronic military Holdings Limited and other companies served as Chairman of the Supervisory Board and other duties.				

(II) Post holding in other unit

√Applicable □Not applicable

Name	other unit	Post occupied	Service term from	Service term ended	Whether received remuneration from other unit or not
Liu Youpeng	Shanghai Business School	Professor	2002-7	-	Yes
Explanation on job occupation in shareholders' unit	Mr. Liu Youpeng now also serves as an independent director of the Anhui Quanchai limited liability company.				

III. Remuneration of directors, supervisors and senior executives

Procedure for deciding remunerations of directors, supervisors and senior management	<p>1. Allowance plan of independent directors are implemented after deliberated in the Board and approved in Shareholders' General Meeting. Other directors and non-staff supervisors except independent directors are received no remuneration from the Company.</p> <p>2. Remuneration of senior executives are deliberated and approved by the Board according to remuneration evaluation plan together with opinions of Remuneration and Evaluation Committee.</p>
Bases on which remunerations of directors, supervisors and senior management are decided	The Company conducted the performance examination on the task of directors, supervisors and senior executives according to the HR management policy, wages of directors, supervisors and senior executives are decided by their performance and evaluations check by the Company. All wages are performing by the evaluation results according to the only evaluation standard that carried by the Company.
Actual payment of remunerations of directors, supervisors and senior management	<p>Allowance of the independent directors are paid by the standards approved in Annual Shareholders' General Meeting; Remunerations for senior executives of the Company are paid strictly by the unify remuneration valuation mechanism of the Company.</p> <p>Current directors, supervisors and senior executives of the Company has 20 in total, actually 10 person receiving remuneration from the Company, 2 staff supervisors are received their remuneration by actual positions (non-supervisor post); furthermore, 4 independent directors are received the allowance monthly from the Company; the Company will pay remuneration to senior executives monthly/quarterly/annually.</p>

IV. Changes of directors, supervisors and senior executives

Name	Post holding	Changes	Date of changes	Reasons of changes
Deng Xiaohui	Vice president	Appointment	2012-3-9	According to the company's management needs, nominated and review by the Nomination Committee and appointed by the Board.

V. Staff of the Company

Person on-jobs	3802
Retirement person whose charges undertake by the Company	783
Professional categories	
Types of professional category	Numbers of professional category
Production staff	1575
Salesman	716
Technician	398
Financial staff	95
Administration staff	459
others	559
Education background	
Type of education background	Numbers (people)
High school and below	2038

Junior college	764
Undergraduate	941
Master	57
Doctorate	2

Statement: The employees less than that of year-end of 2011 mainly because the domestic finished products logistic management was trusted to third party for manage; former employees of logistic department are volunteers to work in the third party logistic company.

Chapter IV Report of the Board of Directors

I. Management discussion and analysis

(I) General operation activities of the Company in reporting period

In 2012, the international macro-environment is still very severe, European debt crisis is increasingly worsening, the economy in Euro zone continues to deteriorate, and the United States is still in economic downturn; the domestic economic growth also declines, the amount of increase in housing price and price of commodities obviously reduces, the export growth sharply drops, the investment and consumption growth decrease, and the economic growth rate still appears to be in downturn trend; the household electrical appliance industry market rapidly slows down and faces pressures such as cost rising, and excess production capacity. Confronting the new situation, under the guidance of Meiling Dream suggested by the board of directors, the Company rebuilds enterprise culture, establishes integrity, wisdom and courage as the core value, and implements the core strategies, i.e. product strategy, talent strategy and cost leadership strategy, and carries out significant strategies, i.e. market strategy, brand strategy and internationalization strategy.

From 2012 to 2014, the Company will positively develop “phoenix” competition activities so as to realize the target that the domestic and abroad sales market of refrigerator and freezer becomes the second largest among the domestic enterprises, all staff of the Company shall take part in this competition.

In the first half year of 2012, the Company has continued to insist on the management principle of “product upgrading, cost optimizing, quality service and innovation”, ensured the Company’s stable development, and obtained a stable performance in operation basically; the Company has gained operating income of 53.13 hundred million Yuan, down by 2.97% year-on-year; achieved operating profit of 1.26 hundred million Yuan, up by 472.95% year-on-year, and obtained net profit of 1.11 hundred million Yuan belonging to the parent company, down by 12.13% year-on-year.

(II) Technical innovation of the Company during the report period as well as energy-saving and emission reduction

The Company’s technical innovation closely combines with the user need, focuses on developing energy-saving products and high-end products for domestic sales market, and developing energy-saving products and products with large volume for overseas market. The product and technology development of the Company mainly centers on energy saving, air cooling, wisdom and copious cooling. Particular cases are as following:

1. Energy-saving technology

The Company always insists on the exploration and development of energy-saving technology, and research and development of multiple core energy-saving technology for refrigerator and

freezer, which makes the Company be the leader in home appliance energy-saving field for many times. The Company carries out continuous and deep research on refrigeration cycle, the integrated design of refrigerator/compressor, air duct design, efficient defrosting, frequency conversion, active control, foam materials and craft, heat exchanger, and sealing and heat insulation, and gets excellent achievements.

2. Air cooling technology

Air cooling technology is also the Company's key technical research at present. The Company devotes to the research on energy saving of air cooled refrigerator, improving temperature uniformity, reducing noise, lessening feedback, enhancing the market competitiveness of air cooled refrigerator with large volume.

3. Intelligent technology

The intelligentization of home appliance is the hot topic of the industry, and the Company has done a lot of research on intelligent products. After the first generation intelligent products came into the market, the Company continues to research and the second generation products came into the market in the first half year of 2012, and the third generation will come soon.

4. Copious cooling technology

The company makes use of the refrigerant mixture throttle refrigeration technology, and successfully develops and researches the first two-door, dual temperature, double control and ultralow temperature refrigerated storage bin in China, and is able to make mass production. The up and down rooms of the refrigerator have completely independent dual refrigeration system and double control system, which work at the same time and greatly enhance the safety of living beings storage. The lowest storage temperature of the copious cooling refrigerator of the Company can reach -192°C .

5. Air conditioning technology

The Company firmly grasps the frequency conversion trend of domestic air conditioner, and does research by following energy saving and comfort. The 0.1°C accuracy temperature control technology DC inverter air conditioner with leading proprietary intellectual property rights in China has massively come into the market. Based on it, the research and development of the Company's air conditioner that has the leading second generation accuracy temperature control technology, which combines electronic expansion valve control and sensor-less brushless DC motor driver, has completed, and has been applied in series of products with frequency conversion, energy-saving, and high-efficiency.

6. Technical innovation

While doing self-dependent innovation, the Company integrates and applies other industries such as scientific and technological achievements or resources of Pan Hong system, research institutions and high-tech companies, makes the second technical innovation to self-owned products, and achieves breakthroughs in core and key technologies.

In reporting period, the Company strengthening investment in aspect of environment

protection and energy-saving and emission reduction, including waste treatment and relevant equipment's reformation for sewage, wastewater, residue and dust; in first half year of 2012, the Company proactively respond to the requirement of promotion of energy-saving and emission reduction from government department, organizing vary energy-saving reformation for powers in order to reducing energy consumption; reducing production cost by using less energy for quality promotion.

(III) Highlights of the Company's operation during report period

1. The Company develops "phoenix" competition activity, all staff of the Company shall take part in this competition, and get supports and cooperation from coherent units so as to strive to realize the target that the domestic and abroad sales market of refrigerator and freezer becomes the second largest among the domestic enterprises in three years.

2. The Company positively develops management activities to promote the standardization, perfect and improve the Company's operation level, implements 56 special activities in 7 aspects including purchasing, finance and cost control, logistics and after-sales services, manufacturing promotion, marketing and product research, selling risk control and cost control, and informatization, optimizes the organizational process, advances standardization and normalization of operation level, creates more value for the Company, and prevents operational risks.

3. The energy saving technology of refrigerator and freezer independently researched and developed by the Company takes the leading position in the industry

The Company has won the title of China efficient and energy saving products leaders in refrigerator based on comprehensive energy saving technology; multiple products of the Company have been selected as the national ultra-high energy efficiency products, and awarded as high efficiency products leaders, such as self-developed BC/BD-100DTS (Rated power consumption is 0.35kW·h/24h), BCD-186XHA (Rated power consumption is 0.23kW·h/24h), etc.; BCD-356WET is the self-developed multi-door fixed-frequency product with energy efficiency grade 1 whose rated power consumption is 0.86kW·h/24h.

4. The Company has the honors to win multiple technical awards

The Company has won "2011 China top ten enterprises of light industry home appliances industry (Ranked 4)", and "2011 China Hundred Enterprises of light industry (Ranked 11)"; the central lab of the Company has passed CNAS, and has been approved by the safety and EEV energy consumption of Canada Standard Association (CSA) so as to lay a foundation for getting approval for exporting products to North America; meanwhile, the Company is declaring "national quality control and technology assessment laboratory for refrigerator and freezer", which has been approved by experts.

5. The Company is short-listed in the first enterprises for popularizing energy saving refrigerator, freezer, air conditioner and washing machine.

237 energy saving refrigerators and freezers ,248 energy saving air conditioners and 53 energy saving washing machines that the Company first declared have all passed the evaluation, and have

been selected into the catalogue of popularizing energy saving products; the sales promotion network (stores) for energy saving products have been put on records.

6. Refrigerator export and freezer and air conditioner sales in domestic market has increased a lot, the respective year-on-year growth of sales volume in the first half year of 2012 is 47.1%, 38.9%, 10.8%.

7. The Meiling refrigerator production lines go into operation, effectively relieve the shortage of production capacity, the sales volume proportion of high-end refrigerator with three or more doors in the first half year of 2012 has exceeded 40%.

8. Develop value creating activities of a mass character, and promote profitability of the Company.

(IV) Operation of main subsidiary of the Company and stock jointly company as well as performance analysis

Unit: RMB 0'000

Unit	Economic nature	Main business	Register capital (RMB 0'000)	Proportion of shares held (%)	Total assets	Net assets	Net profit
Zhongke Meiling Low-temperature Technology Co., Ltd.	Domestic joint-venture	Low-temperature refrigerator and freezer	6,000	70.00	10,381.68	7,100.67	353.22
Jiangxi Meiling Refrigeration Co., Ltd.	Domestic joint-venture	Production and sale of refrigerator	4,000	90.00	8,571.19	5,364.23	-64.34
Mianyang Meiling Refrigeration Co., Ltd.	Domestic joint-venture	Production and sale of refrigerator	10,000	95.00	13,117.63	9,367.41	243.70
Sichuan Changhong Air-conditioner Co., Ltd.	Wholly owned by legal person	Production and sale of air-conditioner	20,000	100.00	139,045.69	36,012.92	3,115.99
Zhongshan Changhong Electronic Co., Ltd.	Domestic joint-venture	Production and sale of refrigerator	8,000	90.00	34,520.50	9,159.32	351.49
Hefei Meiling Electronic Appliance Marketing Co., Ltd.	Domestic joint-venture	Cooling appliance, air conditioner, washing machine and sales of goods	5,500	99.82	106,358.57	-691.57	-1,239.40
Hefei Meiling Group Holding Co., Ltd.	Wholly owned by legal	Manufacture of washing machine, plastic	8,000	100.00	21,529.25	-1,031.74	-1,166.62

	person	products, fine welding pipe, cooling parts, package and decorations; self-manufacture products and raw and auxiliary materials need by the company, equipment, instrumentation and sales of goods					
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During the report period, no investment income's impact of single joint stock company to net profit of the Company reaches above 10%.

(V) All risk factors may cause adverse impacts on the Company's future development strategy and management objectives

1. Industry growth speed rebounding is less than anticipated risks

The global economic recession and policy response are less than expected, the real estate market remains in the doldrums, the overall situation in the first half year of 2012 is still not optimistic, the magnitude of drop in marketing of refrigerator, freezer, air conditioner and washing machine is beyond the industry expectation. Macro-economic situation in the next half year is still grim, under the influence of real estate regulation and control, and the insufficient impetus in replaceable purchase, so that it is hard for home appliance market to grow. The new subsidy policies for home appliance energy saving may improve the expectations to some extent, but it is difficult to change the overall downtrend.

2. Prices fluctuation risks of raw and materials

In the first half year, the price of raw materials falls, which has positive effects on profitability of home appliance industry. If the home appliance market rebounds in the next half year, the price of materials may fluctuate.

3. Risks of the continuous price competition

The core competition factors of home appliances industry gradually transfer from scale and channel to brand and product, shuffle shall be the keyword to home appliance industry in 2012; to keep the original share of the market, price war will continuous to be intensify.

(VI) The main business scope and operation state of the Company during the report period

The Company belongs to home appliance enterprise, whose main business scope is refrigeration appliances, air conditioners, washing machines, computer numerical control injection molding machines, water heater, plastic products, and packing and decoration manufacturing, manage the export businesses of self-developed products and technology, the import and export businesses of raw and auxiliary materials, mechanical equipments, instruments and meters, and technologies required by the Company, and the general merchandise sales and transportation.

1. Statement of main business according to industries and products for first half year of 2012

Unit: RMB

Items	Operation income	Operation cost	Gross profit ratio (%)	Increase/decrease in income over last year (%)	Increase/decrease in cost over last year (%)	Increase/decrease in gross profit ratio over last year (%)
Refrigerators (Freezer)	3,524,512,428.36	2,608,915,664.41	25.98%	-0.43%	0.80%	-0.90%
Air conditioner	1,480,247,536.02	1,159,935,393.63	21.64%	-2.78%	-13.57%	9.78%
Washing machine	68,173,774.95	54,339,892.93	20.29%	20.21%	10.32%	7.14%
Other	64,941,961.36	63,326,764.38	2.49%	30.74%	60.18%	-17.92%
Total	5,137,875,700.69	3,886,517,715.35	24.36%	-0.59%	-3.30%	2.12%

2. Statement of main business according to areas for first half year of 2012

Unit: RMB

Areas	The current year			Last year		
	Operating Income	Operating cost	Gross profit ratio (%)	Operating Income	Operating cost	Gross profit ratio (%)
Domestic sales	4,522,151,494.79	3,289,722,049.67	27.25%	4,524,774,628.61	3,390,966,852.43	25.06%
Export products	615,724,205.90	596,795,665.68	3.07%	643,774,523.83	628,094,324.99	2.44%
Total	5,137,875,700.69	3,886,517,715.35	24.36%	5,168,549,152.44	4,019,061,177.42	22.24%

3. Explanation on reasons of material changes in main operations and its structure

 Applicable Not applicable

4. Explanation on reasons of material changes in profitability (gross profit ratio) of main operations compared with that of last year

 Applicable Not applicable

5. Analysis on reasons of material changes in profit structure compared with the previous year

 Applicable Not applicable

6. No other business activities that influence a lot in profit in reporting period.

(VII) Internal control mechanism related with fair-value measurement

 Applicable Not applicable

(VIII) Foreign currency financial assets and financial liabilities held

 Applicable Not applicable

(IX) Analysis on financial status of the Company in reporting period

1. Changes of main index in profit statement as well as reason analysis:

Unit: RMB

Item	Jan.-June 2012	Jan.-June 2011	+/- (%)
Business tax and surcharge	43,172,959.76	19,453,852.82	121.92%
Financial expenses	-34,586,978.46	-15,240,641.58	-126.94%
Asset impairment losses	37,119,691.31	23,097,600.28	60.71%
Non-operating income	4,579,649.44	119,542,650.05	-96.17%
Non-operating expenditure	5,625,818.80	2,143,328.48	162.48%

Analysis of change causes

(1) Business tax and surcharges grow 121.92% from a year earlier, mainly because the payable business tax and surcharge increased and paid in report period.

(2) Financial expenses decline 126.94% from a year earlier, mainly because the raising funds of current period increases the interest income, and the exchange earning also increases.

(3) Asset impairment losses increase 60.71% from a year earlier, mainly because the extraction for bad debt reserves and inventory falling price reserves increases at the current period in accordance with accounting standard and accounting policy of the Company and by combining the real situation of accounts receivable and inventory.

(4) Non-operating income drops 96.17% from a year earlier, mainly because the subsidiary-Sichuan Air-conditioner doesn't receive the subsidize revenue at the current period, while it received the subsidize revenue at the same period last year.

(5) Non-operating expenditure increase 162.48% from a year earlier, mainly because loss on retirement of fixed assets increases at the current period.

2. Changes of main index in balance sheet as well as reason analysis:

Unit: RMB

Item	2012-6-30	2011-12-31	+/- (%)
Note receivable	2,557,190,766.71	1,523,729,827.01	67.82%
Account receivable	1,001,666,184.42	571,218,022.80	75.36%
Account paid in advance	163,665,256.51	237,494,745.03	-31.09%
Other account receivable	11,131,811.36	41,508,227.47	-73.18%
Constructions in process	285,537,614.98	204,053,321.44	39.93%
Short-term loans	243,089,994.43	144,000,000.00	68.81%
Account received in advance	434,002,521.83	703,404,091.67	-38.30%
Taxes payable	131,041,553.42	73,939,903.98	77.23%
Other account payable	799,045,107.44	518,444,925.03	54.12%
Non-current liability	3,405,507.92	2,452,094.16	38.88%

due within one year			
Detained profit	361, 598, 714. 44	250, 743, 672. 24	44. 21%
Foreign currency statement translation differences	-919, 190. 86	-501, 107. 01	83. 43%

Analysis of change causes:

(1) Notes receivable increase 103,346.09 million Yuan since the beginning of the year, rising 67.82%, mainly because banker's acceptance received at the peak season increases, but the collection is not yet due.

(2) Accounts receivable increase 43,044.82 million Yuan since the beginning of the year, rising 75.36%, mainly because the credit scale given to customers at the current period increases in the risks controllable scope resulting in accounts receivable rises; affected by business switch of joint venture, payment period of chain customers prolongs.

(3) Account paid in advance reduce 7,382.95 million Yuan over that of year-begin, dropping 31.09%, mainly because the advance payment for goods has been settled.

(4) Other account receivable reduce 3,037.64 million Yuan since the beginning of the year, dropping 73.18%, mainly because the Company takes back the earnest money paid to relevant departments for home appliances to the countryside; Zhongshan Changhong takes back the export value added tax that should be withdrawn.

(5) Constructions in process increase 8,148.43 million Yuan over that of year-begin, rising 39.93%, mainly because the raising funds increase in projects investments which have not been completed.

(6) Short-term loans increase 9,909 million Yuan since the beginning of the year, rising 68.81%, mainly because the short-term loans of this Company and the subsidiaries-Zhongshan Changhong increase.

(7) Account received in advance reduce 26,940.16 million Yuan over that of year-begin, dropping 38.30%, mainly because the shipments, billing and settlement are rapid up in peak season.

(8) Taxes payable increase 5,710.16 million Yuan over that of year-begin, rising 77.23%, mainly because the value-added tax sharply increases in June, the sales peak season.

(9) Other account payable increase 28,060.02 million Yuan since the beginning of the year, rising 54.12%, mainly because the occurred but not reimbursed expenses at the current period increase.

(10) Non-current liability due within one year increases 95.34 million Yuan since the beginning of the year, rising 38.88%, mainly because long-term loans due within one year increase.

(11) Detained profit increase 11,085.50 million Yuan since the beginning of the year, rising 44.21%, mainly because of the newly-increased profits at the current period.

(12) Foreign currency statement translation differences reduce 41.81 million Yuan since the beginning of the year, dropping 83.43%, mainly because of foreign currency statement translation of the overseas subsidiaries.

3. Changes of main index in cash flow statement as well as reason analysis:

Unit: RMB

Item	Jan.-June 2012	Jan.-June 2011	+/- (%)
Refunds of taxes received	44,962,884.98	25,730,915.85	74.74%
Other cash received with operating activities concerned	12,793,275.47	154,847,635.85	-91.74%
Taxes payable	268,142,290.34	156,316,882.18	71.54%
Other cash paid with operating activities concerned	272,269,140.43	413,539,305.42	-34.16%
Cash received from investment	-	1,000,000.00	-100.00%
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	762,052.14	71,162,183.34	-98.93%
Cash paid for purchasing fixed assets, intangible assets and other long-term assets	81,482,550.21	57,692,391.87	41.24%
Cash paid for investment	-	-22,009,000.00	100.00%
Cash received from investment absorb	-	35,966,000.00	-100.00%
Cash paid for debt payment	34,214,668.71	187,548,951.80	-81.76%

Analysis of change causes:

(1) Refunds of taxes received increase 1,923.20 million Yuan from a year earlier, rising 74.74%, mainly because the export rebates of parent company and subsidiary –Zhongshan Changhong increase.

(2) Other cash received with operating activities concerned reduce 14,205.44 million Yuan from a year earlier, dropping 91.74%, mainly because the subsidiary –Sichuan Air-conditioner has received subsidy for energy saving project at the same period of last year, but has not received at the current period.

(3) Taxes payable increase 11,182.54 million Yuan from a year earlier, rising 71.54%, mainly because the VAT and surcharge payable for parent company increased in this period.

(4) Other cash paid with operating activities concerned reduce 14,127.02 million Yuan from a

year earlier, dropping 34.16%, mainly because the cash settlement items decreased in this period.

(5) Cash received from investment reduce 100 million Yuan from a year earlier, dropping 100%, mainly because the parent company has taken back the investment in Hefei technology assets and equity exchange at the same period of last year, but has not at the current period.

(6) Net cash received from disposal of fixed assets, intangible assets and other long-term assets reduce 7,040.01 million Yuan from a year earlier, dropping 98.93%, mainly because the subsidiary, Jiangxi Meiling, has received compensation payments of land purchasing and storage from the old plant area at the same period of last year, but has not at the current report period.

(7) Cash paid for purchasing fixed assets, intangible assets and other long-term assets increase 2,379.02 million Yuan from a year earlier, rising 41.24%, mainly because the subsidiary, Jiangxi Meiling, has increase the purchasing for fixed assets at the current period.

(8) Cash paid for investment increase 2,200.90 million Yuan from a year earlier, rising 100%, mainly because the investment funds paid by the parent company to some joint marketing subsidiaries have not been merged or countervailed as the business registration has not been completed, the establishment of these marketing subsidiaries has been completed at the same period of last year, and above investment funds are listed as negative in the consolidated statements.

(9) Cash received from investment absorb reduce 3,596.60 million Yuan from a year earlier, dropping 100%, mainly because all joint marketing subsidiaries have received investments from few shareholders at the same period of last year, but has not at the current report period.

(10) Cash paid for debt payment reduce 15,333.43 million Yuan from a year earlier, dropping 81.76%, mainly because the due bank loans repaid by the parent company at the current period reduce.

(X) Management countermeasures of the Company in the next half year

Faced with grim macro-economic situations and industry situations, the Company shall make Meiling be an enterprise that has a dream, respected by others, and develops with the staff under the guidance of Meiling Dream and correct leader of the board of directors. Meiling should advocate equality of opportunity and free competition as the enterprise culture, insist on proposing hard work and plain living, devote to improve the quality of public life, strive to be the leader in home appliances industry, and realize Meiling Dream.

Main management countermeasures of the Company in the next half year:

1. Continue to launch Phoenix competition activities, ceaselessly improve market shares at home and abroad, and strengthen the comprehensive competitiveness.

2. Actively carry out special activities for internal control criterion implementation of the Company, continue to promote the operation level and business efficiency, prevent operational risks, and create more values for the Company.

3. Centers on core technology of “energy saving, air cooling, wisdom and copious cooling”, strengthen development of R&D for products and improve the structure of products. Meanwhile, accomplish the development and product quality tracking for refrigerator, freezer, washing machine

and air conditioner; accelerate the research and development for ultra-low temperature refrigeration storage of copious cooling products; continue to advance the components and parts integration in standardization and universalization.

4. Adhere to the idea of taking integrity, intelligence and courage as the core values, boost the refrigerator quality services, pursue for fairness and ceaselessly deepen it.

5. Continue to develop value creation activities of a mass character, increase income and reduce costs by improving operation efficiency.

6. Domestic and overseas sales

(1) Grasp the market opportunities of domestic sales for refrigerator, freezer and washing machine, continue to import energy saving, mid and high-end products, and adjust the product structure, and strengthen the product competitiveness. Carry out differentiated competition and marketing strategies, achieve differentiated competitive advantages via technological superiorities such as Meiling air cooling and energy saving technology; strengthen the market and product planning for the self-owned brand, and increase the sales volume.

(2) Seize the market advantages for air conditioner domestic sales by adjusting product structure and planning resources release and increase the overseas sales volume by actively opening up new markets.

III. Investment of the Company in reporting period

(I) Application of raised proceeds in reporting period as well as progress of fund raised projects

1. General information of fund raised

(1) Amount actually raised and date for fund collected

As deliberated and approved by the second extraordinary shareholders' general meeting and the 32nd Meeting of the 6th session of the Board, and approved by CSRC [Zheng Jian Xu Ke (2010) No. 1715], the Company issued 116.7315 million A shares to specified 8 investors including Sichuang Changhong in a non-public offering way with issued price of 10.28 Yuan/Share. According to the *Capital Verification* (No.: XYZH2010CDA6021) issued by Shine Wing Certified Public Accounts, total proceeds raised in this offering are RMB1,199,999,820.00 and the net proceeds amount to RMB1,177,954,320.00 after deducted offering expenses RMB 22.0455 million (including underwriting and sponsoring fee RMB 20.5 million).

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

Bank	A/C	CAPITAL COLLECTED (RMB0'000)	Capital used in
Hefei Branch of China Everbright Bank Branch in Daoxiang Building	76740188000018471	73,000.00	Production base for Athena luxury refrigerator

Hefei Branch of China Communication Bank in Shouchunqiao Road	341304000018010080590	30,000.00	Freezer expansion project
Industrial and Commercial Bank of China, Hefei branch of the Yangtze River Road	1302010229022129028	11,000.00	Expansion project of environmental and energy-saving refrigerators
Business Division of Hefei Luyang Branch of China Construction Bank	34001468608053006232	3,949.98	Supplemented current capitals and partial offering costs
Total		117,949.98	

(2) Amount used in this year and year-end balance

In this year, RMB 261,605,914.98 raised fund have been used, RMB 2,427,768.17 interest received from the Bank in specific account and bank handling charge costs RMB 40.

Balance of the specific account amounting to RMB 466,544,741.11 dated 30 June 2012, interest income accumulated amounting to RMB 16,013,708.36, amount have been used accumulated as RMB 727,423,287.25 and balance fund raised was RMB 466,544,741.11.

2. Management of fund rose

(1) Management system of fund raised

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

In the report period, the Company strictly performed procedures of application and approval by relevant regulations listed in “Management System of Funds Raised of Hefei Meiling Co., Ltd.” while using the fund raised. Highering efficiency and utilization of the capital and protect investor’s interest conscientiously.

(2) The signing and execution of tripartite regulatory agreement

In accordance with “Management System of Funds Raised of Hefei Meiling Co., Ltd”, the Company saving the raised fund in specific accounts since January 2011 and open a specific account for raised fund in the Bank. On 7 January 2011, the Company signed the “Tripartite Regulatory Agreement of Funds Raised” for clarified liabilities and responsibility between the parties respectively with China Everbright Bank Hefei Branch Daoxiang Building Sub-branch, China Communication Bank Shouchun Road Bridge Sub-branch, China Industrial and Commercial Bank Hefei Yangtze River Road Sub-branch and China Construction Bank Hefei Luyang Sub-branch as well as the sponsor institution China Merchant Securities Co., Ltd. At the same day,

the Company put on record to Shenzhen Stock Exchange and reported the main contents of this agreement. Implementation of the tripartite regulatory agreement shows no problems within the report period.

(3) Special deposit account for funds raised

As at 30 June 2012, project of raised fund totally accumulative used RMB 727,423,287.25 (excluding the RMB 300 million that supplied current capital with idle raised fund temporary) actually. Balance at raised fund was RMB 466,544,741.11 (including RMB 16,013,708.36 interest income, and regardless of the particular of supplementation of current capital with idle raised fund temporary).

As at 30 June 2012, fund raided in privately offering were saving as:

Details Saving Information

Bank	Fund used in	A/C	Balance (RMB '0000)			
			Raised capitals	Interest income	Total	Note (fixed deposit)
China Everbright Bank Hefei Branch Daoxiang Building Sub-branch	Production base for Athena luxury refrigerator	76740188000018471	32,168.1344	1,424.3443	33,592.4787	20,000.00
China Communication Bank Shouchun Road Bridge Sub-branch	Capacity expansion profit for freezer	341304000018010080590	12,895.4514	166.5440	13,061.9954	13,000.00
China Industrial and Commercial Bank Hefei Yangtze River Road Sub-branch	Expansion project of environmental and energy-saving refrigerators	1302010229022129028	-9.1034	9.1034	0.0000	0.00
Business Division of Hefei Luyang Branch of China Construction Bank	Current capital supplementary	34001468608053006232	-1.3791	1.3791	0.0000	0.00
Total	-	-	45,053.1033	1,601.3708	46,654.4741	33,000.00

Note: According to the usage schedule for projects of raised fund, fund raised in ICBC and China Construction Bank are clearing. The amount used in raised fund projects are larger than the amount actually raised due to the bank interest arising in specific raised fund account. Project of capacity expansion for environmental and energy-saving refrigerators gains interest of RMB 91,034 while project of current capital supplementation gains RMB 13,791 interest. As a result balance at the above accounting to RMB -91, 034 and RMB-13,791 respectively. Take the interest income into consideration, balance at ICBC and CCB was RMB 0 and have been verified.

3. The actual usage of raised capitals of this year

(1) Comparison table of the actual usage of raised capitals

Comparison table of the actual usage of fund raised ended as 30 June 2012

Unit: RMB (0'000)

Total fund-raised				117,795.4320	Total fund-raised used in this year				26,160.5915		
Total fund-raised for changes its using purpose in report period				0	Total fund-raised used accumulated				72,742.3287		
Total accumulative fund-raised for changes its using purpose				0							
Proportion of total fund-raised that with using purpose changed				0.00%							
Committed investment projects	Projects changed or not (including changed partially)	Total committed investment of fund-raised	Total investment after adjustment (1)	Amount invested in report 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 of this year	Reach the predicted interest or not	Project feasibility changed significantly or not	
Capacity expansion for Athena Luxury refrigerator	Unchanged	73,000.0000	73,000.0000	24,770.3141	40,831.8656	55.93%	1 st phase:2012.6 2 nd phase:2012.12	-	-	Un-changed	
Freezer expansion project	Unchanged	30,000.0000	30,000.0000	1,390.2774	17,104.5486	57.02%	1 st phase:2011.1 2 nd phase:2013.4	1 st phase: 2,149.39 2 nd phase: Nil	No	Un-changed	
Expansion project of environmental and energy-saving refrigerators(Note5)	Unchanged	11,000.0000	11,000.0000	0.0000	11,009.1034	100.08%	2010.12	1,544.62	No	Un-changed	
Supplementary of current capital	Unchanged	3,795.4320	3,795.4320	0.0000	3,796.8111	100.04%	-	-	-	Un-changed	
Total				-	117,795.4320	117,795.4320	26,160.5915	72,742.3287	61.75%	-	-
Using purpose for fund-raised				No fund-raised collected out of plan							

Loans payment to Bank(if applicable)	-						-	-	-	-
Current capital supplementation(if applicable)	-						-	-	-	-
Subtotal of Capital investment with fund raising out of the plan	-					-	-		-	-
Total	-					-	-		-	-
Reasons for falling behind the target progress or target income(By specific items)	Note1, Note 2									
Statement for major change of project feasibility	N/A									
Amount, using purpose and progress of using for fund-raised out of the plan	N/A									
Change of implementation place of investment project of fund-raised	N/A									
Regulation of implementation ways of investment project of fund-raised	N/A									
Preliminary investment and replacement of investment project of fund-raised	Note3									
Temporarily supplement for the current capitals with idle fund-raised	Note 2 of Temporarily supplement for the current capitals with idle fund-raised									
Amount and reason for surplus of fund-raised when implementing projects	N/A									
Usage of the retained raised fund and what is expected to invested with those fund	Note 4									
Problems exits in usage and disclosure of the raised fund and other information	N/A									

Note 1: The Phase I of capacity expansion projects for Athena luxury refrigerator has reached its expected serviceable condition with annual capacity of 1.2 million refrigerators (double shifts) produced. Part of first stage of the Phase II have been put into trial production, whose capacity can reach annual output of 0.4 million refrigerators (double shifts).

The first stage of Phase II of freezer capacity expansion project has been put into production, whose capacity can reach annual output of 0.4 million freezers. The Company's current production capacity for freezers can satisfy the marketing plan of 2012. To make rational use of resources, the Company shall adjust the realization time of production of the second stage of Phase II of freezer capacity expansion project to April, 2013 according to the annual freezer sales target in 2013.

In the first half year of 2012, the year-on-year growth of domestic home appliance marketing and sales is slow, the refrigerator and freezer markets remain in downturn, and the labor costs and transportation costs keep rising, which cause the implementation of the Phase I of capacity expansion projects for freezer and the capacity expansion project for environmental protection and energy saving refrigerator has not reached the predicted benefits.

Note 2: the capital invested in capacity expansion of Athena luxury refrigerators and capacity expansion of freezers as actual schedule, 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 including deposit interest of raised capital.

Note 3: Preliminary investment and replacement of investment project of fund-raised

As at 15 January 2011, the Company engages Shine Wing Certified Public Accountants for specific auditing on the fund-raised project, collecting privately, that invested by self-collecting fund of the Company. Being audited, particular about fund-raised projects invested by self-collecting fund of the Company as at 15 January 2011 are:

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

Note: part of the above accounts 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 17 January 2011. The replacement was agreed by the sponsor institution China Merchants Securities Co., Ltd, and was reviewed and approved on the 41st meeting

of the 6th Session of the Board. And at the same time, the independent directors, board of supervisors issued concurring opinion.

Note 4: Usage of the retained fund-raised and what is expected to invested with those fund

For the purpose of reducing the financial cost and higher the efficiency of raising fund, Partial raising fund was consented for temporary supplementation for circulating capital under the premise of no impact on the investment project implementation, and withdrew the fixed deposit.

Note 5: 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.

Till presently, the using purpose of fund-raised hasn't been changed.

(2) Explanation on the temporary supplementation of circulating capital 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 43rd Meeting of 6th Board of Directors and 14th Meeting of 6th Board 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 RMB 60 million raised fund within 6 months term, which is from 25 March 2011 to 25 September 2011. Meanwhile, independent directors and supervisors shows favor opinions for that. The used idle raised fund of RMB60 million has been returned to the specific raised fund account on time dated 2 June 2011. The above matters have been disclosed by the Company in media including *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and www.cninfo.com.cn as notice (No. 2011-017, No. 2011-018, No. 2011-019 and No. 2011-033) dated 26 March and 3 June 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 47th Meeting of 6th Board of Directors, 16th Meeting of 6th Board of Supervisors and 2nd Extraordinary Shareholders' General Meeting 2011. Partial raising fund was consented for temporary supplementation for circulating capital, amount of RMB 500 million within 6 months since the date of approval day from Shareholders' General Meeting, which is from 23 June 2011 to 23 December 2011. Furthermore, the event has been approved by the sponsor and independent directors. The used idle raised fund has been returned to the specific raised fund account on time dated 1 December 2011. The above matters have been disclosed by the Company in media including *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and

www.cninfo.com.cn as notice (No.: 2011-034, No. 2011-035, No. 2011-037, No. 2011-042 and No. 2011-060).

For purpose of higher the efficiency of raising fund, reducing 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 7th Meeting of 7th Board of Directors, 4th Meeting of 7th Board of Supervisors and 5th Extraordinary Shareholders' General Meeting 2011. Partial raising fund was consented for temporary supplementation for circulating capital, amount of RMB 400 million within 6 months since the date of approval day from Shareholders' General Meeting, which is from 21 December 2011 to 21 June 2012. Furthermore, the event has been approved by the sponsor and independent directors. The used idle raised fund has been returned to the specific raised fund account on time dated 22 May 2012. The above matters have been disclosed by the Company in media including *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and www.cninfo.com.cn as notice (No. 2011-061, No. 2011-062, No. 2011-063, No. 2011-068 and No.2012-016) dated 6 December, 23 December 2011 and 23 May 2012.

In order to improve capital availability factor, reduce financial expenses, satisfy business requirements and protect interests of the Company and all shareholders, the 13th meeting of the 7th session of Board of Directors, the 8th meeting of the 7th session of Board of Supervisors and the 1st extraordinary shareholders' meeting 2012 approved and passed RMB 300 million of idle raised capital making for flow capital temporarily with a operating life within 6 months dating from the approval day namely from Jun. 12 of 2012 to Dec. 12 of 2012. That proposal was accepted by independent directors and sponsors, too. All these events had been disclosed on *Securities Times*, *China Securities Journal*, *Hong Kong Commercial Daily* and Juchao Website in form of report on May 26 of 2012 and Jun. 13 of 2012 (No. 2012-017, No. 2012-018, No. 2012-019, No. 2012-025).

The Company has been strictly performing relevant obligations to return the idle capital to the specific raised fund account within 6 months since the date of approved by Shareholders' General Meeting till now.

4. Particular about the raising fund of investment projects

(1) Manufacture bases of Athena Luxury refrigerator

The project is divided into two phases. It is expected to invest RMB793.3038 million in total; of which raising fund is RMB730 million and the balance shall be raised by self-Collecting. Upon the completion of the first phase, the annual production capacity will reach 1.2 million refrigerators with triage-door and multi-door and side by side refrigerators with 220L; upon the completion of the second phase, the annual production capacity will reach 0.8 million.

Up to the end of June 2012, the used raising fund for the project was RMB 408,318,656, saving interest gains RMB 14,243,443 and the balance of raising fund was RMB 335,924,787.

Till recently, the Phase I of capacity expansion projects for Athena luxury refrigerator has reached its expected serviceable condition with annual capacity of 1.2 million refrigerators (double

shifts) produced. Part of first stage of the Phase II have been put into trial production, whose capacity can reach annual output of 0.4 million refrigerators (double shifts).

(2) Capacity expansion of freezer

The project is divided into two phases. It is expected to invest RMB375.1778 million in total; of which raising fund is RMB300 million and the balance shall be raised by self-collecting. Upon the completion of the first phase, the annual production capacity will reach 600,000 freezers, and the first phase of the project has been put into production in January 2011. The Company adjusted the technical solution of partial equipment in the second phase of capacity expansion item of freezer due to the adjustment of product mix according to the market situation. Till the end of reporting period, the 1st stage of the 2nd phase of project had been constructed and formally put into production in March 2012. Thus productivity reached 400,000 sets of refrigerators each double-class annually. While the 2nd stage had been started in July 2012 and will be put into operation in Apr. of 2012 by plan in accordance with refrigerators expansion plan. The 2nd stage started in order to supplement related crafts equipments such as case foaming equipments, door-body foaming equipments and front-end homemade equipments, thus perfected affiliated facilities. Now annual productivity of refrigerators increased by 200,000 sets; after the completion of the 2nd stage, the expansion plan will succeed with an annual productivity of 1.2 million sets of refrigerators each double-class.

(3) Capacity Expansion of Environment Protection and Energy Saving Refrigerator

RMB118.0093 million was expected to invest in capacity expansion of environmental and energy-saving refrigerators, of which RMB110 million is raising capital, 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; 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. This construction will create a productivity of 0.6 million sets (double classes) of refrigerators with environmental protection and energy-saving. The capacity expansion of environmental and energy-saving refrigerators had been put into production in late December 2010 and it operated well.

5. Using purpose of changed fund-raised investment projects

No using purpose of fund-raised investment projects changed in this year for the Company.

6. Problems exists in usage and disclosure of the fund-raised

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.

(II) Particulars about majority invested items with non-raised capital in reporting period

Applicable Not applicable

Unit: RMB0'000

Items	Disclosure date of initial report	Amount	Progress	Revenue
Relocation and expansion of Jiangxi Meiling Electrical Equipments Co., Ltd	2011-5-28	26,924.12	Till end of Jul. Of 2012, the project went on smoothly, having completed civil engineering packaging operation and steel installation of main pack workshop material storage workshop and injection and absorbing plastic workshop. Equipments are in debugging. It's will be put into operation in the 1 st 10 days of Aug.	None
Total		26,924.12	--	--
Statement on majority invested items with non-raised capital				
<p>According to freezers industrial strategy and plan of new production base in Jiangxi Jingde Town, combining the strategic relocation of Jiangxi Meiling, the Company held the 46th meeting of the 6th session of Board of Directors on May 27 of 2011 which approved and passed Proposal About Relocation And Expansion Of Subsidiary Jiangxi Meiling Co. Ltd. Proposal agreed projects about relocation and expansion and Jiangxi Meiling Electricity Equipments' investment and establishment on production for energy-saving freezers. Total investment amounted to 269,241,200 yuan, including, intangible assets (land use right) and fixed assets amounted to 233,927,200 yuan, flow assets amounted to 35,314,000 yuan. Jiangxi Meiling raised these assets by his own. This project will produce 1 million sets of environmental energy-saving freezers (double-class) after being put into operation.</p> <p>Till end of July 2012, the project went on smoothly, having completed civil engineering packaging operation and steel installation of main pack workshop material storage workshop and injection and absorbing plastic workshop. Equipments are in debugging. It will be put into operation in the 1st 10 days of August.</p>				

IV. The modification of Board to the business plan for the second half of the year

Applicable Not applicable

V. Prediction of business performance from January – September 2012

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable Not applicable

VI. Explanation on “Qualified Opinion” from the Certified Public Accountants in the report period by the Board of Directors

Applicable Not applicable

VII. Explanation of the Management on changes and disposal of the issues involved in “Qualified Opinion” from the Certified Public Accountants in the last year by the Board of Directors

Applicable Not applicable

VIII. Stating the discussion results issued by the Board on changes in the Company’s accounting policies and accounting estimates or reasons for material accounting error correction and influences thereof

Applicable Not applicable

IX. Formulation and implementation of cash dividend policies of the Company

(I) Regulation of profit distribution carried in original “Article of Association” in reporting period

Relevant regulation of profit distribution carried in “Clause 156” of “Chapter VIII Financial Accounting System, Profit Distribution and Auditing” in original “Article of Association”:

Formulation of profit distribution plan should following the principle as:

1. The Company should put emphasis on reasonable return to shareholders, conduct positive profit distribution policy. In terms of profit distribution plan, we can take reasonable way of cash, stocks or capital reverse into shares and other legal regulative ways to distribute profit. When profiting more and having sufficient cash flow, the Company could distribute profit with cash in middle or end of the year. The distribution proportion couldn't be lower than 30% of accumulative profit-available-for-shareholders. The specific ratio should be determined by Board of Directors through Shareholders' Meeting who made decision according to related rules made by CSRC and real operation status.

Consistence and stabilization should be in profit distribution.

2. If Board of Directors didn't make any profit distribution plan when there was profit available, they should disclose reasons and independent directors should raise up independent opinion.

3. If any shareholders occupy capital of the Company, the Company should deduct his cash dividend for paying back capital he occupied.

(II) Implementation of cash dividend policy

The Company strictly distributed profit according to related rules and regulations of the original Articles of Association. Cash dividend was fully used during profit distribution. The 2011 annual profit distribution plan complied with rules of Articles of Association and requirements of shareholders' meeting. Dividend basis was clear and related decision procedure and mechanism was complete. Independent directors issued independent opinion. Medium and little shareholders issued suggestion and requirements through shareholders' meeting and phones. Thus their rights were protected.

On 20 March 2012, the 10th meeting of the 7th session of Board of Directors approved and passed Pre-Plan About 2011 Annual Profit Distribution and Capital Reserve into Shares. This proposal was submitted to 2011 annual shareholders' meeting of the Company. Meanwhile, independent directors issued acceptance opinion on this proposal and Directors of Supervisors approved and passed it. The Company comprehensively considered interest of shareholders and development requirements, turned capital reserve into shares with 2 shares including 0.5 yuan cash dividend (tax included) per 10 shares. Total cash dividend sent to shareholders amounted to RMB 31,822,466.9 (cash dividend took up 30% of 2011 consolidated statements attributed to profit of parent company). The capital reserves into shares reached 127289868 shares while the capital reserve parent company used to turn into shares amounted to 127289868 yuan of capital stock premium in its own detailed accounting subject. After this distribution, total share capital will increase to 763,739,206 shares from 636,449,338 shares. The undistributed profit will be done at end of year. On Jun. 26 of 2012, the 2011 annual shareholders' meeting approved and passed pre-plan about the beforehand 2011 annual profit distribution and capital reserve into shares.

(III) Adjustment to cash dividend policy at reporting period-end

At reporting period-end, the Company positively organized Board of Directors, Board of Supervisors and senior managers to learn the spirit in Notice, namely Notice to Further Conduct Related Issues about Cash Dividend issued by CSRC ZJF No. [2012] 37 (hereinafter referred to as Notice) and Transferred Notice to Further Conduct Related Issues about Cash Dividend Issued by CSRC made by Anhui SRC (WZJHZ No. [2012] 140). And we revised and perfected it in contrast with the Notice on Jun. 26 of 2012. The revised contents included decision procedure of cash dividend and mechanism, period interval, actual condition, lowest account and ratio, fully listening to opinion on profit distribution and specific insurance measurements from independent directors and medium and little shareholders, and regulation to cash dividend policy. Condition and procedure of cash dividend regulations is lawful and clear.

On 1 June and 26 June of 2012, the Company respectively held the 14th meeting of the 7th session of Board of Directors and 2011 Annual Shareholders' Meeting which approved and passed Proposal about Revision to Partial Terms of Article of Association and Proposal about Revision to Partial Terms of Official Discussion Rules of Shareholders' Meeting. Thus we completed the perfection and revision to terms about profit distribution shown in Article of Association especially terms related to cash dividend.

1. Related revision to "Article of Association":

(1) Article 78 in Chapter IV Shareholders and Shareholders' Meeting

Now revised to: the following issues should be approved though special decision made by shareholders' meeting:

- (I) The Company reduces or increases registered capital
- (II) Bond issuing of the Company
- (III) Division, combination, dissolution and liquidation

(IV) Revision to this Article of Association

(V) Repurchase stock of the Company

(VI) The Company purchases sell major asset or guarantee amount exceeds 30% of total assets audited during recent period

(VII) Equity stimulation plan

(VIII) Regulation or change to cash dividend ruled by Article of Association

(IX) Other issues which the law, regulation or Article of Association rules, shareholders' meeting takes as important by ordinary decision and needed approved through special decision.

(2) Article 156 in Chapter VIII Financial Accounting System, Profit Distribution and Audit

Now revised to: profit distribution policy is as follow:

(I) Principle: the Company conducts persistent, stable and clear profit distribution policy, protect interests of shareholders, fully maintain assets earnings of shareholders, and insure long-term and sustainable development of the Company.

(II) Profit distribution form and ratio:

1. When profit is available, the Company distributes profit with cash or stock after withdrawing capital reserve.

2. When cash flow could satisfy normal and long-term development, ratio of single annual distributed profit with cash couldn't be lower than 15% of profit available for distribution realized in current year. The rest retains for sustainable development of the Company.

3. On condition that share capital scale and equity structure is reasonable, the Company could send stock dividend on basis of rewarding shareholders and sharing corporation value as long as the stock appraisement is among a rational range.

4. The profit distributed couldn't be more than the accumulative profit available for distribution.

(III) Period interval of profit distribution: the Company makes profit distribution annually, or middle cash dividend or stock dividend according to profiting and capital requirements condition.

(IV) Decision procedure of profit distribution policy:

When profit the Company realized conforms to distribution terms, the Board of Directors should make medium profit distribution plan (under condition of planned medium distribution) and annual profit distribution plan in accordance with operation and market.

Profit distribution plan made by Board of Directors should be approved by more than half of Board of Directors, and independent directors should approve and issue opinion on this plan.

Board of Supervisors should approve and issue opinion on profit distribution plan made by Board of Directors.

Report of decision of Board of Directors should include opinions from independent directors and Board of Supervisors.

Board of Directors should submit profit distribution plan to shareholders' meeting for approval after they approved and passed it. When shareholders' meeting reviewing, the Company should

offer channels such as website voting for shareholders thus they can get involvement in.

The Company obtained profit in last accounting year. If Board of Directors didn't made any profit distribution plan or didn't distribute profit with a lower ratio than the one the article ruled in last period, the Company should give reasons for not being there, as well as the final usage of the undistributed profit. Independent directors and supervisors should issue reviewed opinion.

If the Company has to regulate profit distribution policy because of substantial change to operation and production, requirements from investment and long-term development, proposal should be raised up from the Board of Directors in accordance with actual condition and should be submitted to shareholders' meeting for approval. Including, regulation or change to cash dividend policy should be proved fully and given reason in proposal, and should be approved by above 2/3 attending shareholders. The regulated one should focus on interests of shareholders and for related rules of CSRC and Stock Exchange. Independent directors and supervisors should issue reviewed opinion. The Company should offer channels such as website voting in order to attract convenient involvement from public shareholders.

Verification, formulation and revision process of profit distribution policy should listen to opinion from independent directors and social shareholders. The Company should listen opinion on profit distribution policy of the Company from investors through phone consulting, site research, interactive platform and other methods.

(V) If illegal occupation of capital of the Company exists, the Company should deduct cash dividend for the shareholder thus pay back the occupied capital.

2. Related revision to the Official Discussion Rules of Shareholders' Meeting is as follow:

(1) Article 33 of Chapter V Proposal of Shareholders' Meeting:

Now it is revised to: the Board of Directors should make a decision on profit distribution and take it as proposal in annual shareholders' meeting after approval of annual report. If profit is available, the Board of Directors didn't make any profit distribution plan or didn't distribute profit with a lower ratio than the one the article ruled in last period, the Company should give reasons for not being there, as well as the final usage of the undistributed profit. Independent directors and supervisors should issue reviewed opinion.

(2) Article 83 in Chapter VII Decisions in Shareholders' Meeting

Now revised to: the following issues should be approved though special decision made by shareholders' meeting:

(I) The Company reduces or increases registered capital

(II) Bond issuing of the Company

(III) Division, combination, dissolution and liquidation

(IV) Revision to this Article of Association

(V) Repurchase stock of the Company

(VI) The Company purchases, sell major asset or guarantee amount exceeds 30% of total assets audited during recent period

(VII) Equity stimulation plan

(VIII) Regulation or change to cash dividend ruled by Article of Association

(IX) Other issues which the law, regulation or Article of Association rules, shareholders' meeting takes as important by ordinary decision and needed approved through special decision.

Among the perfected and revised Article of Association and Official Discussion Rules about Shareholders, condition and procedure of related terms of profit distribution especially cash dividend was regulative and clear. The full text of the revised Article of Association of Hefei Meiling Inc and Official Discussion Rules of Shareholders of Hefei Meiling Inc. had been disclosed in Juchao Website which is the information disclosure media the Company choose (<http://www.cninfo.com.cn>) on 27 June 2012.

X. Plan of profit distribution or capital reserve capitalizing

The Company has no profit distribution plan for semi-annual of 2012 and implemented no capital reserve capitalizing either.

XI. Positive retained profit accumulated at end of 2011 without cash distribution carried out

Applicable Not applicable

XII. Establishment and implementation of registration mechanism for insiders

In accordance with related laws, regulations and Articles of Association and Administration Systems of Information Disclosure, the Company had made the Registration System of Insiders of inside Information and Confidentiality System of inside Information during 2009 and 2010. In reporting period, the Company strictly conducted the beforehand systems, truly and completely recorded all the insiders during various stages such as reporting, delivering, compiling, approving and disclosing during periodical reports and significant issues before inside information went public. Related documents recording the time when the insiders knew the information were made too for self-check of the Company and inspection from related supervision institution. We strengthened confidentiality of inside information, prevented illegal inside trade thus prevented insiders from abusing or leaking inside information for inside trades. Therefore we protected interests of majority shareholders.

In the report period, relevant staffs make no inside information for inside trading and no inside information leaking. No particular about insiders make use of inside information for inside trading or inside trading conduction by suggestion of the insiders that causes seriously losses in the Company. No custody measurement and administration punishment on related staff from regulatory authorities in aspect of inside trading involved.

XIII. Routine work of the Board of Directors in reporting period

Date & session times	Contents	Newspaper for disclosure
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2012-3-9 The 9 th Meeting of 7 th Session of the Board	Deliberated and approved follow 3 proposals: “Appointment of Deputy President of the Company”, “Application of Line of Credit with 400 million ceiling for Industrial and Commercial Bank of China, Hefei branch of the Yangtze River E-Road” and “Application of Line of Credit with 300 million ceiling for Anhui Branch of Bank of Communication”	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
2012-3-20 The 10 th Meeting of 7 th Session of the Board	Deliberated and approved totally 19 proposals including: “Working Report of the Board for year of 2011”, “Summary and Full Text of 2011 Annual Report” and “Final Results for year of 2011”	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
2012-3-30 The 11 th Meeting of 7 th Session of the Board	Deliberated and approved the “proposal of implementation plan for regulation of internal control of the Company”	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
2012-4-20 The 12 th Meeting of 7 th Session of the Board	Deliberated and approved totally 4 proposals including: “First Quarterly Report of 2012”. “accrual of bad debt provision” and “withdrawal of employee’s retirement welfare”	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
2012-5-25 The 13 th Meeting of 7 th Session of the Board	Deliberated and approved 2 proposals as “temporary supplementation of circulating capital from part of idle fund-raised” and “Convening the 1 st extraordinary shareholders’ general meeting of 2012”	《 <i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>
2012-6-1 The 14 th Meeting of 7 th Session of the Board	Deliberated and approved 4 proposals as “Engagement of auditing institution for internal control of the Company”, “Amendment of part of clause in ‘Article of Association’”, “Amendment of part of clause in ‘Discussion Rules for Shareholders’ General Meeting of the Company’” and “Convening the Annual Shareholders’ General Meeting of 2011”	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>

In reporting period, the Board of Directors held two shareholders' meetings. On Jun. 12 of 2012, 2012 the 1st extraordinary shareholders' meeting was held where Proposal of Using Partial Idle Raised Funds for Making for Current Capital Temporarily was approved. On Jun. 26 of 2012 the 2011 annual shareholders' meeting was held where 18 proposals were approved such as 2011 Annual Work Report of Board of Directors, 2011 Annual Work Report of Board of Supervisors, 2011 Annual Report and Summary, Proposal of Revision to Partial Terms of Articles of Association, Proposal of Revision to Partial Terms of Official Discussion Rules of Shareholders' Meeting. The above issues were disclosed on *Securities Times, China Securities Journal, Hong Kong Commercial Daily* and Juchao Website (<http://www.cninfo.com.cn>) are available for checking the information as long as you type code of the Company in line of Individual Stock Check.

XIV. Financial report of the Company in reporting period has not been audited.

Chapter V. Significant Events

I. Company Governance

During the reporting period, the company is strictly in accordance with the relevant laws and regulations, such as "Company Law", "Securities Act", "Listed Company Governance Guideline" and "the Listing Rules of Shenzhen Stock Exchange" to establish and improve the governance of corporation structure, to strengthen the management of information disclosure. In order to prevent the illegal trading, it standardizes the management of insiders registration and keeps information as secrets; To implement the work of internal control practices carefully and perfect the system of internal controls; Improving the management of internal controls, risks and information to standardize company's operations and heighten the levels of corporate governance. At present, the governance system is basically sound, the operation is in the state of specification and the corporation structure is perfect, which meet the needs of documents of listed company, released by the China Securities Regulatory Commission.

II. Equity Incentive Plan in reporting period

The Company formulated no equity incentive plan in reporting period.

III. Deliberation of profit distribution plan for year of 2011 in reporting period

Being audited by Shine Wing CPA, individual statement of parent company realized net profit in 2011 amounting to RMB 200,282,314.30. In accordance with relevant regulations, the individual statement of parent company for 2011 shows cumulated retained profit as RMB 341,190,219.48 and cumulated capital reserve as RMB 1,625,315,350.37 after withdrawal statutory surplus reserve RMB 20,028,231.43, plus retained profit at year-begin RMB 293,529,748.86 and less distributed profit RMB 132,593,612.25.

In accordance with relevant regulations and "Article of Association" and take shareholders' interest and long-term demand of the Company into consideration, the Company agrees to implement cash dividend from capital reserve as RMB 0.5 (tax included) for each 10 shares with 2 more shares increased to all shareholders base on the total share capital 636,449,338 shares dated 31 December 2011. Totally RMB 31,822,466.90 was distributed for cash dividend, shares reverted from capital reserve amounting to 127,289,868 shares and the capital reserve use for capitalizing by parent company -- shares premium that belongs to detail accountant item was RMB127, 289,868. After distribution, total share capital of the Company increase from 636,449,338 shares to 763,739,206 shares, the retained profit will carry forward for distribution in later period.

The above profit distribution plan for year of 2011 and shares converted from capital reserve have been deliberated and approved in 10th Meeting of 7th Session of the Board and Annual Shareholders' General Meeting of 2011 dated 20 March 2012 and 26 June 2012 respectively and should be implemented by the Company as regulated.

IV. Material lawsuits and arbitrations in reporting period

1. No material lawsuits and arbitrations occurred in this period
2. Other lawsuits and arbitrations in reporting period

In order to safeguard the independence and integrity of "Meiling" trademark, the company arranges and checks the permission to use the trademark before purchasing 100% of property rights of Hefei Meiling Holding Group Co., Ltd., (hereinafter "the Meiling Group") according to the principles of centralized management and consistent use of "Meiling" trademark. At the end of reporting period, the progress of litigation and arbitration in which "Meiling" involves as follows:

(1)A subsidiary of Meiling Group sues Hefei Meiling Appliances Co., Ltd., to remove "the Agreement of Use of Trademark" which is signed originally. The Meiling Group has made an appeal of 2nd instance to Anhui Supreme People's Court. Now the case has been come up, waiting for the result.

(2)The Meiling Group, Hefei Meiling Communications Technology Co., Ltd., and Hefei Meiling Cabinet Appliances Co., Ltd., has applied for arbitration to Hefei arbitration committee on the case of removing the original "the Agreement of Use of Trademark" and asking payment of damages. At present, the case has been come up, waiting for the result.

V. Material assets acquisition and sales as well as recapitalize in reporting period

No material assets acquisition and sales as well as enterprise combination in reporting period.

VI. Relevant events of bankruptcy reorganization

In reporting period, the Company has no relevant bankruptcy reorganization been found, including applying for reorganization, reconciliation or bankruptcy liquidation to the Court and accepted reorganization, reconciliation or bankruptcy liquidation by the Court as well as ruling results by the Court during reorganization period and other material events been found.

VII. Equity of other listed company and stock jointly financial enterprise held by the Company

(I) Security investment

Applicable Not applicable

(II) Equity of other listed company held by the Company

Applicable Not applicable

(III) Equity of non-listed financial enterprise held by the Company

Applicable Not applicable

Name	Initial investment cost (RMB)	Number of shares held (Share)	Proportion in equity of the company (%)	Book value at period-end (RMB)	Gains/losses in report period(RMB)	Changes on owner' equity in report period(RMB)	Account items for calculation	Share resources
Huishang Bank Co.,	5,000,000.00	10,737,573	0.13	5,000,000.00	1,073,757.30	0.00	Long-term	Initial

Ltd.							equity investment	investment
Total	5,000,000.00	10,737,573	--	5,000,000.00	1,073,757.30	0.00	--	--

VIII. Buying and selling shares of other listed company

Applicable Not applicable

IX. Assets transaction

(I) Assets purchased or acquired

Applicable Not applicable

(II) Assets sold

Applicable Not applicable

(III) Assets replacement

Applicable Not applicable

(IV) Enterprise combination

Applicable Not applicable

(V) Progress of the events and their influence on the Company's operating results and financial status in the report period after the Report on Assets Restructure or Public Notice on Acquisition and Sales of Assets being published

Applicable Not applicable

X. Major Shareholders and persons acting in concert propose or implement the plan of increased share holding in reporting period

On 16 January 2012, the Company received a "Letter" about increased share holding from shareholder Sichuan Changhong. Based on the confidence in company's future, Sichuan Changhong and its subsidiary Hong Kong Changhong increase the holding of 1,664,541 shares through Shenzhen Stock Exchange Trading System between December 26, 2011 and January 13, 2012, which is 0.26% of total. Among them, Sichuan Changhong increased 1,274,000 shares of A Share through Shenzhen Stock Exchange Trading System in Jan.13, 2012, which is 0.20% of total; Hong Kong Changhong increased 390,541 shares of B Share through Shenzhen Stock Exchange Trading System between December 26, 2011 and January 13, 2012, which is 0.06% of total.

By June 30, 2012, Sichuan Changhong and Hong Kong Changhong hold 158,328,461 shares together, which account for 24.88% of total including Sichuan Changhong holds 137,356,942 shares of A Share, which is 21.58% of total, Hong Kong Changhong holds 20,971,519 shares of B Share, which is 3.30% of total.

The above event has been disclose in appointed medial "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website (www.cninfo.com.cn) dated 17 January 2012 with announcement No.:2012-002.

XI. Significant related transactions in reporting period

(I) Related transaction related to daily operation

Applicable Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price (RMB0'000, tax excluded)	Related transaction amount (RMB0'000, tax excluded)	Proportion in similar transactions (%)	Clearing form for related transaction	Influence of profit of the Company	Market price(RMB0'000)	Reasons of major difference between trading price and market reference price
Sichuan Changhong Electric Co., Ltd.	Parent company	Commodity purchased	Color masterbatch, steel plate, electric melting, resistors, accessory etc.	Marketing price	4,635.26	4,635.26	0.89	Spot exchange or bank acceptance	-	-	-
Huayi Compressor Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Compressor	Marketing price	24,145.85	24,145.85	4.66	Bank acceptance	-	-	-
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Plastic products etc.	Marketing price	13,373.86	13,373.86	2.60	Bank acceptance	-	-	-
Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Door shell, baseboard etc.	Marketing price	9,710.39	9,710.39	1.87	Bank acceptance	-	-	-
Sichuan Changhong Package Printing Co., Ltd.	Other enterprise control under the same parent company and	Commodity purchased	Packing case, printed matter etc.	Marketing price	1,454.17	1,454.17	0.28	Bank acceptance	-	-	-

	ultimate controller										
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	PCB etc.	Marketing price	144.38	144.38	0.03	Bank acceptance	-	-	-
Sichuan Changhong Devices Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Printed board, remote control, transformer etc.	Marketing price	688.76	688.76	0.13	Bank acceptance	-	-	-
Sichuan Liyuan Electronic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Transformer, filter etc.	Marketing price	374.66	374.66	0.07	Bank acceptance	-	-	-
Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Battery	Marketing price	33.42	33.42	0.01	Bank acceptance	-	-	-
Mianyang Hongrun Electronic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Conductor line etc.	Marketing price	439.46	439.46	0.08	Bank acceptance	-	-	-
Guangdong Changhong Electronics Co., Ltd.	Other enterprise	Commodity purchased	Foam pieces etc.	Marketing price	23.57	23.57	0.00	Bank acceptance	-	-	-

	control under the same parent company and ultimate controller										
Zhongshan Guanghong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Plastic pressure pieces	Marketing price	9.84	9.84	0.00	Bank acceptance	-	-	-
Jingdezhen Honghua Appliance Devices Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Commodity purchased	Door seal	Marketing price	111.13	111.13	0.02	Bank acceptance	-	-	-
Sichuan Changhong Electronic Co., Ltd.	Parent company	Sales of commodity	Air-conditioner, refrigerator	Marketing price	77,224.47	77,224.47	14.54	Spot exchange, bank acceptance	-	-	-
PT.CHANGHONG ELECTRIC IND	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	3,563.76	3,563.76	0.67	Spot exchange	-	-	-
Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of raw materials	Steel plate, color plate etc.	Marketing price	1,304.50	1,304.50	0.25	Spot exchange, bank acceptance	-	-	-
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under	Sales of raw materials	Transparent plastic, color masterbatch	Marketing price	2,374.22	2,374.22	0.45	Spot exchange, bank acceptance	-	-	-

	the same parent company and ultimate controller										
Mianyang LJY Commerce-Trading Chain Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner, freezer, washing machine	Marketing price	2.85	2.85	0.00	Spot exchange	-	-	-
Sichuan Changhong Precision Electronics Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	52.17	52.17	0.01	Spot exchange	-	-	-
Chongqing Hong Life Commerce-Trading Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner, refrigerator, freezer, washing machine	Marketing price	100.36	100.36	0.02	Spot exchange	-	-	-
Sichuan Hongrui Electrician Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	1.12	1.12	0.00	Spot exchange	-	-	-
Hong Kong (Changhong) Trading Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	11.60	11.60	0.00	Spot exchange	-	-	-

Sichuan Changhong New Energy Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	0.17	0.17	0.00	Spot exchange	-	-	-
Guangdong Changhong Digital Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	0.40	0.40	0.00	Spot exchange	-	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	30.90	30.90	0.01	Spot exchange	-	-	-
Wandao Network Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	77.19	77.19	0.01	Spot exchange	-	-	-
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	8.32	8.32	0.00	Spot exchange	-	-	-
LJY Chain Management Co., Ltd.	Other enterprise control under the same parent	Sales of commodity	Air-conditioner, refrigerator, freezer, washing machine	Marketing price	1,780.16	1,780.16	0.34	Spot exchange, bank acceptance	-	-	-

	company and ultimate controller										
Changhong Electric (Australia) Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner, refrigerator	Marketing price	1,693.62	1,693.62	0.32	Spot exchange	-	-	-
CHANGHONG ELECTRIC MIDDLE EAST FZE	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	945.77	945.77	0.18	Spot exchange	-	-	-
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner, spare parts	Marketing price	122.75	122.75	0.02	Spot exchange, bank acceptance	-	-	-
Zhongshan Guanghong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Sales of commodity	Air-conditioner	Marketing price	15.10	15.10	0.00	Spot exchange	-	-	-
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Plant, steel structure shed	Marketing price	64.72	64.72		Spot exchange	-	-	-
Sichuan Changhong Jijia Fine	Other	Related party	Plant	Marketing	23.33	23.33		Spot exchange	-	-	-

Co., Ltd.	enterprise control under the same parent company and ultimate controller	lease		price							
Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Office building	Marketing price	10.16	10.16		Spot exchange	-	-	-
Guangdong Changhong Digital Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Office building	Marketing price	1.18	1.18		Spot exchange	-	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Office building	Marketing price	0.22	0.22		Spot exchange	-	-	-
Zhongshan Guanghong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Office building	Marketing price	1.27	1.27		Spot exchange	-	-	-
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same parent company and	Related party lease	Office building	Marketing price	17.44	17.44		Spot exchange	-	-	-

	ultimate controller										
Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Operational lease for driving	Marketing price	1.93	1.93		Spot exchange	-	-	-
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Operational lease of heat treating furnace	Marketing price	0.47	0.47		Spot exchange	-	-	-
BVCH Optronics (Sichuan) Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party lease	Goods lift	Marketing price	2.46	2.46		Spot exchange	-	-	-
Sichuan Changhong Electronic Co., Ltd.	Parent company	Related party tenant	Operational lease of plant, warehouse and office room	Marketing price	322.91	322.91		Spot exchange	-	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Related party tenant	Operational lease of plant, warehouse etc.	Marketing price	307.70	307.70		Spot exchange	-	-	-
Sichuan Changhong Electronic Co., Ltd.	Parent company	Labor receiving	Technology, service	Marketing price	486.69	486.69		Spot exchange, bank acceptance	-	-	-
Sichuan Hongxin Software Co., Ltd.	Other enterprise control under	Labor receiving	Software service	Marketing price	130.00	130.00		Bank acceptance	-	-	-

	the same parent company and ultimate controller										
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Labor receiving	Maintenance, 4008 calling service	Marketing price	2,793.67	2,793.67		Spot exchange, bank acceptance	-	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Labor receiving	Logistic transportation, warehousing and loading & un-loading	Marketing price	17,161.09	17,161.09		Spot exchange, bank acceptance	-	-	-
Guangdong Changhong Electronics Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Fuels and powers provided	Water, electric, gas	Government-set price	98.50	98.50		Spot exchange	-	-	-
Guangdong Changhong Digital Technology Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Fuels and powers provided	Water, electric, gas	Government-set price	13.88	13.88		Spot exchange	-	-	-
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Fuels and powers provided	Water, electric, gas	Government-set price	3.15	3.15		Spot exchange	-	-	-

Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Fuels and powers provided	Water, electric, gas	Government-set price	3.05	3.05		Spot exchange	-	-	-
Zhongshan Guanghong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller	Fuels and powers provided	Water, electric, gas	Government-set price	0.28	0.28		Spot exchange	-	-	-
Sichuan Changhong Electronic Co., Ltd.	Parent company	Fuels and powers provided	Water, electric, gas	Government-set price	617.52	617.52		Spot exchange	-	-	-
Total				--	--	166,515.80		--	--	--	--
Details of major sold-goods return				Not applicable							
Necessity and sustainable of related transaction as well as reasons of related transaction with related parties(not with other marketing dealers)				<p>1. The related transactions between the Company and Sichuan Changhong as well as its subsidiary are the continuous and operational related transactions. With the purpose of guarantee normal operation and reducing cost, the Company exercise related transaction with Sichuan Changhong as well as its subsidiary in aspect of high-end supporting service, engineering equipment, maintenance/spare parts, mold, lease, software service, air-conditioner sales, logistic management and logistic services. The related transactions were organized as marketization, operating by open bidding and follow the market principles which are necessary for the routine operation of the Company.</p> <p>2. Compressor is the material part of refrigerators and freezers take the performance, quality, price and service transport into comprehensive consideration, the Company choose the compressor from Huayi Compressor and its controlling shareholders in recent years. Furthermore, subordinate subsidiary- Jiangxi Meiling Electric's plant is close to the plant of Huayi Compressor, for cost-saving purpose, Jiangxi Meiling Electric purchasing compressed air and rented the automatic fire protection system from Huayi Compressor as well as receiving logistic service from Huayi.</p>							
Influence on independence of listed company from related transaction				<p>The above daily related transactions are continuous and day-to-day related transaction. The Company has stable partnership with those related parties due to long-term cooperation. The dealing price was market price, and dealing quantity is follow the actual amount occurring which running in a basis of fair-ness and mutual benefits. The fair-ness pricing harms no interest of the listed company and shows no material influence on financial status and operating results of the Company in current period and later period, shows no influence on the independence of the Company.</p>							
Dependence on related parties by Company as well as relevant solutions (If applicable)				<p>The related transaction amount takes a minor proportion in similar transactions, and the transactions are follow the market principle of open bidding, there has no dependence on related parties concerned.</p>							
Actual implementation of those amount that predicted in this period by category for daily related transaction				<p>Being deliberated and approved in Annual Shareholders' General Meeting of 2011, the daily related transactions for year of 2012 predicted as:</p>							

	1. Commodity purchased from Sichuan Changhong and its subsidiary by the Company predicted less than RMB 710 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 308.8777 million. 2. Commodity purchased (including compressor purchased) from Huayi Compressor and its subsidiary by the Company predicted less than RMB 510 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 242.5698 million. 3. Sales of equipment and software to Sichuan Changhong and its subsidiary or commodity purchased from Sichuan Changhong and its subsidiary by the Company predicted less than RMB 100 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 2.1923 million. 4. Commodity sales and fuel and power provided to Sichuan Changhong and its subsidiary by the Company predicted less than RMB 1800 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 893.5743 million. 5. Compressed air, rented automatic fire protection system purchased from Huayi Compressor and its subsidiary by the Company predicted less than RMB 2 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 0. 6. Leasing business from Sichuan Changhong and its subsidiary by the Company predicted less than RMB 35.8 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 7.5398 million. 7. Management of logistic business of domestic finished products which was entrusted the Sichuan Changhong Minsheng Logistic Co., Ltd. by the Company predicted less than RMB 387 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 133.174 million. 8. Logistic service received from Sichuan Changhong Minsheng Logistic Co., Ltd. by the Company predicted less than RMB 13 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 4.3333 million. 9. Labor service received by the Company from Sichuan Changhong and its subsidiary by the Company predicted less than RMB 54.2 million (tax excluded) in 2012, actual occurring amount in reporting period was RMB 34.1036 million.
Explanation on related transactions	Decision procedures and routine operation of related transactions are comply with relevant laws, regulations and article of association of the Company, no harm to the interest of the Company and minority shareholders'.

Related transactions concerned with routine operations

Related party	Selling products and providing labor service to related party		Purchasing commodity and accepting labor service from related party	
	Trading amount (RMB0'0000)	Proportion in similar transactions amount (%)	Trading amount (RMB0'0000)	Proportion in similar transactions amount (%)
Sichuan Changhong and subsidiary (excluding Huayi Compressor and its subsidiary)	89,309.43	16.81%	48,048.88	9.26%
Huayi Compressor and its subsidiary			24,256.98	4.67%
Total	89,309.43	16.81%	72,305.86	-

Of which: in reporting period, RMB 893.0943 million was arising from related transaction by selling commodity to controlling shareholders and its subsidiary or providing labor service.

(II) Related transaction incurred by purchase or sales of assets

In reporting period, no assets purchasing and selling occurred.

(III) Significant related transaction from jointly investment outside

No major related transaction of jointly investment outside in reporting period.

(IV) Current related liabilities and debts

Applicable Not applicable

Related party	Relationship	Funds offering to related party(RMB0'000)						Funds offering to listed company from related party (RMB0'000)					
		Period-beg in balance	Amount	Payment amount	Period-end balance	Interest income	Interest cost	Period-beg in balance	Amount	Payment amount	Period-end balance	Interest income	Interest cost
Sichuan Changhong Electronic Co., Ltd.	Parent company							513.84	837.02		1350.86		
Sichuan Changhong Electric Group Co., Ltd.	Parent company							0.00	1.05		1.05		
Sichuan Changhong Minsheng Logistic Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							3234.78		1703.03	1531.75		
Sichuan Changhong Jijia Fine Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							20.00	700.00		720.00		
Sichuan Changhong Mold Plastic Tech. Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							32.00			32.00		
Sichuan Changhong Property Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							0.30		0.30	0.00		
Jingdezhen Honghua Appliance Devices Co., Ltd.	Other enterprise control under the same parent							5.00			5.00		

	company and ultimate controller												
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							2.75		1.75	1.00		
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							0.00	416.72		416.72		
Sichuan Changhong International Hotel Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							0.22			0.22		
Sichuan Jiahong Industrial Co., Ltd.	Other enterprise control under the same parent company and ultimate controller							0.00	1.00		1.00		
Sichuan Liyuan Electronic Co., Ltd. of 081 Electronic Group	Other enterprise control under the same parent company and ultimate controller							0.00	0.20		0.20		
Sichuan Changhong Dongyuan Fine Equipment Co., Ltd.	Affiliated enterprise of controlling shareholders and actual controller							0.00	34.66		34.66		
Sichuan Changhe Technology Co., Ltd.	Affiliated enterprise of							5.00	1.60		6.60		

	controlling shareholders and actual controller												
Total								3813.89	1992.25	1705.08	4101.06		
Amount offering to controlling shareholders and its subsidiary in reporting period (RMB0'000)													
Balance of offering funds to controlling shareholders and its subsidiary (RMB0'000)													
Reasons for related liability and debts formulated													
Liquidation of related liability and debts													
Commitments with related liability and debts concerned													
Influence on operation results and financial status of the Company from related liability and debts													

Of which: funds offering to controlling shareholder and its subsidiary by the listed company amounting to RMB 0 and balance of RMB 0.
 No fund of the Company occupied by related party and no liquidation either in reporting period.

(V) Other Routine Related Transactions

The detail is in section VIII of notes of financial report.

The business dealings between company and related companies operate on general market rules, and equal treatment to other enterprises. The price of sale and other labor services is determined by national price; if no national price, it is determined by market price; if no market price, it is determined by the price which is priced by both sides on the principle of actual cost and reasonable expense. For some special services which can not be determined by the principle, both of sides will set the price through consultation.

(VI) Other significant related transaction

No other significant related transactions occurred in reporting period.

VIII. Significant contracts and its implementation in reporting period

(I) No profits earned from trusteeship, contract and lease reached over 10% (10% included) of total profit in this period

(II) Material guarantee contract

The Company provided no guarantees to any legal person or nature person except controlling or wholly-owned subsidiaries in reporting period. The guarantee provided to controlling or wholly-owned subsidiaries was for the purpose of supporting its operations with means of warranty; meanwhile, subordinate controlling or wholly-owned subsidiaries are offered corresponding counter-guarantee for the guarantee provided by the Company. The guarantee offered outside and for subsidiaries till 30 June 2012 is as:

Unit: RMB0'000

Particulars about the external guarantee of the Company (barring the guarantee for controlling subsidiaries)									
Guarantee's name	Relevant disclosure date /No.	Guarantee limit	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)				-	Total of actual external guarantee in Period(A2)			-	
Total of external guarantee approved at Period-end(A3)				-	Total of actual external guarantee at Period-end(A4)			-	
Guarantee for subsidiaries									
Guarantee's name	Relevant disclosure date /No.	Guarantee limit	Date of happening (date of agreement signing)	Actual guarantee amount	Actual guarantee amount used	Guarantee type	Guarantee term	Accomplished or not	For related parties or not (yes or no)
Sichuan Chuanghong Air Conditioner Co., Ltd.	2011-4-11 No.: 2011-022; 2012-3-21 No.:2012-006	36,000.00	2011-11-28	8,888.00	8,887.98	Jointly liability	6 months	Yes	No
Zhongshan Changhong Electric	2011-4-11 No.:2011-022;	5,000.00	2012-4-23	5,000.00	3,760.00	Jointly liability	1yera	No	No

Appliance Co., Ltd	2012-3-21 No.: 2012-006								
Hefei Meiling Nonferrous Metal Products Co., Ltd.	2011-4-11 No.:2011-022; 2012-3-21 No.: 2012-006	4,000.00	2011-6-10	1,700.00	1,700.00	Jointly liability	1year	Yes	No
			2011-7-19	700.00	700.00	Jointly liability	11months	Yes	No
Hefei Meiling Packaging Products Co., Ltd.	2012-3-21 No.: 2012-006	3,000.00	-	0	0	Jointly liability	1yera	-	No
Meiling Yingkaite Household Appliance (Hefei) Co., Ltd.	-	400.00	2009-6-22	400.00	0	Jointly liability	3yeras	Yes	No
Hefei Yingkaite Electric Appliance Co., Ltd.	-	200.00	2009-6-22	200.00	0	Jointly liability	3yeras	Yes	No
Total of guarantee for subsidiaries approved in Period (B1)		48,600.00			Total of actual guarantee for subsidiaries in Period (B2)		16,888.00		
Total of guarantee for subsidiaries approved at Period-end (B3)		48,600.00			Total of actual guarantee for subsidiaries at Period-end (B4)		5,000.00		
Total of Company's guarantee (namely total of the large two aforementioned)									
Total of guarantee approved in the Period (A1+B1)		48,600.00			Total of actual guarantee in the Period (A2+B2)		16,888.00		
Total of guarantee approved at Period-end (A3+B3)		48,600.00			Total of actual guarantee at Period-end (A4+B4)		5,000.00		
Proportion of the actual guarantee total in Company's net assets (A4+B4)						1.79%			
Including:									
Guarantee for shareholders, actual controllers and related parties(C)						0			
Debt guarantee for guarantee objects of direct/indirect asset liabilities above 70% (D)						0			
Guarantee totaled above net assets 50%(E)						0			
Total of three guarantees aforementioned (C+D+E)						0			
Explanations on possible affiliated redemption responsibilities for undue guarantees						-			
Explanations on external guarantee against regulated procedures						-			

The aforementioned warranties are the Company's wholly-owned or controlling subsidiaries (proportion of shares of the above controlling subsidiary held directly/indirectly by the Company totally reaches 100%). These companies run normally, bringing no negative influence on the Company's financial status. In the report period, guarantee ceiling provided to subsidiary by the Company amounting to RMB 486 million, RMB 168.88 million was actually guarantee and actual

guarantee balance at period-end was RMB 50 million. For the abovementioned guarantee, subordinate subsidiary Meiling Group provided ceiling guarantee RMB 6 million to Meiling Yingkaite Appliance (Hefei) Co., Ltd. and Hefei Yingkaite Appliance Co., Ltd. with actually guarantee of RMB 0. The guarantee was formed in history before 100% equity of Meiling Group was transferred by agreement. The guarantee was expired till end of this report period.

(III) Trust financing

Applicable Not applicable

(IV) Implementation of material contracts entered into during the normal operation

Applicable Not applicable

IX. Explanation on corporate bonds offering

Applicable Not applicable

X. Implementation of commitments

(I) Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period.

1. 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.

2. 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. 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.

Changhong air conditioner and Zhongshan Changhong entered into "the Contract of Use Right of Trademark” and "the Supplementary Contract of Use Right of Trademark" with Sichuan Changhong respectively. The owner---Sichuan Changhong allows Changhong air conditioner and Zhongshan Changhong to unpaid use the registered trademark "Changhong" for long time in aspect of air conditioner and air purification devices. According to the provision, Changhong air conditioner and Zhongshan Changhong will use the trademark where it is registered.

3. 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.

4. 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 marketi-zation 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.

5. Relevant commitments on privately offering

(1) Commitment by the Company

Since newly shares listing, Board of the Directors made commitments as:

① Publishing regular report timely with principle of trueness, accuracy, completeness and fairness, disclosing information that has significant effect on investors. Accepting supervision and governance by CSRC and Shenzhen Stock Exchange;

② After information that might/probably has miss-understanding effect on stock price of the Company appears in any public media, the Company should clear up publicly in no time;

③ Directors, supervisors, senior executives and key technology staffs should listen up opinions and critics from social public persons; make use of inside information and other dirty pool dealing stock of the Company directly/indirectly are prohibited.

The Company guarantees that no miss-representation or significant omission carried in documents submitted in Shenzhen Stock Exchange. During period of listing application, no information disclosed without consent by Shenzhen Stock Exchange.

(2) Commitments by controlling shareholders

Sichuang Changhong, controlling shareholder of the Company promise restricted terms for shares in this offering limits in 36 months.

Till end of report period, all parties all strictly implemented their commitments.

6. 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., 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.

7. 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.

8. 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.

9. 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. (A Party or Transferor) on 25th 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 25th March 2010) with the new transferee entity paying off in 2 years from the signing day (a legal valid contract is necessary).

(5) The transferee offered the post in proportion to 80% of the now on-the-job number in the transferring enterprise and subsidiary in the transfer. Under the same condition, the existing staff and management had the privileges to be hired and arranged. As day of the displacement is the continuing day of labor relations, it signed the labor contract of no less than 3 years with hired

people within one month from the effecting day. It continued and handled all social insurances and paid for the housing reserve according to 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.

10. Using part of idle funds raised to temporarily supplement liquidity commitments made

In order to fully use the company's funds, to reduce the financial costs, to meet the needs of business development and to keep the interests of company and all shareholders, at the premise of ensuring the funding needs of investment project, on May 25, 2012 and June 12, the 13th Meeting of 7th Session of Board, the 8th Meeting of 7th Session of Supervisory Board and the 1st Temporary Conference in year 2012 adopted "On the Use of Some Idle Funds to Supply the Working Capital Temporarily " and approved the company to use 300 million idle capital to supply the working capital temporarily. According to the related provisions, the company made such promise as follows:

(1) The liquidity supplemented by the part of idle funds raised temporarily is only limited to the production and operation related to the main business;

(2) The amount of the idle funds raised for temporarily supplementing liquidity will be repaid on time to the dedicated account of the raised funds;

(3) If the acceleration of the project construction results in earlier application of the raised funds, the Company will repay the funds earlier to the dedicated account, thus the normal conduct of the plan of the investment projects with the raised funds will not be impacted and the use of the raised funds will not be changed;

(4) The company undertook that it would not be involved in securities investments or venture above RMB 10 million and directly or indirectly in transactions of new share offerings, subscription or stocks, derivatives and convertible bonds, and would not change the investment of the raised funds and damage the interests of the shareholders within the twelve months after the supplement of the liquidity with the idle funds raised.

As of the end of the reporting period, the parties are strictly fulfilling their commitments.

(II) Explanation on assets or projects that reached the original profit forecast as well as its reasons while the reporting period still in forecast period, and there are profit forecast on assets or projects of the Company

Applicable Not applicable

XI. Items of other consolidated income

Unit: RMB

Items	This period	Last period
1. Gains(losses) from financial assets available for sales		
Less: Income tax influences from financial assets available for sales		
Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period		
Subtotal		
2. Shares in the other consolidated income of the investee calculated based on equity method		
Less: Income tax influences of shares in the other consolidated income of the investee calculated based on equity method		
Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period		
Subtotal		
3. Gains(losses) from cash flow hedge instrument		
Less: Income tax influences from cash flow hedge		
Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period		
Adjusted amount transferred to initial confirmed amount of the arbitrated items		
Subtotal		
4. Differences from translating foreign currency financial statements	-696,806.42	
Less: Net amount of disposing overseas business transferred to current gains/losses		
Subtotal	-696,806.42	
5. Others		
Less: Income tax influences by others reckoned into other consolidated income		
Net amount reckoned into other consolidated income in previous period but transferred into gains/losses in current period		
Subtotal		
Total	-696,806.42	

XII. Registration form of receiving research, communication and interview in the report

period

Date	Place	Way	Object	Content discussed and documents provided
2012-01-13	Conference room of the Company	Telephone communication	Guotai Asset Management Co., Ltd.	Operation status of the Company, no documents required
2012-02-06	Conference room of the Company	Field research	Bosera Asset Management Co., Ltd.	Operation status of the Company, no documents required
2012-05-09	Conference room of the Company	Field research	Founder Securities Co., Ltd.	Operation status of the Company, no documents required
2012-05-16	Conference room of the Company	Field research	CITIC Securities	Operation status of the Company, no documents required
2012-05-29	Conference room of the Company	Field research	China Galaxy Securities	Operation status of the Company, no documents required
2012-07-03	Conference room of the Company	Field research	Dongxing Securities, Minsheng Securities	Operation status of the Company, no documents required

XIII. Engagement and non-reappointment of CPA

On 20 March 2012 and 26 June 2012, being deliberated and approved in 10th Meeting of 7th Session of the Board and Annual Shareholders' General Meeting of 2011, Shine Wing CPA Co., Ltd. was appointed as the auditing institution of the Company for year of 2012 with one-year term for service.

Whether the semi-annual report was audited or not

Yes No

XIV. Punishment and rectification for listed company and its directors, supervisor, senior executives, shareholders of the Company, actual controller and purchasers

Applicable Not applicable

XV. Explanation on other significant events
(I) Un-lock of part of the restricted shares of privately A-share offering in 2010

On 11 January 2012, part of the restricted shares of privately A-share offering in 2010 was un-lock, totally 7 shareholders (excluding shares purchased by controlling shareholder - Sichuan Changhong Electronic Co., Ltd.) were un-lock in this time. Un-lock shares amounting to 93,385,200 shares, a 14.67% in total share capital of the Company.

The above event has been disclosed on appointed media “*Securities Times*”, “*China Securities Journal*”, “*Hong Kong Commercial Daily*” and Juchao Website (www.cninfo.com.cn) dated 10 January 2012 with announcement No.: 2012-001.

(II) The 5th un-lock for restricted circulating shares after implementation of share-split reform

The 5th restricted circulating shares after implementation of share-split reform was un-lock for trading dated 30 March 2012. Totally 5 shareholders are have shares released, un-lock shares

amounting to 607,846 shares, a 0.0955% in total share capital of the Company.

The above event has been disclosed on appointed media “*Securities Times*”, “*China Securities Journal*”, “*Hong Kong Commercial Daily*” and Juchao Website (www.cninfo.com.cn) dated 28 March 2012 with announcement No.: 2012-011.

(III) “Working Plan of Implementation of Regulation for Internal Control” of the Company

The “Working Plan of Implementation of Regulation for Internal Control” for year of 2012 was deliberated and approved by 11th Meeting of 7th Session of the Board.

More details found in notice and “Working Plan of Implementation of Regulation for Internal Control” disclosed on appointed media “*Securities Times*”, “*China Securities Journal*”, “*Hong Kong Commercial Daily*” and Juchao Website (www.cninfo.com.cn) dated 31 March 2012 with announcement No.: 2012-012.

(IV) Proposal of Appointment of auditing institution for internal control of the Company

According to the relevant requirements of China Securities Regulatory Commission on implementing the standardized work of internal control of listed company, a listed company is required to implement the practices of internal control fully and employ audit institutions in 2012. Considering the credit status of SHINEWING CPA Co., Ltd., , practice experience and the familiarity to development of company, with a view that it does a good job in auditing work and provides company with a nice service, therefore, June 1st, 2012 and June 26, the 14th Meeting of 7th Session of Board and annual shareholders' meeting in 2011 passed "On Employing Auditing Office of Internal Control" and agreed to employ SHINEWING CPA Co., Ltd., as auditing office for company, the employment was for a period of one year. The independent directors announced authorized views and independent advice in advance.

The above events have been disclosed on appointed media “*Securities Times*”, “*China Securities Journal*”, “*Hong Kong Commercial Daily*” and Juchao Website (www.cninfo.com.cn) dated 2 June 2012 and 27 June respectively with announcement No.: 2012-021 and No.:2012-026.

XVI. General situation of fund occupied by controlling shareholder and its subsidiaries as well as independent opinions issued by Independent Director on fund occupation by controlling shareholder and other related parties in reporting period and on guarantees:

(I) The first largest shareholder, actual controller and its subsidiaries occupied no fund of the Company.

(II) In accordance with “Notice Concerning Some Issues on Regulating the Funds Contact between Listed Companies and Related Parties and Listed Companies’ Provision of Guaranty to Other Parties” (ZJFNo: [2003] 56), up to this reporting period, the Company did not offered guarantee to related parties and no guarantee events occurred in previous and last through this period.

(III) Specific statement and independent opinions from independent directors on accumulated and current capital occupation and external guarantee of related parties

According to relevant regulations of Notice Concerning Some Issues on Regulating the Funds Contact between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF[2003] No. 56) and Notice on Regulating the External Guarantee of Listed Company (ZJF[2005] No.120 (hereinafter refer to as Notice)), independent directors of the Company, with the attitude of preciseness, seeking truth from facts, carefulness and responsible-ness, we carefully checked the fund occupation by controlling shareholders and its related parties as well as external guarantee of the Company in first half year of 2012, and made explanation and independent opinions as:

In the report period, RMB 50 million (guarantee offered to wholly-owned subsidiary Zhongshan Changhong Electrics Co., Ltd.) was provided as external guarantee from the Company and its subordinated company, account 1.79% of net assets of the Company audited recently. The Company and subordinate controlling subsidiary provided guarantee RMB 0 for stock jointly subsidiaries; no overdue external guarantees and guarantee offered outside occurred from the Company and its controlling subsidiaries.

Ended as 30 June 2012, there was no non-operating capital occupation of controlling shareholders and related parties. In the report period, controlling shareholders and other related parties of the Company did not non-operationally occupy the funds of the Company, there was either no directly or indirectly providing capital to controlling shareholders and other related parties from the Company.

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

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

XVII. Index for information disclosure

Event	Name and page of publishing press	Date of disclosed	Internet website and searching route
Notice of Un-lock of Restricted Shares Offering Privately	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-1-10	http://www.cninfo.com.cn
Notice of Increase of Shares held by Controlling Shareholders of Hefei Meiling Co., Ltd.	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-1-17	http://www.cninfo.com.cn
Annual Performance Forecast for year of 2011	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-1-31	http://www.cninfo.com.cn
Notice of Changing the	<i>Securities Times, China</i>	2012-3-7	http://www.cninfo.com.cn

Disclosure Date for Annual Report 2011	<i>Securities Journal and Hong Kong Commercial Daily</i>		
Resolution Notice of 9 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-3-10	http://www.cninfo.com.cn
Independent Opinions on Appointment of Deputy President from Independent Directors	-		http://www.cninfo.com.cn
Resolution Notice of 10 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-3-21	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 7 th Session of Supervisory Committee	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Annual Report of 2011 and its Summary	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Notice of Prediction on Routine Related Transaction for year of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Notice of Guarantee Provided to Subordinate wholly-owned or Controlling subsidiary for year of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Annual Report of 2011	-		http://www.cninfo.com.cn
Annual Auditing Report of 2011	-		http://www.cninfo.com.cn
Self-Assessment Report of Internal Control for year of 2011 from the Board	-		http://www.cninfo.com.cn
Debriefing of Independent Directors for year of 2011	-		http://www.cninfo.com.cn
Independent Opinions on Guarantee Provided to Subordinate wholly-owned or Controlling subsidiary for year of 2012 by Independent Director	-		http://www.cninfo.com.cn
Independent Opinions on Relevant Events of 10 th Meeting of 7 th Session of the Board by Independent Director	-		http://www.cninfo.com.cn
Independent Opinions on Prediction of Routine Related Transaction for year of 2012 by Independent Director	-		http://www.cninfo.com.cn
Prior Approval Opinion on Prediction of Routine Related Transaction for year of 2012 by Independent Director	-		http://www.cninfo.com.cn
Independent Opinions on Operation of the Company for year of 2011 by Supervisory Committee	-	http://www.cninfo.com.cn	

Independent Opinions on Self-Assessment Report of Internal Control by Supervisory Committee	-		http://www.cninfo.com.cn
Specific Explanation on Funds Occupied by Controlling Shareholders and Other Related Parties for year of 2011	-		http://www.cninfo.com.cn
Verification Report of Savings and Application for Fund-Raised	-		http://www.cninfo.com.cn
Approval Report of Internal Control	-		http://www.cninfo.com.cn
Inspection Opinion on “Self-Assessment Report of Internal Control of Hefei Meiling Co., Ltd.” by China Merchants Securities Co., Ltd.	-		http://www.cninfo.com.cn
Specific Inspection Report on Savings and Application for Fund-Raised by China Merchants Securities Co., Ltd.	-		http://www.cninfo.com.cn
Training Management Mechanism for Directors, Supervisors and Senior Executives (March of 2012)	-		http://www.cninfo.com.cn
Discussion Rules for President (March of 2012)	-		http://www.cninfo.com.cn
Notice of Un-lock for Shares	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-3-29	http://www.cninfo.com.cn
Resolution Notice of 11 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-3-31	http://www.cninfo.com.cn
Implementation Plan of Regulating Internal Control Mechanism	-		http://www.cninfo.com.cn
Resolution Notice of 12 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-4-21	http://www.cninfo.com.cn
Resolution Notice of 7 ^h Meeting of 7 th Session of Supervisory Committee	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Text of First Quarterly Report of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Full-Text of First Quarterly Report of 2012	-		http://www.cninfo.com.cn
Notice of fund-raised Back	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-5-23	http://www.cninfo.com.cn
Resolution Notice of 13 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-5-26	http://www.cninfo.com.cn
Resolution Notice of 8 th Meeting of 7 th Session of	<i>Securities Times, China Securities Journal and Hong</i>		http://www.cninfo.com.cn

Supervisory Committee	<i>Kong Commercial Daily</i>		
Notice of Temporary Current Capital Supplementation by Idle Fund-Raised	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Notice of Convening First Extraordinary Shareholders' General Meeting of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Independent Opinions on Temporary Current Capital Supplementation by Idle Fund-Raised of the Company by Independent Directors	-		http://www.cninfo.com.cn
Sponsor Opinions on Temporary Current Capital Supplementation by Idle Fund-Raised of the Company by China Merchants Securities Co., Ltd.	-		http://www.cninfo.com.cn
Resolution Notice of 14 th Meeting of 7 th Session of the Board	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-6-2	http://www.cninfo.com.cn
Notice of Convening Annual Shareholders' General Meeting of 2011	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>		http://www.cninfo.com.cn
Independent Opinions on Appointment of Auditing Institution for Internal Control by Independent Directors	-		http://www.cninfo.com.cn
Change of the Date for Opening Annual Shareholders' General Meeting of 2011	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-6-5	http://www.cninfo.com.cn
Notice of Convening First Extraordinary Shareholders' General Meeting of 2012 (Changing opening date)	-		http://www.cninfo.com.cn
Notice of Convening First Extraordinary Shareholders' General Meeting of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-6-7	http://www.cninfo.com.cn
Resolution Notice of First Extraordinary Shareholders' General Meeting of 2012	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-6-13	http://www.cninfo.com.cn
Attorney Opinions for First Extraordinary Shareholders' General Meeting of 2012	-		http://www.cninfo.com.cn
Resolution Notice of Annual Shareholders' General Meeting of 2011	<i>Securities Times, China Securities Journal and Hong Kong Commercial Daily</i>	2012-6-27	http://www.cninfo.com.cn
Attorney Opinions for Annual Shareholders' General Meeting of 2011	-		http://www.cninfo.com.cn
Article of Association (June of 2012)	-		http://www.cninfo.com.cn
Discussion Rules for Shareholders' General Meeting (June of 2012)	-		http://www.cninfo.com.cn

Chapter VIII Financial Report (Un-audited)

1. Consolidated Balance Sheet

Prepared by Hefei Meiling Co., Ltd.

2012-6-30

Unit: RMB

Items	Note	Balance at period-end	Balance at period-begin
Current assets:			
Monetary funds		1,166,845,074.91	1,401,674,679.41
Settlement provisions			
Capital lent			
Transaction finance asset			
Notes receivable		2,557,190,766.71	1,523,729,827.01
Accounts receivable		1,001,666,184.42	571,218,022.8
Accounts paid in advance		163,665,256.51	237,494,745.03
Insurance receivable			
Reinsurance receivables			
Contract reserve of reinsurance receivable			
Interest receivable			
Dividend receivable			
Other receivables		11,131,811.36	41,508,227.47
Purchase restituted finance asset			
Inventories		1,470,455,732.97	1,860,605,286.96
Non-current asset due within one year			
Other current assets			
Total current assets		6,370,954,826.88	5,636,230,788.68
Non-current assets:			
Granted loans and advances			
Finance asset available for sales			
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment		36,097,665.23	36,910,458.62
Investment real estate		16,914,250.88	17,318,541.96
Fixed assets		905,837,429.28	935,910,604.45
Construction in progress		285,537,614.98	204,053,321.44
Engineering material			
Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			
Intangible assets		632,316,788.17	648,660,218.36

Expense on Research and Development		31,227,668.22	25,167,492.74
Goodwill		5,529,842.09	5,529,842.09
Long-term expenses to be apportioned			
Deferred income tax asset		110,745,934.9	92,782,352.57
Other non-current asset			
Total non-current asset		2,024,207,193.75	1,966,332,832.23
Total assets		8,395,162,020.63	7,602,563,620.91
Current liabilities:			
Short-term loans		243,089,994.43	144,000,000
Loan from central bank			
Absorbing deposit and interbank deposit			
Capital borrowed			
Transaction financial liabilities			
Notes payable		1,292,889,724.51	1,191,929,934.59
Accounts payable		2,005,315,350.75	1,598,851,420.62
Accounts received in advance		434,002,521.83	703,404,091.67
Selling financial asset of repurchase			
Commission charge and commission payable			
Wage payable		82,944,903.56	109,562,805.25
Taxes payable		131,041,553.42	73,939,903.98
Interest payable			
Dividend payable		1,503,556.82	1,524,379.01
Other accounts payable		799,045,107.44	518,444,925.03
Reinsurance payables			
Insurance contract reserve			
Security trading of agency			
Security sales of agency			
Non-current liabilities due within 1 year		3,405,507.92	2,452,094.16
Other current liabilities			
Total current liabilities		4,993,238,220.68	4,344,109,554.31
Non-current liabilities:			
Long-term loans		11,114,600	12,705,500
Bonds payable			
Long-term account payable			
Special accounts payable		17,837,121.06	18,494,978.8
Projected liabilities		351,837,172.76	315,699,502.43
Deferred income tax liabilities			
Other non-current liabilities		56,088,625.21	57,318,443.08
Total non-current liabilities		436,877,519.03	404,218,424.31

Total liabilities		5,430,115,739.71	4,748,327,978.62
Owner's equity (or shareholders' equity):			
Paid-up capital (or share capital)		636,449,338	636,449,338
Capital public reserve		1,609,999,547.27	1,609,999,547.27
Less: Inventory shares			
Reasonable reserve			
Surplus public reserve		299,625,924.94	299,625,924.94
Provision of general risk			
Retained profit		361,598,714.44	250,743,672.24
Balance difference of foreign currency translation		-919,190.86	-501,107.01
Total owner's equity attributable to parent company		2,906,754,333.79	2,796,317,375.44
Minority interests		58,291,947.13	57,918,266.85
Total owner's equity(or shareholders' equity)		2,965,046,280.92	2,854,235,642.29
Total liabilities and owner's equity(or shareholders' equity)		8,395,162,020.63	7,602,563,620.91

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

2. Balance Sheet of parent company

Prepared by Hefei Meiling Co., Ltd.

2012-6-30

Unit: RMB

Item	Note	Balance at period-end	Balance at period-begin
Current assets:			
Monetary funds		789,679,272.06	1,045,235,918.61
Transaction finance asset			
Notes receivable		2,007,376,164.92	1,338,813,802.92
Accounts receivable		801,913,225.29	402,230,488.74
Accounts paid in advance		426,965,524.32	253,040,962.58
Interest receivable			
Dividend receivable			
Other receivables		46,079,466.31	48,509,875.77
Inventories		519,820,348.49	990,284,586.85
Non-current asset due within one year			
Other current assets			
Total current assets		4,591,834,001.39	4,078,115,635.47
Non-current assets:			
Finance asset available for sales			
Held-to-maturity investment			

Long-term account receivable			
Long-term equity investment		841,598,182	841,422,384.33
Investment real estate		13,464,514.32	13,701,458.68
Fixed assets		656,673,647.54	687,515,150.24
Construction in progress		232,165,273.45	191,737,347.16
Engineering material			
Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			
Intangible assets		488,782,952.39	501,028,725.8
Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned			
Deferred income tax asset		70,328,041.87	69,532,232.71
Other non-current asset			
Total non-current asset		2,303,012,611.57	2,304,937,298.92
Total assets		6,894,846,612.96	6,383,052,934.39
Current liabilities:			
Short-term loans		228,457,477.17	120,000,000
Transaction financial liabilities			
Notes payable		988,088,936.2	858,879,727.69
Accounts payable		1,397,797,512.01	1,271,155,333.03
Accounts received in advance		192,999,984.71	277,848,104.26
Wage payable		59,743,399.73	80,821,797.09
Taxes payable		78,599,982.41	81,559,342.02
Interest payable			
Dividend payable		1,503,556.82	1,524,379.01
Other accounts payable		512,039,852.44	400,789,644.51
Non-current liabilities due within 1 year		3,405,507.92	2,452,094.16
Other current liabilities			
Total current liabilities		3,462,636,209.41	3,095,030,421.77
Non-current liabilities:			
Long-term loans		11,114,600	12,705,500
Bonds payable			
Long-term account payable			
Special accounts payable			
Projected liabilities		351,837,172.76	315,699,502.43
Deferred income tax liabilities			
Other non-current liabilities		56,025,025.21	57,254,843.08
Total non-current liabilities		418,976,797.97	385,659,845.51

Total liabilities		3,881,613,007.38	3,480,690,267.28
Owner's equity (or shareholders' equity):			
Paid-up capital (or share capital)		636,449,338	636,449,338
Capital public reserve		1,625,315,350.37	1,625,315,350.37
Less: Inventory shares			
Reasonable reserve			
Surplus public reserve		299,407,759.26	299,407,759.26
Retained profit		452,061,157.95	341,190,219.48
Balance difference of foreign currency translation			
Total owner's equity(or shareholders' equity)		3,013,233,605.58	2,902,362,667.11
Total liabilities and owner's equity(or shareholders' equity)		6,894,846,612.96	6,383,052,934.39

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

3. Consolidated Profit Statement

Prepared by Hefei Meiling Co., Ltd.

January- June 2012

Unit: RMB

Item	Note	Amount in this period	Amount in last period
I. Total operating income		5,312,610,523.12	5,475,018,688.64
Including: Operating income		5,312,610,523.12	5,475,018,688.64
Interest income			
Insurance gained			
Commission charge and commission income			
II. Total operating cost		5,186,451,911.60	5,453,286,578.02
Including: Operating cost		4,043,977,198.26	4,301,456,048.5
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		43,172,959.76	19,453,852.82
Sales expenses		937,857,498.97	980,975,553.78
Administration expenses		158,911,541.76	143,544,164.22

Financial expenses		-34,586,978.46	-15,240,641.58
Losses of devaluation of asset		37,119,691.31	23,097,600.28
Add: Changing income of fair value(Loss is listed with “-”)			
Investment income (Loss is listed with “-”)		260,963.91	332,396.24
Including: Investment income on affiliated company and joint venture		-812,793.39	-136,457.31
Exchange income (Loss is listed with “-”)			
III. Operating profit (Loss is listed with “-”)		126,419,575.43	22,064,506.86
Add: Non-operating income		4,579,649.44	119,542,650.05
Less: Non-operating expense		5,625,818.8	2,143,328.48
Including: Disposal loss of non-current asset		5,333,936.81	1,884,529.38
IV. Total Profit (Loss is listed with “-”)		125,373,406.07	139,463,828.43
Less: Income tax expense		13,865,961.02	18,135,891.78
V. Net profit (Net loss is listed with “-”)		111,507,445.05	121,327,936.65
Including: net profit realized before consolidation by merged party			
Net profit attributable to owner’s of parent company		110,855,042.2	126,157,996.21
Minority shareholders’ gains and losses		652,402.85	-4,830,059.56
VI. Earnings per share		--	--
i. Basic earnings per share		0.1742	0.2379
ii. Diluted earnings per share		0.1742	0.2379
VII. Other consolidated income		-696,806.42	
VIII. Total comprehensive income		110,810,638.63	121,327,936.65
Total consolidated income attributable to owners of parent company		110,436,958.35	126,157,996.21
Total consolidated income attributable to minority shareholders		373,680.28	-4,830,059.56

The merger realized net profit RMB 0.00 before consolidation during enterprises consolidation

under a same control.

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

4. Profit Statement of parent company

Prepared by Hefei Meiling Co., Ltd.

January- June 2012

Unit: RMB

Item	Note	Amount in this period	Amount in last period
I. Operating income		3,621,039,142.64	4,206,483,990.92
Less: operating cost		3,070,016,853.33	3,304,331,363.06
Operating tax and extras		31,914,753.63	17,493,568.32
Sales expenses		361,043,008.41	656,253,893.85
Administration expenses		81,986,923.62	84,083,002.38
Financial expenses		-33,719,408.35	-18,725,111.31
Losses of devaluation of asset		-24,334,130.41	12,483,061.95
Add: Changing income of fair value(Loss is listed with "-")			
Investment income (Loss is listed with "-")		1,249,554.97	164,270.87
Including: Investment income on affiliated company and joint venture		175,797.67	-37,579.41
II. Operating profit (Loss is listed with "-")		135,380,697.38	150,728,483.54
Add: Non-operating income		2,906,535.04	2,152,358
Less: Non-operating expense		5,321,936.63	1,880,830.05
Including: Disposal loss of non-current asset		5,321,936.63	1,877,046.1
III. Total Profit (Loss is listed with "-")		132,965,295.79	151,000,011.49
Less: Income tax expense		22,094,357.32	24,213,873.34
IV. Net profit (Net loss is listed with "-")		110,870,938.47	126,786,138.15
V. Earnings per share		--	--
i. Basic earnings per share		0.1742	0.2391
ii. Diluted earnings per share		0.1742	0.2391
VI. Other consolidated income			
VII. Total comprehensive income		110,870,938.47	126,786,138.15

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

5. Consolidated Cash Flow Statement

Prepared by Hefei Meiling Co., Ltd.

January- June 2012

Unit: RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,611,057,053.96	2,261,186,763.21
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		
Net increase of insured savings and 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	44,962,884.98	25,730,915.85
Other cash received concerning operating activities	12,793,275.47	154,847,635.85
Subtotal of cash inflow arising from operating activities	2,668,813,214.41	2,441,765,314.91
Cash paid for purchasing commodities and receiving labor service	2,064,859,020.49	2,108,299,566.88
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	324,087,053.68	307,943,256.24
Taxes paid	268,142,290.34	156,316,882.18
Other cash paid concerning operating activities	272,269,140.43	413,539,305.42
Subtotal of cash outflow arising from operating activities	2,929,357,504.94	2,986,099,010.72
Net cash flows arising from operating activities	-260,544,290.53	-544,333,695.81
II. Cash flows arising from investing activities:		
Cash received from recovering investment		1,000,000
Cash received from investment income	1,073,757.3	1,533,663
Net cash received from disposal of fixed, intangible and other long-term assets	762,052.14	71,162,183.34
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	6,171,203.13	7,880,762.49
Subtotal of cash inflow from investing activities	8,007,012.57	81,576,608.83
Cash paid for purchasing fixed, intangible and other long-term assets	81,482,550.21	57,692,391.87
Cash paid for investment		-22,009,000
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units		978,687.97
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	81,482,550.21	36,662,079.84
Net cash flows arising from investing activities	-73,475,537.64	44,914,528.99
III. Cash flows arising from financing activities		
Cash received from absorbing investment		35,966,000
Including: Cash received		

from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	132,587,439.8	145,961,241.63
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	132,587,439.8	181,927,241.63
Cash paid for settling debts	34,214,668.71	187,548,951.8
Cash paid for dividend and profit distributing or interest paying	4,147,746.45	5,594,190.83
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	38,362,415.16	193,143,142.63
Net cash flows arising from financing activities	94,225,024.64	-11,215,901
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	4,965,199.03	3,651,667.68
V. Net increase of cash and cash equivalents	-234,829,604.5	-506,983,400.14
Add: Balance of cash and cash equivalents at the period -begin	1,401,674,679.41	1,986,440,504.29
VI. Balance of cash and cash equivalents at the period -end	1,166,845,074.91	1,479,457,104.15

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

6. Cash Flow Statement of parent company

Prepared by Hefei Meiling Co., Ltd.

January- June 2012

Unit: RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,017,909,658.46	1,511,861,481.27
Write-back of tax received	13,354,107.09	6,106,556.57
Other cash received concerning operating	8,000,726.82	4,563,090.33

activities		
Subtotal of cash inflow arising from operating activities	2,039,264,492.37	1,522,531,128.17
Cash paid for purchasing commodities and receiving labor service	1,925,474,277.93	1,423,412,655.93
Cash paid to/for staff and workers	143,015,542.21	179,579,555.72
Taxes paid	190,639,645.56	134,642,332.56
Other cash paid concerning operating activities	94,250,858.05	283,785,138.2
Subtotal of cash outflow arising from operating activities	2,353,380,323.75	2,021,419,682.41
Net cash flows arising from operating activities	-314,115,831.38	-498,888,554.24
II. Cash flows arising from investing activities:		
Cash received from recovering investment		1,000,000
Cash received from investment income	1,073,757.3	1,533,663
Net cash received from disposal of fixed, intangible and other long-term assets	688,667.35	1,162,183.34
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	4,354,922.44	9,051,682.9
Subtotal of cash inflow from investing activities	6,117,347.09	12,747,529.24
Cash paid for purchasing fixed, intangible and other long-term assets	45,474,500.69	49,830,507.22
Cash paid for investment		60,000,000
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		37,000,000
Subtotal of cash outflow from investing activities	45,474,500.69	146,830,507.22
Net cash flows arising from investing activities	-39,357,153.6	-134,082,977.98
III. Cash flows arising from financing activities		
Cash received from absorbing		

investment		
Cash received from loans	108,457,477.17	120,000,000
Other cash received concerning financing activities		39,000,000
Subtotal of cash inflow from financing activities	108,457,477.17	159,000,000
Cash paid for settling debts	640,000	169,500,000
Cash paid for dividend and profit distributing or interest paying	3,398,002.7	4,203,617.65
Other cash paid concerning financing activities	10,000,000	91,999,750.2
Subtotal of cash outflow from financing activities	14,038,002.7	265,703,367.85
Net cash flows arising from financing activities	94,419,474.47	-106,703,367.85
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	3,496,863.96	3,300,748.74
V. Net increase of cash and cash equivalents	-255,556,646.55	-736,374,151.33
Add: Balance of cash and cash equivalents at the period -begin	1,045,235,918.61	1,798,742,365.37
VI. Balance of cash and cash equivalents at the period -end	789,679,272.06	1,062,368,214.04

Legal representative: Liu Tabin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

7. Consolidated Statement on Changes of Owners' Equity

Amount in this period

Unit: RMB

Item	Amount in this period									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of last year	636,449,338	1,609,999,547.27			299,625,924.94		250,743,672.24	-501,107.01	57,918,266.85	2,854,235,642.29
Add: Changes of accounting policy										
Error correction of the last period										
Others										
II. Balance at the beginning of this year	636,449,338	1,609,999,547.27			299,625,924.94		250,743,672.24	-501,107.01	57,918,266.85	2,854,235,642.29
III. Increase/ Decrease in this year (Decrease is listed with"-")							110,855,042.2	-418,083.85	373,680.28	110,810,638.63
(i) Net profit							110,855,042.2		652,402.85	111,507,445.05
(ii) Other consolidated income								-418,083.85	-278,722.57	-696,806.42
Subtotal of (i)and (ii)							110,855,042.2		373,680.28	111,228,722.48
(III) Owners' devoted and decreased capital	0	0	0	0	0	0	0	0	0	0
1. Owners' devoted capital										
2. Amount calculated into owners' equity paid in shares										
3. Others										
(IV)Profit distribution	0	0	0	0	0	0	0	0	0	0

1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (shareholders)										
4. Others										
(V) Carrying forward internal owners' equity	0	0	0	0	0	0	0	0	0	0
1. Capital reserves converted to capital (share capital)										
2. Surplus reserves converted to capital (share capital)										
3. Remediating loss with surplus reserve										
4. Others										
(VI) Reasonable reserve										
1. Withdrawal in this period										
2. Usage in this period										
(VII) Other										
IV. Balance at the end of the report period	636,449,338	1,609,999,547.27			299,625,924.94		361,598,714.44	-919,190.86	58,291,947.13	2,965,046,280.92

Amount in last period

Unit: RMB

Item	Amount in last period									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		

I. Balance at the end of last year	530,374,449	1,610,571,447.17			279,597,693.51		296,750,782.08		28,895,887.29	2,746,190,259.05
Add: retroactive adjustment arising from enterprise consolidation under the same control										
Add: Changes of accounting policy										
Error correction of the last period										
Others										
II. Balance at the beginning of this year	530,374,449	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"-")	106,074,889	-571,899.9			20,028,231.43		-46,007,109.84	-501,107.01	29,022,379.56	108,045,383.24
(i) Net profit							106,614,733.84		-17,577,855.91	89,036,877.93
(ii) Other consolidated income								-501,107.01	-334,071.34	-835,178.35
Subtotal of (i)and (ii)							106,614,733.84	-501,107.01	-17,911,927.25	88,201,699.58
(III) Owners' devoted and decreased capital	106,074,889	-571,899.9	0	0	0	0	0	0	46,934,306.81	152,437,295.91
1. Owners' devoted capital	106,074,889								46,934,306.81	153,009,195.81
2. Amount calculated into owners' equity paid in shares										
3. Others		-571,899.9								-571,899.9
(IV)Profit distribution	0	0	0	0	20,028,231.43	0	-152,621,843.68	0	0	-132,593,612.25
1. Withdrawal of surplus reserves					20,028,231.43		-20,028,231.43			
2. Withdrawal of general risk provisions										



3. Distribution for owners (shareholders)							-132,593,612.25			-132,593,612.25
4. Others										
(V) Carrying forward internal owners' equity	0	0	0	0	0	0	0	0	0	0
1. Capital reserves converted to capital (share capital)										
2. Surplus reserves converted to capital (share capital)										
3. Remediating loss with surplus reserve										
4. Others										
(VI) Reasonable reserve										
1. Withdrawal in this period										
2. Usage in this period										
(VII) Other										
IV. Balance at the end of the report period	636,449,338	1,609,999,547.27			299,625,924.94		250,743,672.24	-501,107.01	57,918,266.85	2,854,235,642.29

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

8. Statement on Changes of Owners' Equity of Parent Company

Amount in this period

Unit: RMB

Item	Amount in this period							
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of last year	636,449,338	1,625,315,350.37			299,407,759.26		341,190,219.48	2,902,362,667.11
Add: Changes of accounting policy								

Error correction of the last period								
Others								
II. Balance at the beginning of this year	636,449,338	1,625,315,350.37			299,407,759.26		341,190,219.48	2,902,362,667.11
III. Increase/ Decrease in this year (Decrease is listed with"-")							110,870,938.47	110,870,938.47
(i) Net profit							110,870,938.47	110,870,938.47
(ii) Other consolidated income								
Subtotal of (i)and (ii)							110,870,938.47	110,870,938.47
(III) Owners' devoted and decreased capital	0	0	0	0	0	0	0	0
1. Owners' devoted capital								
2. Amount calculated into owners' equity paid in shares								
3. Others								
(IV) Profit distribution	0	0	0	0	0	0	0	0
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk reserve								
3. Distribution for owners (shareholders)								
4. Others								
(V) Carrying forward internal owners' equity	0	0	0	0	0	0	0	0
1. Capital reserves converted to capital (share capital)								
2. Surplus reserves converted to capital (share								

capital)								
3. Remediating loss with surplus reserves								
4. Others								
(VI) Reasonable reserve								
1. Withdrawal in this period								
2. Usage in this period								
(VII) Other								
IV. Balance at the end of the report period	636,449,338	1,625,315,350.37			299,407,759.26		452,061,157.95	3,013,233,605.58

Amount in last year

Unit: RMB

Item	Amount in last year							
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of last year	530,374,449	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	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 "-")	106,074,889	-106,074.87			20,028,231.43		47,660,470.62	173,657,516.18
(i) Net profit							200,282,314.3	200,282,314.3
(ii) Other consolidated income								
Subtotal of (i) and (ii)							200,282,314.3	200,282,314.3
(III) Owners' devoted and decreased capital	106,074,889	-106,074.87	0	0	0	0	0	105,968,814.13



1. Owners' devoted capital	106,074,889							106,074,889
2. Amount calculated into owners' equity paid in shares								
3. Others		-106,074.87						-106,074.87
(IV) Profit distribution	0	0	0	0	20,028,231.43	0	-152,621,843.68	-132,593,612.25
1. Withdrawal of surplus reserves					20,028,231.43		-20,028,231.43	
3. Withdrawal of general risk reserve								
3. Distribution for owners (shareholders)							-132,593,612.25	-132,593,612.25
4. Others								
(V) Carrying forward internal owners' equity	0	0	0	0	0	0	0	0
1. Capital reserves converted to capital (share capital)								
2. Surplus reserves converted to capital (share capital)								
3. Remedying loss with surplus reserves								
4. Others								
(VI) Reasonable reserve								
3. Withdrawal in this period								
4. Usage in this period								
(VII) Other								
IV. Balance at the end of the report period	636,449,338	1,625,315,350.37			299,407,759.26		341,190,219.48	2,902,362,667.11

Legal representative: Liu Tibin

Person in charge of accounting works: Yu Wanchun

Person in charge of accounting institution: Tang Bin

I. Basic information of the Company

1. Company profile

Hefei Meiling Co., Ltd (hereinafter referred to as “the Company”) is an incorporated Company established and reorganized by Hefei Meiling Refrigerator General Factory and approved on June 12th 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30th 1993, through Anhui Provincial Government [Wanzhenmin (1993) No.166] and re-examination of China Securities Regulatory Commission, the Company made first public issue for 30 million A shares and the Company was listed on Oct. 18th, 1993 in Shenzhen Stock Exchange. On August 13th, 1996, the Company was approved to issue 100 million B shares to investors abroad through [ZhengWeiFa(1996) No.26] issued by China Securities Regulatory Commission. The Company went public in Shenzhen Stock Exchange on August 28th, 1996.

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, Hefei Meiling Group Holdings Company Limited (hereinafter abbreviated as Meiling Group) transferred its holding 37,852,683 shares in 82,852,683 state-owned shares of the Company to Sichuan Changhong Electronic Group Co., Ltd (hereinafter abbreviated as Changhong Group), other 45,000,000 shares to Sichuan Changhong Electric Co. Ltd (hereinafter abbreviated as Sichuan Changhong). On Aug 15, 2007, the above ownerships were transferred and Cleaning Corporation Limited.

On 27 August 2007, State-owned Assets Supervision & Administration Commission of Anhui Provincial Government replied with Document [WGZCQH(2007) No.309] Reply on “Related Matters of Share Merger Reform of Meiling Co., Ltd.”, agreed the Company’s ownership split reform plan. The Company made consideration that non-tradable share holders deliver 1.5 shares 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 for split reform plan.

On 29 May 2008, concerning 34,359,384 state-owned shares (including 3,360,329 shares paid for other non-tradable shareholders by original Meiling Group in share reform) held by original Meiling Group, the “Notice of Freely Transfer of Meiling Electrics Equity held by Meiling Group”[HGZCQ(2008) No. 59] issued from State-owned Assets Supervision & Administration Commission of Hefei Municipal, agrees to transfer the above said shares to Hefei Xingtai Holding Group Co., Ltd.(“Xingtai Holding Co.”) for free. On 7 August 2008, the “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders”[GZCQ(2007) No. 750] issued by SASAC, agrees the above said transferring.

On October 28, 2008, 12,543,559.00 tradable shares, the first batch of the Company with conditional subscription, were released for trading.

On October 29, 2008, Changhong Group Company signed Agreement on Equity Transfer of Hefei Meiling Co., Ltd with Sichuan Changhong, in which 32,078,846 tradable A-shares with conditional subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On 23 December 2008, “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders”[GZCQ(2008) No. 1412] issued by SASAC agrees the above said share transferring.

On January 4, 2010, 74,074,020 tradable shares, the second batch of the Company with conditional subscription, were released for trading.

On March 23, 2010, 2,783,342 tradable shares, the third batch of the Company with

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(Unless otherwise specified, RMB for record in the statement)

conditional subscription, were released for trading.

On December 15, 2010, 29,127,572 tradable shares, the forth batch of the Company with conditional subscription, were released for trading.

On 24 December 2010, being deliberated and approved in 32nd Meeting of 6th Session of the Board and 2nd Extraordinary Shareholders' General Meeting of 2010 as well as approval of document [ZJXP(2010) No. 1715] from CSRC, totally 116731500 RMB ordinary shares (A stock) were offering privately to target investors with issue price of RMB 10.28/share. Capital collecting amounting to RMB 1,199,999,820, after issuing expenses RMB 22,162,232 deducted, net capital collected amounting to RMB 1,177,837,589, and paid-in capital (share capital) increased RMB 116,731,500 with capital reserve (share premium) RMB 1,061,106,088.5 increased. The increasing capital has been verified by Capital Verification Report No.: [XYZH2010CDA6021] issued from Shinwing CPA Co., Ltd. On 4 August 2011, Company implemented profit distribution plan for year of 2010 that deliberated and approved in Shareholders' Genral Meeting dated 20 June 2011, taking total shares of the Company 530,374,449 shares ended as December 31 2010 as base, deliver cash dividend of RMB 0.5 (tax included) with 2 shares bonus for every 10 shares held by all shareholders. The distribution plan amounting to RMB 132,593,612.25, a 45.17% in profit available for shares realized in 2010. And share capital of RMB 106,074,889 increased. Being distributed, total share capital of the Company increased to 636,449,338 shares (including 500,729,338 shares of A-stock and 135,720,000 shares of B-stock). The increasing capital has been verified by Capital Verification Report No.: [WHSZDKYZi(2011) No.:141] issued from Anhui Huashen Zhengda CPA Co., Ltd.

On 11 January 2012, part of the restricted shares of privately A-share offering in 2010 was un-lock, totally 7 shareholders (excluding shares purchased by controlling shareholder - Sichuan Changhong Electronic Co., Ltd.) were un-lock in this time. Un-lock shares amounting to 93,385,200 shares, a 14.67% in total share capital of the Company.

The 5th restricted circulating shares after implementation of share-split reform was un-lock for trading dated 30 March 2012. Totally 5 shareholders are have shares released, un-lock shares amounting to 607,846 shares, a 0.0955% in total share capital of the Company.

Ended as 30 June 2012, total share capital of the Company amounting to 636,449,338 shares with ordinary shares in full. Among which, 500,729,338 shares of A-share accounting 78.67% in total shares while B-share with 135,720,000 shares accounting 21.33% in total shares. Detail share capital as:

Type of stock	Quantity	Proportion
I. Restricted shares	55,390,228	8.70%
1. State-owned shares	-	-
2. State-owned legal person's shares	47,463,010	7.46%
3. Other domestic shares	7,927,218	1.24%
Including: Domestic non-state-owned legal person's shares	7,721,266	1.21%
Domestic natural person's shares	205,952	0.03%
4. Foreign shares	-	-
Including: Foreign legal person's shares	-	-
Foreign natural person's shares	-	-
5. Senior executives' shares	-	-
II. Unrestricted shares	581,059,110	91.30%

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(Unless otherwise specified, RMB for record in the statement)

1. RMB Ordinary shares	445,339,110	69.97%
2. Domestically listed foreign shares	135,720,000	21.33%
3. Overseas listed foreign shares	-	-
4. Others	-	-
III. Total shares	636,449,338	100.00%

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: Liu Tibin; register capital(paid-in capital): RMB 636,449,338; 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

Ended 30 June 2012, Sichuan Changhong and its accord actionist totally held 24.88% shares of the Company and is the first largest shareholder; Changhong Group held 23.19% shares of Sichuan Changhong accounting 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 6.26% shares of the Company accounting and is the second largest shareholder of the Company.

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 30 June

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

Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

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

i) Classification of 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.

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.

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.

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.

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

ii) Recognition and measurement for financial assets

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From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

Financial assets, while become party of the contract of financial instrument in the Company, recognized in balance sheet 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.

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.

Except impairment losses and exchange gains/loss from financial assets with foreign currency, variation of the fair value for financial assets available for sale should reckon into shareholders' equity. The variation of fair value accumulative reckon into equity previously should transfer into current gains/losses while recognition of this financial asset terminated. For the interest during period of holding for instrument investment of liability available for sale based on real interest rate, and cash dividend related with instrument investment of equity available for sale that announced by invested enterprises should reckon into current gains/losses as investment incomes.

iii) Impairment of financial assets

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.

When the financial assets calculated by amortized cost decrease in value, count and draw the provision for impairment according to the balance between present value and book value of predicted future cash flows (Excluding future credit losses that haven't occurred yet.). If there is any objective evidence to indicate that the financial assets has recovered and is objectively connected with matters occurred after confirming the losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses.

When the fair value of financial assets available for sale goes down substantially or non-transiently, the accumulating losses previously and directly reckoned in shareholder's equity and formed due to shrinkage of fair value will be transferred and reckoned in impairment losses. As for the debt instrument investment available for sale with confirmed impairment losses, if its fair value rises after and it is objectively connected with matters occurred after confirming the primary impairment losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses. And the debt instrument investment available for sale with confirmed impairment losses shall be directly reckoned in

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stockholder's equity if its fair value rises after.

iv) Transfer of financial assets

The financial assets meet one of following requirements will be terminated recognition: ① The contract rights of collecting cash flow of the financial assets is terminated; ② The financial assets has already been transferred, and the Company has transferred almost all risks and remunerations of financial assets ownership to the transferee; ③ The financial assets has been transferred, even though the Company has neither transferred nor kept almost all risks and remunerations of financial assets ownership, the Company has given up controlling the financial assets.

If the enterprise has neither transferred or kept almost all risks and remunerations of financial assets ownership, nor given up controlling the financial assets, then confirm the relevant financial assets according to how it continues to involve into the transferred financial assets and confirm the relevant liabilities accordingly. The degree of keeping involving into the transferred financial assets refers to the risk level with which the fluctuation of this financial asset value makes the enterprise face.

If the entire transfer of financial assets satisfies the demand for derecognition, reckon the balance between the book value of the transferred financial assets and the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income in the current profits and losses.

If part transfer of financial assets satisfies the demand for derecognition, apportion the integral book value of the transferred financial assets between the derecognized parts and the parts not yet derecognized according to each relative fair value, and reckon the balance between the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income that should be apportioned to the derecognized parts and the apportioned aforementioned carrying amounts in the current profits and 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

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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

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.

Allowance method is adopted for the bad debt losses which are likely to happen. And conducting impairment test independently or by combination at period-end, withdrawn bad debt provision 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 Group according to regulated procedures to offset withdrawn bad debt provision.

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

Determine basis or amount standards for single significant amount	Beginning from test of single amount with 5% in total, if totally amount takes over 80% of the total for over 5% occupied, than 5% of single amount in total amounts recognized as single significant amount; if totally amount takes less than 80% of the total for over 5% occupied, than lower recognition standards till qualified 80% in total
withdrawal method for account with single significant amount and withdrawal single item bad debt provision	Withdrawal bad debt provision according to difference between the current value of future cash flow and book values

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

Basis for combination recognized	
Combination 1	Account receivable except for those in Combination 2
Combination 2	Account receivable of the reserve fund of employee, investment externally, connected account with related parties, export tax refund receivable, account receivable with L/C or guarantee, government subsidy etc.
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

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Over 5 years	100	100
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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 receivables 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 depreciation occurred, 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 precede, low-value consumption goods, goods sold goods in process and mould 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. For those individual stock, suffering damage, totally or partly out of fashion or has lower sales price than cost, predicted recoverable parts in cost, and withdrawal provision of inventory depreciation single. For those raw materials, stock commodities and goods sold, withdrawal provision of inventory depreciation by follow methods:

(1) Determined the net realizable value of raw materials on the higher amount between the final prices of estimated sale-price deducted cost (about to happen till products finished), estimated sales expense and relevant taxes, and the fair value of external disposal.

(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%

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	Over 3 years	100%
Qualified		40%
Grade-B		50%
Grade-C		60%
Disposal		65%
Unqualified		60%
Sample machine		30%
Special user type that exceed the order quantity		50%

The Company re-checks 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.

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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, gains 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

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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 is 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

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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

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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 service 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 uncertain 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 occurrence; expenditure arising during development is confirmed as intangible assets when satisfying the following conditions:

(1) Completions of the intangible assets makes it available for application or sell in technology;

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- (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 reliable 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 advance;
- (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.

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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 refer 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 labour 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, labour union fee and special charge for education, etc, and expenditure relevant to obtaining services provided by employee.

The early retirement policy for staff and workers of the Company is the compensation for encouraging staff and workers to accept the reduction voluntarily. The employees make applications voluntarily, the two parties sign the compensation agreement after approved by the Company and calculate the compensation amount according to the compensation standard passed by the staff representative conference, and the Company confirms it as dismiss welfare and reckons it in current profits and losses. As the Company promises to adjust the treatment for early retiring staff and workers with the increase of social basic cost of living allowances, the discount elements will not be considered for calculating the dismiss welfare.

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 in-sufficient 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

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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 portability from 4 to 7 years was the half of the maintenance proportion under “Three Guarantee” policy; maintenance protability from 7 to 10 years was twice of the maintenance proportion under “Three Guarantee” policy, the maintenance protability 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 (maintenance of major components) 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-stablely, 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(probability, proportion and maintenance charge for single machine) based on the actual maintenance fee on every balance sheet date, the Company will adjusted 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, labour providing income 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 Company confirms the realization of service income when the gross income and total cost of labor service cab be unfailingly calculated, the economic benefits related to labor service are likely to flow into the Group, and the progress of labor service can be confirmed reliably. On balance sheet date, with regard to those with results provided for labor service transactions can be estimated reliably, confirm the relevant service income according to percentage of completion method and determine the percentage-of-completion method by the proportion of the occurred cost in the estimated total cost; as for those with results provided for labor service transactions can’t be estimated reliably and with occurred labor cost predicted to be able to get compensation, confirm to provide service income according to labor cost amount occurred and capable of getting compensation, and carry over the occurred labor costs; for those with results provided for labor service transactions can’t be estimated reliably and with occurred labor cost predicted to be not able to get compensation, reckon the occurred labor cost in the current profits and losses, but not confirm to provide service income.

(3) The economy benefit of use-right of transfer assets probably wills 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(such as subsidy for energy-saving and civil-beneficial of air-conditioner) 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

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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.

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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

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. 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.

28. 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

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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. Preferential tax and approval documents

Tax preference of enterprise income tax:

The Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company were recognized as second Hi-Tech Enterprise for year of 2008 in Anhui Province with term of three years. Therefore, the Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company enjoys 15% rate for the income tax for State Hi-Tech Enterprise. On 26 September 2011, being recognized by “Name Lists of First Hi-Tech Enterprise for year of 2011 in Anhui Province”[WGQR(2011) No. 10] from Anhui Science & Technology Department, the Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

Subsidiary Zhongshan Changhong Appliance Co., Ltd. was recognized as First Hi-Tech Enterprise for year of 2008 in Guangdong Province with 15% rate for the income tax for State Hi-Tech Enterprise enjoys for term of three years. On 13 October 2011, being recognized by “Name Lists of Second Hi-Tech Enterprise for year of 2011 in Guangdong Province”[YKHGZi(2011) No.1437] from Guangdong Science & Technology Department, Zhongshan Changhong Appliance Co., Ltd. continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

Subsidiary Sichuan Changhong Air Conditioner Co., Ltd. was granted the “Certificate of High-tech Enterprise” (certificate No.: GR201051000154) with a maturity of three years on 27 December 2011. Being approved and file by First Branch of Local Tax Bureau of Mianyang City, Sichuan Changhong Air Conditioner Co., Ltd. was subject to enterprise income tax at a rate of 15%.

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VII. Business combination and consolidated financial statements
(I) Subsidiary

Name	Rating	Type	Registration place	Business nature	Registered capital (RMB'0000)	Investment amount at year-end (RMB'0000)	Balance of other items material forming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State statements combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Subsidiaries established through direct investment													
Zhongke Meiling Cryogenics Co., Ltd. (1)	Subsidiary	Limited Company	Hefei	Manufacturing and sales	6,000.00	4,200.00	-	70.00	70.00	Yes	21,302,020.30	-	-
Jiangxi Meiling Refrigeration Co., Ltd. (2)	Subsidiary	Limited Company	Jingde Town	Manufacturing and sales	4,000.00	3,600.00	-	90.00	100.00	Yes	-	-	-
Mianyang Meiling Refrigeration Co., Ltd. (3)	Subsidiary	Limited Company	Mianyang	Manufacturing and sales	10,000.00	9,500.00	-	95.00	100.00	Yes	-	-	-
Hefei Meiling Electric Marketing Co., Ltd. (4)	Subsidiary	Limited Company	Hefei	Sales	5,500.00	5,490.00	-	99.82	100.00	Yes	-	-	-
Jiangxi Meiling Appliance Co., Ltd. (5)	Subsidiary	Limited Company	Jingde Town	Sales	5,000.00	4,937.50	-	98.75	100.00	Yes	-	-	-
Changhong Ruba Trading Company (Private) Limited(6)	2 nd subsidiary	Limited Company	Pakistan	Sales	\$300.00	\$180.00	-	60.00	60.00	Yes	5,821,513.01	579,868.15	-
Xinxiang Meiling Electric Marketing Co., Ltd. (7)	2 nd subsidiary	Limited Company	Xinxiang	Sales	350.00	206.50	-	59.00	59.00	Yes	713,819.27	721,180.73	-
Luohe Meiling Electric Marketing Co., Ltd. (8)	2 nd subsidiary	Limited Company	Luohe	Sales	500.00	185.00	-	37.00	37.00	Yes	3,165,544.87	-	-
Wuhu Meiling Electric Marketing Co., Ltd. (9)	2 nd subsidiary	Limited Company	Wuhu	Sales	600.00	216.00	-	36.00	36.00	Yes	1,170,906.37	2,669,093.63	-
Changchun Meiling Electric Marketing Co., Ltd. (10)	2 nd subsidiary	Limited Company	Changchun	Sales	300.00	291.00	-	97.00	97.00	Yes	-8,197.19	90,000.00	-
Bengbu Meiling Electric Marketing Co., Ltd. (11)	2 nd subsidiary	Limited Company	Bengbu	Sales	300.00	255.00	-	85.00	85.00	Yes	630,570.91	-	-

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Name	Rating	Type	Registration place	Business nature	Registered capital (RMB'0000)	Investment amount at year-end (RMB'0000)	Balance of other items material forming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State statements combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Hengyang Meiling Electric Marketing Co., Ltd. (12)	2 nd subsidiary	Limited Company	Hengyang	Sales	300.00	123.00	-	41.00	41.00	Yes	981,967.32	788,032.68	-
Nanchang Meiling Electric Marketing Co., Ltd. (13)	2 nd subsidiary	Limited Company	Nanchang	Sales	300.00	108.00	-	36.00	36.00	Yes	-1,989,085.35	1,920,000.00	-
Lu'an Meiling Electric Marketing Co., Ltd. (14)	2 nd subsidiary	Limited Company	Lu'an	Sales	500.00	180.00	-	36.00	36.00	Yes	2,920,157.19	279,842.81	-
Jingzhou Meiling Electric Marketing Co., Ltd. (15)	2 nd subsidiary	Limited Company	Jingzhou	Sales	400.00	240.00	-	60.00	60.00	Yes	144,612.99	1,455,387.01	-
Shenyang Meiling Electric Marketing Co., Ltd. (16)	2 nd subsidiary	Limited Company	Shenyang	Sales	300.00	284.40	-	94.80	94.80	Yes	-97,505.49	156,000.00	-
Wuhan Meiling Electric Marketing Co., Ltd. (17)	2 nd subsidiary	Limited Company	Wuhan	Sales	500.00	455.00	-	91.00	91.00	Yes	-66,936.09	45,000.00	-
Zhengzhou Meiling Electric Marketing Co., Ltd. (18)	2 nd subsidiary	Limited Company	Zhengzhou	Sales	300.00	108.00	-	36.00	36.00	Yes	169,819.63	1,750,180.37	-
Shi Jiazhuang Meiling Electric Marketing Co., Ltd. (19)	2 nd subsidiary	Limited Company	Shi Jiazhuang	Sales	300.00	108.00	-	36.00	36.00	Yes	2,126,513.94	-	-
Mianyang Meiling Electric Marketing Co., Ltd. (20)	2 nd subsidiary	Limited Company	Mianyang	Sales	500.00	260.00	-	52.00	52.00	Yes	4,827,771.81	-	-
Chengdu Meiling Electric Marketing Co., Ltd. (21)	2 nd subsidiary	Limited Company	Chengdu	Sales	500.00	417.00	-	83.40	83.40	Yes	-86,070.33	830,000.00	-
Guiyang Meiling Electric Marketing Co., Ltd. (22)	2 nd subsidiary	Limited Company	Guiyang	Sales	300.00	78.00	-	26.00	26.00	Yes	2,337,715.42	-	-
Fuzhou Meiling Electric Marketing Co., Ltd. (23)	2 nd subsidiary	Limited Company	Fuzhou	Sales	300.00	297.00	-	99.00	99.00	Yes	530.70	29,469.30	-
Nanjing Meiling Electric Marketing Co., Ltd. (24)	2 nd subsidiary	Limited Company	Nanjing	Sales	300.00	297.00	-	99.00	99.00	Yes	-40,924.94	30,000.00	-
Hefei Meiling White Apparatus Marketing Co., Ltd. (25)	2 nd subsidiary	Limited Company	Hefei	Sales	600.00	510.00	-	85.00	85.00	Yes	562,595.50	337,404.50	-
Taiyuan Meiling Electric Marketing Co., Ltd. (26)	2 nd subsidiary	Limited Company	Taiyuan	Sales	400.00	159.00	-	39.75	39.75	Yes	2,647,071.55	-	-

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Name	Rating	Type	Registration place	Business nature	Registered capital (RMB'0000)	Investment amount at year-end (RMB'0000)	Balance of other items material forming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State statements combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Changsha Meiling Electric Marketing Co., Ltd. (27)	2 nd subsidiary	Limited Company	Changsha	Sales	500.00	180.00	-	36.00	36.00	Yes	3,348,764.75	-	-
Hollyhock Meiling Electric Marketing Co., Ltd. (28)	2 nd subsidiary	Limited Company	Hohhot	Sales	300.00	165.00	-	55.00	55.00	Yes	1,417,667.95	-	-
Hangzhou Meiling Electric Marketing Co., Ltd. (29)	2 nd subsidiary	Limited Company	Hangzhou	Sales	300.00	265.50	-	88.50	88.50	Yes	-377,651.47	345,000.00	-
Chongqing Meiling Electric Marketing Co., Ltd. (30)	2 nd subsidiary	Limited Company	Chongqing	Sales	300.00	255.00	-	85.00	85.00	Yes	412,262.61	37,737.39	-
Kunming Meiling Electric Marketing Co., Ltd. (31)	2 nd subsidiary	Limited Company	Kunming	Sales	300.00	139.50	-	46.50	46.50	Yes	356,865.96	1,248,134.04	-
Shanghai Meiling Electric Marketing Co., Ltd. (32)	2 nd subsidiary	Limited Company	Shanghai	Sales	300.00	297.00	-	99.00	99.00	Yes	-58,869.81	30,000.00	-
Nantong Meiling Electric Marketing Co., Ltd. (33)	2 nd subsidiary	Limited Company	Nantong	Sales	300.00	174.00	-	58.00	58.00	Yes	-299,761.85	1,260,000.00	-
Neijiang Meiling Electric Marketing Co., Ltd. (34)	2 nd subsidiary	Limited Company	Neijiang	Sales	300.00	240.00	-	80.00	80.00	Yes	773,799.28	-	-
Tianjin Meiling Electric Marketing Co., Ltd. (35)	2 nd subsidiary	Limited Company	Tianjin	Sales	300.00	256.50	-	85.50	85.50	Yes	-43,202.12	435,000.00	-
Urumqi Meiling Electric Marketing Co., Ltd. (36)	2 nd subsidiary	Limited Company	Urumqi	Sales	500.00	270.00	-	90.00	90.00	Yes	21,296.04	278,703.96	-
Harbin Meiling Electric Marketing Co., Ltd. (37)	2 nd subsidiary	Limited Company	Harbin	Sales	300.00	108.00	-	36.00	36.00	Yes	-2,021,577.78	1,920,000.00	-
Beijing Meiling Electric Marketing Co., Ltd. (38)	2 nd subsidiary	Limited Company	Beijing	Sales	300.00	297.00	-	99.00	99.00	Yes	44,532.41	-	-
Lanzhou Meiling Electric Marketing Co., Ltd. (39)	2 nd subsidiary	Limited Company	Lanzhou	Sales	300.00	121.50	-	40.50	40.50	Yes	2,212,457.70	-	-
Xi'an Meiling Electric Marketing Co., Ltd. (40)	2 nd subsidiary	Limited Company	Xi'an	Sales	300.00	183.00	-	61.00	61.00	Yes	633,609.06	536,390.94	-
Guangzhou Meiling Electric Marketing Co., Ltd. (41)	2 nd subsidiary	Limited Company	Guangzhou	Sales	500.00	430.00	-	86.00	86.00	Yes	-206,194.99	700,000.00	-

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Name	Rating	Type	Registration place	Business nature	Registered capital (RMB'0000)	Investment amount at year-end (RMB'0000)	Balance of other items material forming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State statements combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Jinan Meiling Electric Marketing Co., Ltd. (42)	2 nd subsidiary	Limited Company	Jinan	Sales	300.00	108.00	-	36.00	36.00	Yes	1,479,999.07	440,000.93	-
Subsidiaries obtained through business combination under the same control													
Sichuan Changhong Air-conditioners Co., Ltd. (43)	Subsidiary	Limited Company	Mianyang	Manufacturing and sales	20,000.00	30,560.00	-	100.00	100.00	Yes	-	-	-
Zhongshan Changhong Electric Co., Ltd. (44)	Subsidiary	Limited Company	Zhongshan	Manufacturing and sales	8,000.00	7,625.00	-	90.00	100.00	Yes	-	-	-
Subsidiaries obtained through business combination under the different control													
Hefei Meiling Group Holding Co., Ltd.(45)	Subsidiary	Limited Company	Hefei	Holding Company	8,000.00	11,363.00	-	100.00	100.00	Yes	-	-	-
Meiling Yingkaite Appliance (Hefei) Co., Ltd.(46)	2 nd subsidiary	Limited Company	Hefei	Manufacturing and sales	2,479.31	1,859.49	-	100.00	100.00	Yes	-	-	-
Hefei Yingkaite Apparatus Co., Ltd. (47)	2 nd subsidiary	Limited Company	Hefei	Manufacturing and sales	1,200.00	867.06	-	100.00	100.00	Yes	-	-	-
Meiling Non-ferrous Metal Products Co., Ltd. (48)	2 nd subsidiary	Limited Company	Hefei	Manufacturing and sales	2,428.68	2,199.64	-	100.00	100.00	Yes	-	-	-
Hefei Meiling Precision Tube Co., Ltd. (49)	2 nd subsidiary	Limited Company	Hefei	Manufacturing and sales	100.00	80.00	-	100.00	100.00	Yes	-	-	-
Hefei Meiling Package Products Co., Ltd.(50)	2 nd subsidiary	Limited Company	Hefei	Manufacturing and sales	1,740.00	952.00	-	51.72	100.00	Yes	-	-	-

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Name	Rating	Type	Registration place	Business nature	Registered capital (RMB'00 00)	Investment amount at year-end (RMB'00 00)	Balance of other items materiall yforming net investment to subsidiary	Holding proportion (%)	Voting right proportion (%)	State ments combined or not	Minority interest	Amount in minority interest used for writing down minority gain and loss	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owner's equity of the subsidiary
Hefei Meiling Environment-friendly Package Materials Co., Ltd. (51)	2 nd subsidiary	Limited Company	Hefei	Manufact uring and sales	80.00	64.00	-	100.00	100.00	Yes	-	-	-
Hefei Meiling Appliance Industry&Commerce Co., Ltd. (52)	2 nd subsidiary	Limited Company	Hefei	Sales	500.00	300.00	-	100.00	100.00	Yes	-	-	-
Hefei Maston Appliance Co., Ltd (53)	2 nd subsidiary	Limited Company	Hefei	Sales	398.00	485.97	-	100.00	100.00	Yes	-	-	-
Chaohu Meiling Electric Marketing Co., Ltd. (54)	2 nd subsidiary	Limited Company	Chaohu	Sales	500.00	254.75	-	50.00	50.00	Yes	3,363,538.93	-	-

Note: "Investment amount at period-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.

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(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; organization code: 74309835-2; 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.

(2) Jiangxi Meiling Refrigeration Co., Ltd. (Jingxi Meiling Refrigeration Co.), 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. In 2011, Zhongke Meiling entered into "Equity Transfer Agreement" with Mianyang Meiling Refrigeration Co., Ltd. 10 percent equity of Jiangxi Meiling held by Zhongke Meiling was transferred to Mianyang Meiling Refrigerator. Relevant changes for Industrial and Commercial was done dated 2 November 2011.

Registration No. of the Business License of Corporation Legal Person: 360200110000441; organization code: 66748284-5; 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 19 January 2011, the Company increase RMB 50 million in capital of Mianyang Meiling, paid-in capital has been verified by Capital Verification Report [XYZH/2010CDA6040] from Chengdu Branch of Shinewing CPA CO., Ltd. Currently register capital and paid-in capital of Mianyang Meiling amounting to RMB 100

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million; of which RMB 95 million invested by the Company, a 95% of total register capital while RMB 5 million invested by Zhongke Meiling, a 5% of total capital occupied. In 2011, Zhongke Meiling entered into “Equity Transfer Agreement” with Jiangxi Meiling Refrigeration Co., Ltd. 5 percent equity of Mianyang Meiling held by Zhongke Meiling was transferred to Jiangxi Meiling Refrigerator. Changes for Industrial and Commercial registration completed on 18 November 2011. Registration No. of the Business License of Corporation Legal Person: 510706000014939; organization code: 68610561-5; Address: No.35 Mianxing East 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 Appliance 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; organization code: 69573778-8; 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 Appliance Co., Ltd.(Jiangxi Meiling Appliance Co.) was a limited liability company jointly established by the Company and Mianyang Meiling on 23 May 2011. Register capital of the company totally as RMB 50 million, RMB 49.375 million invested by the Company, 98.75% in total register capital while RMB 0.625 million invested by Mianyang Meiling , a 1.25% in total register capital occupied. The initial investment RMB 10.50 million was received dated 13 May 2011 with RMB 10 million from the Company and RMB 0.5 million from Mianyang Meiling. 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 Capital Verification Report [JXKYZi(2011) No. 090] issued from Jingdezhen Xingci CPA Co., Ltd.

Registration No. of the Business License of Corporation Legal Person: 360200110004455; organization code: 57364516-4; 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) Changhong Ruba Trading Company (Private) Limited (Changhong Ruba), was a joint-venture jointly established by Zhongshan Changhong Appliance Co., Ltd. and UAE RUBA GENERAL TRADING FZE(UAE RUBA), which has been approved in “Reply of Approval of Manufacture

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and sales platform jointly established in Pakistan by Zhongshan Changhong Appliance Co., Ltd.”[YFGWZ(2011) No.:958] from Guangdong Development & Reform Commission dated 5 August 2011. The company owes register capital of USD 3 million with USD 1.8 million invested from Zhongshan Changhong Appliance Co., Ltd. in cash, 60% of shares held while UAE RUBA invested USD 1.2 million with 40% shares held. The company registered in Lahore Pakistan, legal representative: Du Zhixiao; Business scope: sales of air-conditioner and other household apparatus.

(7) Xinxiang Meiling Appliance Marketing Co., Ltd. (Xinxiang Meiling) was established dated 17 May 2010 with organization code of No. 555723050; register capital amounting to RMB 3.5 million with RMB 2.065 million invested by Meiling Marketing, a 59% in total register capital; address and business office: 1#, 21/F, Tower B, Hengshen Shijia, No.6, Baojian Rd.; legal representative: Qin Tangzong; business scope: wholesale and retails of household apparatus.

(8) Luohe Meiling Appliance Marketing Co., Ltd. (Luohe Meiling) was established dated 10 December 2010 with organization code of No. 566483064; register capital amounting to RMB 5 million with RMB 1.85 million invested by Meiling Marketing, a 37% in total register capital; address and business office: Middle section, Yellow Rive Rd., Yancheng District, Luohe City; legal representative: Guo Gang; business scope: sales and maintenance of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, daily necessities and household apparatus.

(9) Wuhu Meiling Appliance Marketing Co., Ltd.(Wuhu Meiling) was established on December 24, 2010 with organization code of No. 567508470; register capital amounting to RMB 6 million with RMB 2.16 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No. 1002, Qiaohong International Commercial Town, Jinhua District, Wuhu City; Legal representative: Cui Lianbin; Business scope: sales and maintenance of household apparatus.

(10) Changchun Meiling Appliance Marketing Co., Ltd. (Changchun Meiling) was established on December 22, 2010 with organization code of No. 563926181; register capital amounting to RMB 3 million with RMB 2.91 million invested by Meiling Marketing, a 97% in total register capital; address and business office: 301 South part, No. 21, Ximinzhu Street, Chaoyang District, Changchun City; Legal representative: Tang Yiliang; Business scope: sales and maintenance of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, general merchandise and household apparatus.

(11) Bengbu Meiling Appliance Marketing Co., Ltd. (Bengbu Meiling) was established on December 27, 2010 with organization code of No. 567509043; register capital amounting to RMB 3 million with RMB 2.55 million invested by Meiling Marketing, a 85% in total register capital; address and business office: East Room, 16/F, East part of Office building, 9/F-18/F, New Century Plaza, No. 1028 Huihe Rd., Bengbu City; Legal representative: Cui Lianbin; Business scope: sales and maintenance of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, general merchandise and household apparatus.

(12) Hengyang Meiling Appliance Marketing Co., Ltd. (Hengyang Meiling) was established on December 24, 2010 with organization code of No. 567652288; register capital amounting to RMB 3 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital;

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address and business office: No. 302, Yujia Community, Yujia Group, Jiangdong Village, Zhuhui District, Hengyang City; Legal representative: Zu Pu; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories and sales of general merchandise.

(13) Nanchang Meiling Appliance Marketing Co., Ltd. (Nanchang Meiling) was established on 5 January 2011 with organization code of No. 566294036; register capital amounting to RMB 3 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No. 192, Gaoxin 7# Rd., Gaoxin District, Nanchang City; Legal representative: Zu Pu; Business scope: wholesale and retails of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, general merchandise and maintenance of household apparatus.

(14)Liu'an Meiling Appliance Marketing Co., Ltd. (Liu'an Meiling) was established on 13 January 2011 with organization code of No. 56753250X; register capital amounting to RMB 5 million with RMB 1.80 million invested by Meiling Marketing, a 36% in total register capital; address and business office: Management Committee Building, Jinsan Rd., Economic & Development District, Liu'an City; Legal representative: Cui Lianbin; Business scope: wholesale and retails of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, general merchandise, marketing and after-sell service of household apparatus; maintenance of household apparatus.

(15)Jinzhou Meiling Appliance Marketing Co., Ltd. (Jinzhou Meiling) was established on 10 January 2011 with organization code of No. 565495194; register capital amounting to RMB 4 million with RMB 1.60 million invested by Meiling Marketing, a 40% in total register capital; address and business office:No.2, 2/F, 1# door, 13 Building, (Rongxin Garden), Beijing East Rd., Shashi District; Legal representative: Zu Pu; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, decorations, electronic products and accessories, sales of general merchandise; maintenance of household apparatus.

(16)Shenyang Meiling Appliance Marketing Co., Ltd. (Shenyang Meiling) was established on 26 January 2011 with organization code of No. 564699988; register capital amounting to RMB 3 million with RMB 2.844 million invested by Meiling Marketing, a 94.80% in total register capital; address and business office:No.30, Renao Rd., Shenhe District, Shenyang City; Legal representative: Tang Yiliang; Business scope: household apparatus, refrigerator machine, injection machine of computer control and sales of general merchandise.

(17)Wuhan Meiling Appliance Marketing Co., Ltd. (Wuhan Meiling) was established on 10 January 2011 with organization code of No. 565593579; register capital amounting to RMB 5 million with RMB4.55 million invested by Meiling Marketing, a 91% in total register capital; address and business office:15/F, Taihe Plaza, No.72 Wusheng Rd., Qiaokou District, Wuhan City; Legal representative: Zu Pu; Business scope: refrigerator machine, air-conditioner, washing machine, electronic products and accessories and sales of general merchandise.

(18)Zhengzhou Meiling Appliance Marketing Co., Ltd. (Zhengzhou Meiling) was established on 17

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January 2011 with organization code of No. 568607614; register capital amounting to RMB 3 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No.15, 5/F, No.18 Chengdong Rd. East, Guancheng District, Zhengzhou City; Legal representative: Guo Gang; Business scope: sales of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products & decorations, electronic products and accessories, general merchandise and maintenance of household apparatus.

(19) Shijiazhuang Meiling Appliance Marketing Co., Ltd. (Shijiazhuang Meiling) was established on 14 January 2011 with organization code of No. 56891178X; register capital amounting to RMB3 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No.669, Chengjiao Street South, Qiaoxi District, Shijiazhuang City; Legal representative: Tang Yiliang; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, art & crafts products, electronic products and accessories, sales of general merchandise; maintenance of household apparatus.

(20) Mianyang Meiling Appliance Marketing Co., Ltd. (Mianyang Meiling) was established on 27 January 2011 with organization code of No. 567642821; register capital amounting to RMB 5 million with RMB 2.6 million invested by Meiling Marketing, a 52% in total register capital; address and business office: Commercial & Trade Plaza, Gaoxin District, Mianyang; Legal representative: Fang Rongxin; Business scope: sales and maintenance of household apparatus, general merchandise and electronic products.

(21) Chengdu Meiling Appliance Marketing Co., Ltd. (Chengdu Meiling) was established on 26 January 2011 with organization code of No. 567191530; register capital amounting to RMB 5 million with RMB 4.07 million invested by Meiling Marketing, a 81.40% in total register capital; address and business office: No.22, Shuangfeng West Rd., Wuhou District, Chengdu City; Legal representative: Fang Rongxin; Business scope: sales of refrigerator machine, air-conditioner, household apparatus, digital products, heater, plastic products, art & crafts products, electronic products and accessories, general merchandise; maintenance of household apparatus.

(22) Guiyang Meiling Appliance Marketing Co., Ltd. (Guiyang Meiling) was established on 24 January 2011 with organization code of No. 569205772; register capital amounting to RMB 3 million with RMB 0.78 million invested by Meiling Marketing, a 26% in total register capital; address and business office: No.16-3, Pubu Business Building, No. 19 Yan'an West Rd., Yunyan District, Guiyang City; Legal representative: Fang Rongxin; Business scope: sales of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products (previously permit excluded), computer heater, plastic products, packaging products, art & crafts products, electronic products (previously permit excluded) and accessories, sales of general merchandise; maintenance of household apparatus.

(23) Fuzhou Meiling Appliance Marketing Co., Ltd. (Fuzhou Meiling) was established on 25 January 2011 with organization code of No. 569281679; register capital amounting to RMB 3 million with RMB 2.97 million invested by Meiling Marketing, a 99% in total register capital; address and business office: 05, 22/F, Jin'an Building, Jinyuan Garden, No. 328 Liuyi North Rd., Ji'an District, Fuzhou City; Legal representative: Zu Pu; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging products, art & crafts products, electronic products and accessories, sales of

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general merchandise; maintenance of household apparatus.

(24)Nanjing Meiling Appliance Marketing Co., Ltd. (Nanjing Meiling) was established on 14 February 2011 with organization code of No. 567226780; register capital amounting to RMB 3 million with RMB 2.97 million invested by Meiling Marketing, a 99% in total register capital; address and business office:14/F, Dongheng International Business Building, No. 288 Zhongshan South Rd., Baixia District, Nanjing City ; Legal representative: Qin Tangzong; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, computer heater, plastic products, packaging products and decorations, electronic products and accessories, sales of general merchandise, TV and digital products; maintenance of household apparatus.

(25)Hefei Meiling White Apparatus Marketing Co., Ltd. (White Apparatus) was established on 21 January 2011 with organization code of No. 568971344; register capital amounting to RMB 6 million with RMB 5.10 million invested by Meiling Marketing, a 85% in total register capital; address and business office:A-201, Huayi Science & Technology Park, Gaoxin District, Hefei City; Legal representative: Qin Tangzong; Business scope: refrigerator machine, air-conditioner, TV set, washing machine, digital products, computer heater, plastic products, packaging products and decorations, electronic products and accessories, sales of household apparatus and maintenance of household apparatus.

(26)Taiyuan Meiling Appliance Marketing Co., Ltd. (Taiyuan Meiling) was established on 18 January 2011 with organization code of No. 568472262; register capital amounting to RMB 4 million with RMB1.59 million invested by Meiling Marketing, a 39.75% in total register capital; address and business office:6/F, Hanyuan Building, Qinxian North Street, Xiaodian District, Taiyuan City; Legal representative: Tang Yiliang; Business scope: refrigerator machine, household apparatus, injection machine of computer control, digital products , plastic products, packaging products and decorations, sales of electronic products and accessories and general commodities; maintenance of household apparatus.

(27)Changsha Meiling Appliance Marketing Co., Ltd. (Changsha Meiling) was established on 26 January 2011 with organization code of No. 567688918; register capital amounting to RMB 5 million with RMB 1.80 million invested by Meiling Marketing, a 36% in total register capital; address and business office: Room 301, Oriental Ginza, No. 348 Yuanda No.1 Rd., Furong District, Changsha City; Legal representative: Zu Pu; Business scope: refrigerator machine, washing machine, injection machine of digital control, heater , plastic products, electrics outer packaging products and decorations, sales of electronic products and accessories and general commodities.

(28)Hohhot Meiling Appliance Marketing Co., Ltd. (Hohhot Meiling) was established on 21 February 2011 with organization code of No. 566949493; register capital amounting to RMB 3 million with RMB 1.65 million invested by Meiling Marketing, a 55% in total register capital; address and business office: No. 516, 4/F, Comprehensive Building, Jiangjun Garden, No. 139 Dongku Street, Xincheng District, Hohhot City; Legal representative: Tang Yiliang; Business scope: sales of refrigerator machine, electronic products, hardware and AC, air-conditioner equipment, digital products, plastic products, general commodities , packaging products and decoration materials; sales and maintenance of household apparatus.

(29) Hangzhou Meiling Appliance Marketing Co., Ltd. (Hangzhou Meiling) was established on 17 February 2011 with organization code of No. 568772548; register capital amounting to RMB 4

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million with RMB 2.655 million invested by Meiling Marketing, a 88.50% in total register capital; address and business office: Room 609, 1# building, Nanbei Shangwugang, Gongshu District, Hangzhou City; Legal representative: Zhou Wenhui; Business scope: sales of household apparatus, refrigerator machine, plastic products, decoration materials, art products, electronic products, injection machine with digital control and general merchandise; maintenance of household apparatus.

(30) Chongqing Meiling Appliance Marketing Co., Ltd. (Chongqing Meiling) was established on 1 March 2011 with organization code of No. 569914835; register capital amounting to RMB 3 million with RMB 2.55 million invested by Meiling Marketing, a 85% in total register capital; address and business office: No. 105, No. 106 and No.111, Dayang Gongqiao, Shapingba District, Chongqing City; Legal representative: Fang Rongxin; Business scope: wholesale and retails of refrigerator machine, air-conditioner, TV set, washing machine, injection machine with computer control, digital products, computer heater, plastic products, packaging products and decorations, electronic products and accessories(electronic publisher excluded), general commodities (agriculture film excluded); maintenance of household apparatus.

(31) Kunming Meiling Appliance Marketing Co., Ltd. (Kunming Meiling) was established on 28 February 2011 with organization code of No. 568819406; register capital amounting to RMB 3 million with RMB 1.395 million invested by Meiling Marketing, a 46.50% in total register capital; address and business office:6/F, No. 13 Longquan Rd., Kunming City; Legal representative: Fang Rongxin; Business scope: sales of household apparatus and general commodities.

(32) Shanghai Meiling Appliance Marketing Co., Ltd. (Shanghai Meiling) was established on 9 March 2011 with organization code of No. 569647714; register capital amounting to RMB 3 million with RMB 2.97 million invested by Meiling Marketing, a 99% in total register capital; address and business office: A Room 201-9, No. 15, 152 Lane, Yanchang Rd., Shanghai City; Legal representative: Zhou Wenhui; Business scope: sales of household apparatus, machinery equipment, digital products, plastic products, craft products, packaging materials, electronic products and its accessories and general merchandise; maintenance of household apparatus.

(33) Nantong Meiling Appliance Marketing Co., Ltd. (Nantong Meiling) was established on 8 March 2011 with organization code of No. 570386216; register capital amounting to RMB 3 million with RMB 1.75 million invested by Meiling Marketing, a 58% in total register capital; address and business office: Room 2207, 1# Wangfu Building, No. 6 Renmin East Rd., Nantong City; Legal representative: Zhou Wenhui; Business scope: sales and maintenance of refrigerator machine, air-conditioner, washing machine, injection machine with computer control, digital products, computer heater, plastic products, packaging products and decorations, electronic products and accessories and general commodities.

(34) Neijiang Meiling Appliance Marketing Co., Ltd. (Neijiang Meiling) was established on 8 March 2011 with organization code of No. 570707198; register capital amounting to RMB 3 million with RMB 2.4 million invested by Meiling Marketing, a 80% in total register capital; address and business office: middle layer, No. 386 Yuxi Rd., Zhong District, Neijiang City; Legal representative: Fang Rongxin; Business scope: wholesales and retails of refrigerator machine, air-conditioner, washing machine, injection machine with computer control, computer heater, plastic products, packaging products and decorations, electronic products and accessories and general commodities; maintenance of household apparatus.

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(35) Tianjin Meiling Appliance Marketing Co., Ltd. (Tianjin Meiling) was established on 2 March 2011 with organization code of No. 569324093; register capital amounting to RMB 3 million with RMB 2.565 million invested by Meiling Marketing, a 85.5% in total register capital; address and business office: middle layer, No. 3001-96, economy and development centre, No. 9 Junling Rd., Electronic Industrial Park, North Gate, Jinnan District; Legal representative: Tang Yiliang; Business scope: wholesales of household apparatus, injection machine with computer control, plastic products, packaging products, electronic products and accessories and general commodities; maintenance of household apparatus.

(36) Urumchi Meiling Appliance Marketing Co., Ltd. (Urumchi Meiling) was established on 4 March 2011 with organization code of No. 56887356-8; register capital amounting to RMB 3 million with RMB 2.7 million invested by Meiling Marketing, a 90% in total register capital; address and business office: Room 505, Yinzuo Centre, No. 196 Tianjin South Rd., Urumchi City; Legal representative: Fang Rongxin; Business scope: sales and maintenance of household apparatus, hardware and AC, electronic products and machinery equipments.

(37) Harbin Meiling Appliance Marketing Co., Ltd. (Harbin Meiling) was established on 6 April 2011 with organization code of No. 571906754; register capital amounting to RMB 3 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No.4, Hengshan Rd., Nangang Centre District, Jinkai Zone, Harbin City; Legal representative: Tang Yiliang; Business scope: sales of household apparatus, office automation equipment, electronic equipment, packaging products and plastic products as well as relevant technology service.

(38) Beijing Meiling Appliance Marketing Co., Ltd. (Beijing Meiling) was established on 28 March 2011 with organization code of No. 573245005; register capital amounting to RMB 3 million with RMB 3.97 million invested by Meiling Marketing, a 99% in total register capital; address and business office: No.23, Xinhua West Street, Majuqiao Town, Tongzhou District, Beijing; Legal representative: Qin Tangzong; Business scope: sales of household apparatus, computer software and assistant equipments, daily grocery, electronic products, general equipments, specific equipments; maintenance of household apparatus.

(39) Lanzhou Meiling Appliance Marketing Co., Ltd. (Lanzhou Meiling) was established on 25 March 2011 with organization code of No. 571608108; register capital amounting to RMB 3 million with RMB 1.215 million invested by Meiling Marketing, a 40.5% in total register capital; address and business office: No. 134, Jiayuguan West Rd., Chengguan District, Lanzhou City ; Legal representative: Fang Rongxin; Business scope: retails and wholesale of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, electronic products and accessories and general merchandise; maintenance of household apparatus.

(40) Xi'an Meiling Appliance Marketing Co., Ltd. (Xi'an Meiling) was established on 13 April 2011 with organization code of No. 570227776; register capital amounting to RMB 3 million with RMB 1.83 million invested by Meiling Marketing, a 61% in total register capital; address and business office: No.10715, 7/F, 1 Unit, #12 Building, Xinxing Junjin Garden, No. 369 Jinhua Rd., Xincheng District, Xi'an City ; Legal representative: Fang Rongxin; Business scope: sales and maintenance of refrigerator machine, air-conditioner, TV set, washing machine, injection machine of computer control, digital products, computer heater, plastic products, packaging and decorations, electronic products and accessories and general merchandise; maintenance of household apparatus.

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(41)Guangzhou Meiling Appliance Marketing Co., Ltd. (Guangzhou Meiling) was established on 13 May 2011 with organization code of No. 574044061; register capital amounting to RMB 5 million with RMB 4.3 million invested by Meiling Marketing, a 86% in total register capital; address and business office: 2/F, No. 98 Tanxin Street, Dongheng Rd., Baiyun District, Guangzhou City; Legal representative: Zu Pu; Business scope: wholesales and maintenance of refrigerator machine, electronic products and accessories, plastic injection machine, general merchandise and plastic products.

(42) Jinan Meiling Appliance Marketing Co., Ltd. (Jinan Meiling) was established on 3 June 2011 with organization code of No. 575560578; register capital amounting to RMB 5 million with RMB 1.08 million invested by Meiling Marketing, a 36% in total register capital; address and business office: No.249, Huangqiao Industry Park, Donglihe West Rd., Tianqiao District, Jinan City; Legal representative: Qin Tangzong; Business scope: wholesales & retails and maintenance of household apparatus, electronic products and accessories; wholesales and retails of general merchandise and plastic products.

(43) 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 material), 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; organization code of No. 68236997-1; 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)

(44) 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 biding 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 monetary 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 has been transferred by Changhong Air-conditioner on April 11, 2010.

Registration No. of the Business License of Corporation Legal Person: 442000000290879; organization code of No. 728773292; Address: Central Nantou Avenue, Nantou Town, Zhongshan

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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.

(45) 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 has 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 has 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; organization code of No.14918553-3; 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.

(46) 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 has been transferred totally to original Meiling Group in July 2009.

Registration No. of the Business License of Corporation Legal Person: 340100000004040; organization code of No. 76082307-7; 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

(47) Hefei Yingkaite Apparatus Co., Ltd.(Yingkaite Apparatus for short) was jointly set up by original Meiling Group and Yingkaite Appliance on September 26, 2007. Its 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

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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; organization code of No. 66624534-6; 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)

(48) 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; organization code of No.14911702-0; 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

(49) Hefei Meiling Precision Tube Co., Ltd. (Precision Tube for short) was set up in March 2004 with RMB 1 million register capitals. Among which, the original Meiling Group invested RMB0.8 million in monetary capital accounting 80% of register capital 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% equity 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; organization code of No.75854571-7; 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.

(50) 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

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transferred to original Meiling Group freely by one-time. The Company turned into domestic-capital enterprise from foreign-capital enterprise with changed registered capital of RMB 18.4 million. The re-register of register capital being verified by [WCQYZ(2005) No. 256] from Anhui CHengqin CPAs Co., Ltd. After equity transferred, the Company invested RMB 8.88 million accounting 48.28% in register capital while Meiling Group invested RMB9.52 million with 51.72% in register capital.

Registration No. of the Business License of Corporation Legal Person: 3401001007135; organization code of No.61030893-4; 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 aluminium foil sealing tape.

(51) Hefei Meiling Environment-friendly Package Materials Co., Ltd. (Environment-friendly Package for short) 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; organization code of No. 77495478-0; Address: Meiling Industry Zone,Dong twenty bu, Hefei City; Legal Representative: Sun Qingfeng; Manufacture and sales of belt, EPS, foam products, PP hollow profile, moulded pulp, honeycomb paperboard and materials of granulation package.

(52) Hefei Meiling Appliance Industry&Commerce Co., Ltd. (Appliance Industry&Commerce for short) 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 remains 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; organization code of No.75097049-5; 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)

(53) Hefei Maston Appliance Co., Ltd (Maston for short) was set up in November 2004 with register capital 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

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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; organization code of No.76900598-6; 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.

(54) Chaohu Meiling Appliance Marketing Co., Ltd. (Chaohu Meiling) was established on 1 December 2009 with register capital of RMB 5 million. Chaohu Hualong Appliance Co., Ltd. invested RMB 2 million, a 40% of the total register capital; Meiling Marketing Company invested RMB 1 million, 20% of the total register capital while RMB 2 million totally collected by Jincheng Appliance Co., Ltd. and other 7 shareholders in Wuwei County Anhui Province. In 2011, Chaohu Hualong Appliance Co., Ltd entered into contract with Meiling Marketing Company and other 7 natural person shareholders for 40% equity held transferring and Meiling Marketing transferred 32% of equity held. After equity transferring, Meiling Marketing invested RMB 2.5 million of 50% equity of Chaohu Meiling held and become the first largest shareholders; Jincheng Appliance Co., Ltd in Wuwei Country, Anhui Province invested RMB 1 million of 20% equity held; Chaohu Renhe Commercial & Trade Company invested RMB 0.75 million of 15% equity held; other 10 natural person shareholders invested RMB 0.75 million in total of 15% equity held. The equity transferring finished changes in industrial & commercial dated 12 May 2011.

Registration No. of the Business License of Corporation Legal Person: 341402000029955(1-1); organization code of No. 69739029-8; Address: No. 107, 56# building, Lijing International Community, Jiankang West Rd., Chaohu City; Legal Representative: Cui Lianbin; Business scope: sales and maintenance of household apparatus and recycle of aged apparatus.

(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: Nil

2. The companies deconsolidated in the year: Nil

(IV) Business combination during the year

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

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

(V) Conversion in foreign currency statement

Sub-subsidiary -- Changhong Ruba located in Lahore, Pakistan. Book keeping with local currency Rupee, balance sheet at year-end was converted as:

Items	Amount for FC	Exchange rate	Amount for RMB	Items	Amount for FC	Exchange rate	Amount for RMB
Current assets	341,310,820.33	0.0671	22,906,766.47	Current liability	131,144,807.86	0.0671	8,801,664.96
Non-current assets	6,557,195.00	0.0671	440,080.20	Total liability	131,144,807.86	0.0671	8,801,664.96
Total assets	347,868,015.33		23,346,846.67	Paid-in capital	259,900,258.39	0.0734	19,070,433.88
				Retained profit	-43,177,050.92		-2,993,267.40

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Total owners' equity	216,723,207.47		16,077,166.48
Liability and total equity	347,868,015.33		24,878,831.44
Difference between foreign currency conversion			-1,531,984.77

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 1 January 2012; “period-end” refers to 30 June 2012; “this period” refers to 1 January to 30 June 2012; “same period of last year” refers to 1 January to 30 June 2011; the currency is RMB.

1. Monetary fund

Item	Amount at period-end			Amount at year-beginning		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
Cash holdings			1,073,493.68			447,954.34
RMB	1,063,442.23		1,063,442.23	440,735.84		440,735.84
INR	149,798.00	0.0671	10,051.45	102,974.30	0.0701	7,218.50
Bank deposit			860,055,857.75			1,093,034,978.48
RMB	787,087,304.16		787,087,304.16	1,032,760,816.51		1,032,760,816.51
USD	10,601,893.19	6.3249	67,055,914.24	7,233,629.83	6.3009	45,578,378.20
EUR	157,622.03	7.8710	1,240,643.00	21,692.07	8.1625	177,061.52
AUD	154.15	6.3474	978.45	99.64	6.4093	638.62
INR	69,612,785.44	0.0671	4,671,017.90	207,105,329.96	0.0701	14,518,083.63
Other monetary fund			305,715,723.48			308,191,746.59
RMB	280,953,100.33		280,953,100.33	297,822,767.67		297,822,767.67
USD	3,701,006.36	6.3249	23,408,495.13	1,403,177.99	6.3009	8,841,284.20
EUR	171,945.91	7.8710	1,353,386.26	187,129.00	8.1625	1,527,440.46
AUD	116.86	6.3474	741.76	39.67	6.4093	254.26
Total			1,166,845,074.91			1,401,674,679.41

Balance at period-end saving overseas amounting to RMB 4,681,069.35; other monetary fund mainly refers to the margin of bank acceptance bill and savings of foreign exchange in account that need for verified; except margins, no amount of pledge or froze that exits recovery potential risk for reliability in monetary funds.

2. Notes receivable

(1) Category of notes receivable

Category	Amount at period-end	Amount at year-beginning
Bank acceptance notes	2,557,190,766.71	1,523,729,827.01
Commercial acceptance	-	-
Total	2,557,190,766.71	1,523,729,827.01

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Note receivable at period-end increase RMB 1033.4609 million over that of year-begin with 67.82% up, mainly because the acceptance bill increased in peak seasons for sales and the bills are not due for receipt.

(2) Top five notes mortgaged by end of the period:

Category	Issuing company	Issuing	Maturity	Amount	Note Serials
Bank acceptance	Fujian Suning Appliance Co., ltd.	2012-4-9	2012-10-9	10,000,000.00	21136596
Bank acceptance	Tianjin Gome Appliance Co., ltd	2012-5-30	2012-11-30	6,000,000.00	1030005220 281789
Bank acceptance	Changsha Tongcheng Holding Co., Ltd.	2012-4-26	2012-10-26	4,000,000.00	21437535
Bank acceptance	Anhui Hualian Shangsha Co., Ltd.	2012-3-15	2012-9-15	4,000,000.00	20201916
Bank acceptance	Anqing Chaojie Appliance Co.,Ltd.	2012-2-28	2012-8-28	4,000,000.00	20489026

(3) Top five notes endorsed to others but not yet due at the end of the period:

Category	Issuing company	Issuing	Maturity	Amount	Note Serials
Bank acceptance	Nanjing purchasing centre of Suning appliance Co., ltd.	2012-5-25	2012-11-24	14,122,489.67	22180111
Bank acceptance	Shenyang Suning Appliance Co., ltd.	2012-5-18	2012-11-18	10,000,000.00	20348977
Bank acceptance	Nanjing purchasing centre of Suning appliance Co., ltd.	2012-3-30	2012-9-30	8,938,121.90	22970240
Bank acceptance	Shanghai Suning Appliance Co., ltd.	2012-5-14	2012-11-14	6,425,485.88	21115528
Bank acceptance	Beijing Jingdong Centry IT Co.,Ltd.	2012-5-30	2012-11-23	5,000,000.00	3080005392 217730

(4) Note has been discount at period-end without expiration

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Category	Issuing company	Issuing	Maturity	Amount	Note Serials
Bank acceptance	Nanjing purchasing centre of Suning appliance Co., Ltd.	2012-5-4	2012-11-4	10,000,000.00	20017761
Bank acceptance	Nanjing purchasing centre of Suning appliance Co., Ltd.	2012-5-4	2012-11-4	4,705,485.01	20017827
Bank acceptance	Nanjing purchasing centre of Suning appliance Co., Ltd.	2012-3-2	2012-9-2	4,026,320.31	20936300
Bank acceptance	TCL Corporation	2012-1-10	2012-7-10	2,000,000.00	20696339
Bank acceptance	TCL CORPORATION	2012-1-10	2012-7-10	2,000,000.00	20696340

3. Accounts receivable

(1) Age structure of account receivable

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,019,006,930.11	96.81	43,450,209.03	85.24	583,809,925.83	96.60	25,746,545.48	77.69
1-2 years	22,910,814.37	2.18	599,738.38	1.18	9,856,885.03	1.63	1,061,655.26	3.20
2-3 years	5,619,144.11	0.53	1,934,896.03	3.80	5,698,992.08	0.94	1,791,750.48	5.41
3-4 years	1,354,793.67	0.13	1,242,268.10	2.44	1,824,158.65	0.30	1,771,932.06	5.35
4-5 years	747,825.81	0.07	746,212.11	1.46	3,117,428.41	0.52	2,717,483.92	8.20
Over 5 years	2,995,844.05	0.28	2,995,844.05	5.88	50,464.45	0.01	50,464.45	0.15
Total	1,052,635,352.12	100.00	50,969,167.70	100.00	604,357,854.45	100.00	33,139,831.65	100.00
Net value	1,001,666,184.42				571,218,022.80			

Account receivable at period-end increase RMB 430.4482 million over that of year-begin with 75.36% up, mainly because (1) in peak seasons, the credit limit growth in a controllable risk range in order to promote sales; (2) suffered from the business of changes from marketing company, the clients have more times for settlement in chain clients.

(2) Risk structure of account receivable

Item	Amount at period-end	Amount at year-beginning
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	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant account receivable and withdrawal bad debt provision single	-	-	-	-	-	-	-	-
Account receivable withdrawal bad debt provision by combination								
Combination 1	872,638,247.31	82.90	48,413,679.72	5.55	518,142,685.13	85.73	30,345,853.45	5.86
Combination 2	177,441,616.83	16.86	-	-	82,351,548.50	13.63	-	-
Subtotal of combination	1,050,079,864.14	99.76	48,413,679.72	4.61	600,494,233.63	99.36	30,345,853.45	5.05
Account receivable with single minor amount but withdrawal bad debt provision singly	2,555,487.98	0.24	2,555,487.98	100.00	3,863,620.82	0.64	2,793,978.20	72.32
Total	1,052,635,352.12	100.00	50,969,167.70	4.84	604,357,854.45	100.00	33,139,831.65	5.47
Net value	1,001,666,184.42				571,218,022.80			

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

(4) In combinations 1, withdrawal bad debt provision by account age analysts:

Age	Amount at period-end			Amount at year-beginning		
	Amount	Percentage (%)	Reserve for bad debts	Amount	Percentage (%)	Reserve for bad debts
With 1year	860,120,762.87	5	43,006,038.14	503,159,028.95	5	25,157,951.45
1-2years	3,998,255.86	15	599,738.38	7,077,701.75	15	1,061,655.26
2-3 years	5,528,274.36	35	1,934,896.03	5,119,287.10	35	1,791,750.49
3-4 years	258,518.55	55	142,185.20	116,059.08	55	63,832.49
4-5 years	10,758.00	85	9,144.30	2,666,296.57	85	2,266,352.08
Over 5 years	2,721,677.67	100	2,721,677.67	4,311.68	100	4,311.68
Total	872,638,247.31		48,413,679.72	518,142,685.13		30,345,853.45
Net value	824,224,567.59			487,796,831.68		

(5) Vary account in combination 2:

Combination	Book balance	Provision proportion (%)	Reserve for bad debts
Account connect with related parties	107,547,632.31	0%	-
Account receivable with L/C	66,936,316.15	0%	-
Account receivable insured	2,957,668.37	0%	-
Total	177,441,616.83		-

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

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Company	Book balance	Bad debt amount	Provision proportion (%)	Accrual reasons
Department Store of Wendeng City Shandong Province	129,051.14	129,051.14	100%	Cease business contact for 2 to 3 years; predicted un-receivable for failure urging
Jiangsu Zhenjiang Gome Electrical Appliance Co., Ltd.	176,425.61	176,425.61	100%	
Liuzhou Minyu Hardware Business Department	51,588.00	51,588.00	100%	
Nanjing Central Emporium Co., Ltd.	512,925.85	512,925.85	100%	
Zhejiang Yongle Appliance Co., Ltd.(Taizhou)	95,090.82	95,090.82	100%	
Gaomi Sanhe Appliance Sales Co., Ltd.	610,458.57	610,458.57	100%	
Cifeng Baixin Apparatus Co., Ltd.	271,114.97	271,114.97	100%	
Yichun Jixing Household Appliance Mall	218,509.36	218,509.36	100%	
MEKONG ELECTRONICS(LAOS)C	122,987.52	122,987.52	100%	Balance of bad debt after compensation from insurance company
FOXMAN FUEGUINA S.A.	321,183.37	321,183.37	100%	
Hefei Greatwal Refrigeration Technology Co., Ltd.	24,449.77	24,449.77	100%	predicted un-receivable for long account age
Hongtaiyang Apparatus Mall of Longsha District, Qiqihaer	1,470.00	1,470.00	100%	
Jinhua Suning Appliance Co., Ltd.	7,122.00	7,122.00	100%	
Jiangxi Hongtai Appliance Industry Trading Co., Ltd.	2,698.00	2,698.00	100%	
Tongliao Wanton Apparatus Commerce Trading Co., Ltd.	10,413.00	10,413.00	100%	
Total	2,555,487.98	2,555,487.98		

(7) Account receivable received previous which have been verified: Nil

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

(9) Account receivable verified in this year: 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.	13,031,589.47	-	25,257.14	-

(11) Particular about Top five accounts receivable

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Company	Relationship with the Company	Amount	Age	Percentage in total accounts receivable
Nanjing purchasing centre of Suning appliance Co., Ltd.	Non-related party	204,137,897.35	Within one year	19.39%
Electrolux (China) Electric Co., Ltd.	Non-related party	87,534,851.53	Within one year	8.32%
Chengdu Gome Appliance Co., Ltd	Non-related party	40,331,660.30	Within one year	3.83%
PT.CHANGHONG ELECTRIC INDONESIA	Same control	36,976,610.72	Within one year	3.51%
Electrolux Major Appliances, Latin Ameri	Non-related party	27,663,858.59	Within one year	2.63%
Total		396,644,878.49		37.68%

(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	39,440,763.30	6.3249	249,458,883.80	18,249,904.66	6.3009	114,990,824.27
EUR	371,379.60	7.8710	2,923,128.83	80,368.91	8.1625	656,011.23
AUD	2,923,752.76	6.3474	18,558,228.27	1,513,855.35	6.4093	9,702,753.09
INP	71,308,655.00	0.0671	4,784,810.75	-	-	-
Total			275,725,051.65			125,349,588.59

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	Percentage (%)	Amount	Percentage (%)
Within 1 year	156,149,323.02	95.40	230,371,287.90	97.00
1—2 years	1,597,774.57	0.98	3,328,517.45	1.40
2—3 years	2,272,778.68	1.39	72,619.25	0.03
Over 3 years	3,645,380.24	2.23	3,722,320.43	1.57
Total	163,665,256.51	100.00	237,494,745.03	100.00

Account paid in advance at period-end decrease RMB 73.8295 million over that of year-begin with 31.09% down, mainly due to the settlement of account paid in advance for goods.

(2) Account of top five companies paid in advance

Company	Relationship with the Company	Amount	Age	Reason for unsettlement
Yantai WanHua Polyurethanes Co., Ltd.	Non-related parties supplier	27,680,642.30	Within 1 year	Goods not received
Anhui Baogang Stell Distribution Co., Ltd.	Non-related parties supplier	14,715,957.13	Within 1 year	Goods not received

Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

Company	Relationship with the Company	Amount	Age	Reason for unsettlement
Huntsman Polyurethanes Shanghai Ltd.	Non-related parties supplier	14,627,608.30	Within 1 year	Goods not received
Angang Steel Company Limited	Non-related parties supplier	14,263,196.60	Within 1 year	Goods not received
Shanghai Wugang East-China Sales Co., Ltd.	Non-related parties supplier	7,186,071.87	Within 1 year	Goods not received
Total		78,473,476.20		

(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	6,731,259.00	6.3249	42,574,540.05	4,186,729.50	6.3009	26,380,163.91
EUR	604,617.28	8.0780	4,884,098.39	7,928,579.27	8.1625	64,717,028.29
Total			47,458,638.44			91,097,192.20

5. Other accounts receivable

(1) Age structure of other account receivable

Item	Amount at period-end				Amount at year-beginning			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	9,625,011.20	64.48	164,694.49	4.34	18,982,067.63	41.92	723,813.91	19.18
1-2years	460,936.94	3.09	58,399.07	1.54	21,538,529.29	47.57	106,978.24	2.84
2-3 years	1,206,815.32	8.09	413,598.70	10.90	1,712,496.92	3.78	535,778.01	14.21
3-4 years	891,408.25	5.97	480,800.34	12.67	498,394.62	1.10	8,565.83	0.23
4-5 years	436,175.18	2.92	371,042.93	9.78	140,629.43	0.31	88,754.43	2.35
Over 5years	2,305,789.85	15.45	2,305,789.85	60.77	2,407,789.85	5.32	2,307,789.85	61.19
Total	14,926,136.74	100.00	3,794,325.38	100.00	45,279,907.74	100.00	3,771,680.27	100.00
Net value	11,131,811.36							

Other account receivable at period-end decrease RMB 30.3764 million over that of year-begin with 73.18% down, mainly because (1) the margin for appliance going down to countryside are return; (2) export tax refund was received by Zhongshan Changhong.

(2) Risk structure of other account receivable

Item	Amount at period-end	Amount at year-beginning
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Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant account receivable and withdrawal bad debt provision single	-	-	-	-	-	-	-	-
Account receivable withdrawal bad debt provision by combination								
Combination 1	6,202,889.78	41.56	1,529,897.51	24.66	16,690,144.72	36.86	1,498,067.40	8.98
Combination2	6,458,819.09	43.27	-	-	26,316,150.15	58.12	-	-
Subtotal of Combination	12,661,708.87	84.83	1,529,897.51	12.08	43,006,294.87	94.98	1,498,067.40	1.01
Account receivable with single minor amount but withdrawal bad debt provision singly	2,264,427.87	15.17	2,264,427.87	100.00	2,273,612.87	5.02	2,273,612.87	100.00
Total	14,926,136.74	100.00	3,794,325.38	25.42	45,279,907.74	100.00	3,771,680.27	2.51
Net value	11,131,811.36				41,508,227.47			

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

(4) Among combinations 1, withdrawal of bad debt provision by age analysts:

Age	Amount at period-end			Amount at year-beginning		
	Amount	Percentage (%)	Reserve for bad debts	Amount	Percentage (%)	Reserve for bad debts
within 1 year	3,293,889.70	5	164,694.49	14,296,807.93	5	714,840.39
1-2 years	389,327.16	15	58,399.07	713,188.32	15	106,978.25
2-3 years	1,181,710.56	35	413,598.70	1,530,794.31	35	535,778.01
3-4 years	874,182.45	55	480,800.34	15,574.25	55	8,565.84
4-5 years	342,500.00	85	291,125.00	12,500.00	85	10,625.00
over 5 years	121,279.91	100	121,279.91	121,279.91	100	121,279.91
Total	6,202,889.78		1,529,897.51	16,690,144.72		1,498,067.40
Net value	4,672,992.27					

(5) Vary account in combination 2 as:

Combination	Book balance	Withdrawal proportion	Reserve for bad debts	Age
Employee's reserve loans	1,045,172.34	0%	-	within 1 year
Export tax rebate receivable	5,413,646.75	0%	-	within 1 year
Total	6,458,819.09		-	

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

Annotations to Financial Statements of Hefei Meiling Co., Ltd.

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Details of other account receivable	Book balance	Reserve for bad debts	Withdrawal proportion	Reasons
Resignation staff	2,221,937.52	2,221,937.52	100%	Loans for resigned person, un-recover predictely
Sporadic clients	35,970.35	35,970.35	100%	un-recover predictely
6 th Construction Office	6,520.00	6,520.00	100%	un-recover predictely
Total	2,264,427.87	2,264,427.87		

(7) Other account receivable received in previous which have been verified: Nil

(8) Reversal of reserve for bad debts: Nil

(9) Other receivable actually verified in this period: Nil

(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	5,413,646.75	within 1 year	36.27%
Social Security bureau of Hefei City(salary guarantee for migrant workers)	Non-related party	1,414,712.00	within 1 year	9.48%
Beijing branch of ICBC Assets Turst Specific A/C (margin of household appliance going down to village)	Non-related party	600,000.00	3-4 years	4.02%
CEIEC (margin of household appliance going down to village)	Non-related party	492,000.00	within 1 year	3.30%
Jidezhen Labor security monitoring (salary guarantee for migrant workers)	Non-related party	220,000.00	within 1 year	1.47%
Total		8,140,358.75		54.54%

(12) Other account receivable from related parties: 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 provision	Book value
Raw materials	107,697,564.59	3,837,335.47	103,860,229.12	181,973,892.90	5,000,012.15	176,973,880.75
Stock commodities	1,214,222,148.41	83,007,880.74	1,131,214,267.67	1,474,367,876.33	70,460,760.80	1,403,907,115.53

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Low value consumable articles	5,846,770.75	-	5,846,770.75	7,299,359.37	-	7,299,359.37
Goods in transit	163,531,417.13	4,822,201.72	158,709,215.41	205,668,015.22	4,748,185.87	200,919,829.35
Goods-in-process	44,693,006.48	1,115,911.20	43,577,095.28	27,152,435.20	1,126,667.36	26,025,767.84
Deferred expense for moulds	27,248,154.74	-	27,248,154.74	45,479,334.12	-	45,479,334.12
Entrust process materials	714,889.55	714,889.55	-	714,889.55	714,889.55	-
Total	1,563,953,951.65	93,498,218.68	1,470,455,732.97	1,942,655,802.69	82,050,515.73	1,860,605,286.96

(2) Provision for impairment of inventories

Item	Amount at year-beginning	Increase during the period	Decrease during the period		Amount at the period-end
			reversal	Switch-back	
Raw materials	5,000,012.15	-	-	1,162,676.68	3,837,335.47
Goods in process	1,126,667.36	-	-	10,756.16	1,115,911.20
Stock commodities	70,460,760.80	19,189,628.54	-	6,642,508.60	83,007,880.74
Goods in transit	4,748,185.87	74,015.85	-	-	4,822,201.72
Entrust process materials	714,889.55	-	-	-	714,889.55
Total	82,050,515.73	19,263,644.39	-	7,815,941.44	93,498,218.68

(3) Provision for impairment of inventories provided

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

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	10,420,000.00	10,420,000.00
Long-term equity investment accounted in the equity method	25,677,665.23	26,490,458.62
Total long-term equity investment	36,097,665.23	36,910,458.62
Less: Provision for impairment of long-term equity investment	-	-
Value of long-term equity investment	36,097,665.23	36,910,458.62

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

Invested company	Holdi ng propor tion (%)	Voting right propor tion (%)	Initial amount	Amount at year-begi nning	Increase during the year	Decrease during the year	Amount at year-end	Cash dividend for the year
Accounting in the cost method								
1. Huishang Bank Co., Ltd.	0.13	0.13	5,000,000.00	5,000,000.00	-	-	5,000,000.00	1,073,757.30
2. Jujiang Meiling Electric Marketing Co., Ltd.	19	19	1,000,000.00	1,000,000.00	-	-	1,000,000.00	-
3. Bozhou Meiling Electric Marketing Co., Ltd.	18	18	800,000.00	720,000.00	-	-	720,000.00	-
4. Guangyuan Meiling Electric Marketing Co., Ltd.	20	20	800,000.00	800,000.00	-	-	800,000.00	-
5. Guangxi Meiling Household Apparatus Co., Ltd.	20	20	1,000,000.00	1,000,000.00	-	-	1,000,000.00	-
6. Changzhou Meiling Electric Marketing Co., Ltd.	20	20	600,000.00	600,000.00	-	-	600,000.00	-
7. Xuancheng Meiling Electric Marketing Co., Ltd.	16	16	800,000.00	800,000.00	-	-	800,000.00	-
8. Buyang Meiling Electric Marketing Co., Ltd.	10	10	500,000.00	500,000.00	-	-	500,000.00	-
Subtotal	-	-	10,500,000.00	10,420,000.00	-	-	10,420,000.00	1,073,757.30
Accounting in the equity method								
1. Hefei Meiling Packing Products Co., Ltd.	32.75	32.75	3,111,400.00	4,362,226.14	-	768,399.40	3,593,826.74	-
2. Changhong Ruba Electric Company(Private) Ltd.	40	40	\$1,600,000.00	10,053,935.83	-	220,191.66	9,833,744.17	-
3. Hefei Xingmei Assets Management Co., Ltd.	48.28	48.28	12,094,369.48	12,074,296.65	175,797.67	-	12,250,094.32	-
Subtotal			25,325,585.48	26,490,458.62	175,797.67	988,591.06	25,677,665.23	-
Total			35,825,585.48	36,910,458.62	175,797.67	988,591.06	36,097,665.23	1,073,757.30

(3) Investment in associated companies

Invested company	Holdin g propor tion (%)	Voting right propor tion (%)	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
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Annotations to Financial Statements of Hefei Meiling Co., Ltd.

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(Unless otherwise specified, RMB for record in the statement)

Invested company	Holdin g propor tion (%)	Voting right proporti on (%)	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.	32.75	32.75	51,638,721.83	38,324,600.02	13,314,121.81	13,766,551.59	-2,346,186.08
Changhong Ruba Electric Company(Private) Ltd.	40.00	40.00	29,686,164.25	7,187,531.48	22,498,632.77	4,663,247.68	-550,479.11
Hefei Xingmei Assets Management Co., Ltd.	48.28	48.28	29,462,169.71	1,923,899.60	27,538,270.11	1,513,552.20	364,121.10

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	24,058,864.21	-	-	24,058,864.21
Houses and buildings	23,142,172.83	-	-	23,142,172.83
Land use rights	916,691.38	-	-	916,691.38
Accumulated depreciation and accumulated amortization	6,740,322.25	404,291.08	-	7,144,613.33
Houses and buildings	6,477,367.00	385,106.80	-	6,862,473.80
Land use rights	262,955.25	19,184.28	-	282,139.53
Provision for impairment	-	-	-	-
Houses and buildings	-	-	-	-
Land use rights	-	-	-	-
Book value	17,318,541.96			16,914,250.88
Houses and buildings	16,664,805.83			16,279,699.03
Land use rights	653,736.13			634,551.85

(2) Particular about mortgage of investment property

Item	Land certificate serials	Area (M ²)	Net book value	Mortgage bank
Nantou Village, Nantou Town, Zhongshan City	Yue Real Estate Zhengzi No. C1628036	5,153.32	2,815,184.71	Foshan Branch of China Merchants Bank
Nantou Village, Nantou Town, Zhongshan City	Zhong Fuguoyong No. (2003) 020642	845.00	634,551.85	Foshan Branch of China Merchants Bank
Total		5,998.32	3,449,736.56	

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
Original value	1,583,077,054.01	32,163,112.19	19,290,904.10	1,595,949,262.10

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Item	Amount at year-beginning	Increase during the period		Decrease during the period	Amount at period-end
Houses and buildings	559,683,384.37	1,814,020.56		1,555,500.00	559,941,904.93
Mechanical equipment	913,174,952.98	26,976,513.10		16,680,907.93	923,470,558.15
Transport equipment	28,604,679.50	717,734.38		479,225.35	28,843,188.53
Others	81,614,037.16	2,654,844.15		575,270.82	83,693,610.49
Accumulated depreciation	629,493,311.65	Newly added	Withdrawal this year	8,921,013.53	672,452,470.52
Houses and buildings	80,527,157.48	-	9,556,586.02	553,510.48	89,530,233.02
Mechanical equipment	500,245,638.59	-	32,620,314.86	7,746,415.73	525,119,537.72
Transport equipment	16,926,907.93	-	1,888,079.99	384,025.04	18,430,962.88
Others	31,793,607.65	-	7,815,191.53	237,062.28	39,371,736.90
Provision for impairment	17,673,137.91			13,775.61	17,659,362.30
Houses and buildings	1,240,639.77			-	1,240,639.77
Mechanical equipment	12,703,854.07			503.46	12,703,350.61
Transport equipment	593,280.41			-	593,280.41
Others	3,135,363.66			13,272.15	3,122,091.51
Book value	935,910,604.45				905,837,429.28
Houses and buildings	477,915,587.12				469,171,032.14
Mechanical equipment	400,225,460.32				385,647,669.82
Transport equipment	11,084,491.16				9,818,945.24
Others	46,685,065.85				41,199,782.08

(2) Fixed assets temporary idle

Item	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Houses and buildings	7,894,234.99	3,845,951.52	895,926.83	3,152,356.64
Mechanical equipment	160,080.00	121,885.09	-	38,194.91
Others	474,819.00	252,216.15	190,066.00	32,536.85
Total	8,529,133.99	4,220,052.76	1,085,992.83	3,223,088.40

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(3) Fixed assets leased through operating lease:

Item	Original book value	Accumulated depreciation	Depreciation provision	Net book value
Mechanical equipment	235,545.00	135,962.69	-	99,582.31
Others	1,071,895.60	540,616.90	-	531,278.70
Total	1,307,440.60	676,579.59	-	630,861.01

(4) Fixed assets used for mortgage

Name	Property certificate serials	Original value	Net value	Bank for mortgage
Crashing plant	FCQ(FD) No. 028284	242,232.00	-	Financial Bureau of Hefei City
Distribution room	FCQ(FD) No.028278	88,970.00	78,689.00	Financial Bureau of Hefei City
Workshop	FCQ(FD) No.028283	2,796,137.00	2,270,365.67	Financial Bureau of Hefei City
Substation	FCQ(FD) No.028273	12,055.47	6,767.81	Financial Bureau of Hefei City
Compressor room	FCQ(FD) No.028282	231,928.00	9,277.12	Financial Bureau of Hefei City
Office building	YFDZZ No.C1628036	860,810.06	122767.20	Foshan Branch of China Merchants Bank
Office building(decoration)	YFDZZ No.C1628036	1,309,613.63	625,125.34	Foshan Branch of China Merchants Bank
Office building(decoration)	YFDZZ No.C1628036	3,332,464.76	1,590,704.46	Foshan Branch of China Merchants Bank
2/F of #1plant 2/F of #2plant	YFDZZ No.C1628035	4,461,822.45	1,927,364.99	Foshan Branch of China Merchants Bank
1/F of #1plant	YFDZZ No.C1628035	2,230,911.23	963,682.50	Foshan Branch of China Merchants Bank
1/F of #2plant	YFDZZ No.C1628035	2,230,911.23	963,682.50	Foshan Branch of China Merchants Bank
3# plant	YFDZZ No.C1628037	10,510,553.63	4,833,618.10	Foshan Branch of China Merchants Bank
2/F of #3plant	YFDZZ No.C1628037	961,963.73	385,521.12	Foshan Branch of China Merchants Bank
Warehouse	YFDZZ No.C1628037	1,897,142.05	760,307.57	Foshan Branch of China Merchants Bank
2/F of #4plant	YFDZZ No.C1652820	1,212,957.95	486,110.72	Foshan Branch of China Merchants Bank
Dormitory of 1#, 2#,	YFDZZ No.C165275	4,910,007.80	1,958,483.05	Foshan Branch of China

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Name	Property certificate serials	Original value	Net value	Bank for mortgage
3#	YFDZZ No.C165282 YFDZZ No.C1628038			Merchants Bank
4# dormitory building	YFDZZ No.C1652754	1,519,062.18	605,917.02	Foshan Branch of China Merchants Bank
Canteen	YFDZZ No.C1652823	1,178,632.00	472,354.04	Foshan Branch of China Merchants Bank
Total		39,988,175.17	17,937,971.01	

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

Assets	Original value
circulating water pump house/ equipment house	1,308,241.16
Canteen	2,415,806.73
1# dormitory building	4,913,840.64
2# dormitory building	4,844,585.04
1# dormitory building for cadresmen	7,274,044.55
2# dormitory building for cadresmen	7,272,362.29
5# plant	8,353,661.36
Total	36,382,541.77

10. Construction in progress

(1) Details 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
Manufacture base project of the Athena luxury refrigerator	174,621,182.41	-	174,621,182.41	146,061,237.33	-	146,061,237.33
construction of the project of ice cube capacity expansion	11,000,736.56	-	11,000,736.56	9,098,979.01	-	9,098,979.01
Phase II of Changhong Meiling industry park	3,411,415.20	-	3,411,415.20	3,208,102.64	-	3,208,102.64
Capacity expansion project of energy-saving and environmental refrigerator	498,198.30	-	498,198.30	2,176,188.93	-	2,176,188.93

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Capacity expansion of energy-saving and environmental refrigerator with annual output of 2 millions sets	60,582,884.74	-	60,582,884.74	14,524,382.32	-	14,524,382.32
Construction project of Phase II for matching life district of Meiling Hi-Tech Industrial Park	7,167,478.04	-	7,167,478.04	2,425,458.56	-	2,425,458.56
Equipments pending for installation	9,210,336.68	-	9,210,336.68	8,572,344.96	-	8,572,344.96
Other minor projects etc.	19,045,383.05	-	19,045,383.05	17,986,627.69	-	17,986,627.69
Total	285,537,614.98	-	285,537,614.98	204,053,321.44	-	204,053,321.44

Construction in progress at period-end increase RMB 81.4843 million over that of year-begin with 39.93% up, mainly due to the in-complete of fund-raised projects invested in report period.

(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 decrease	
Manufacture base project of the Athena luxury refrigerator a)	146,061,237.33	28,559,945.08	-	-	174,621,182.41
project of ice cube capacity expansion b)	9,098,979.01	1,901,757.55	-	-	11,000,736.56
Capacity expansion project of energy-saving and environmental refrigerator c)	2,176,188.93	1,937,964.27	3,615,954.90	-	498,198.30

(Continued)

Name	Budget	Proportion of project investment in budget (%)	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year (%)	Capital source
Manufacture base project of the Athena luxury refrigerator	793million yuan	51%	78%	-	-	-	Mainly
project of ice cube capacity expansion	375million yuan	58%	90%	-	-	-	Mainly
Capacity expansion project of energy-saving and environmental refrigerator	118million yuan	100%	98%	-	-	-	Mainly raised

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a) Manufacture base of Athena luxury refrigerator constructed in two phases with total investment of RMB 793,303,800. Plans to invest raised fund RMB 730 million, and rest of the capital will collect by the company. This project was divided into 2 phases. Predictably total investment will be RMB 793.3038 million for this project. Raised fund RMB 730 million will invest and rest of the capital will collect by the company. Complement of the 1st phase of this project will form productivity of 1.2 million sets of refrigeration's with 3 doors, multiple doors and side by side combination with volume above 220 litres. And when the 2nd phase is completed, productivity of 800,000 sets of refrigeration's with 3 doors, multiple doors and side by side combination with above 220 litres of volume. Till end of this period, the Phase I of capacity expansion projects for Athena luxury refrigerator has reached its expected serviceable condition with annual capacity of 1.2 million refrigerators (double shifts) produced. Part of first stage of the Phase II have been put into trial production, whose capacity can reach annul output of 0.4 million refrigerators (double shifts).

b) This project was divided into 2 phases. Predictably total investment will be RMB 375.1778 million for this project. Raised fund RMB 300 million will invest and rest of the capital will collect by the company. Phase I will complete and put into production in January 2011, a production ability of 600,000 sets of freezers will generate annually. First stage of Phase II has been put into production in March 2012 and capacity of annual 0.4 million refregirators (double shifts) will increase; second stage of Phase II expecte to constructe in July 2012 and 0.2 million freezers (double shifts) will increase after completion.

c) Capacity expansion project of energy-saving and environmental refrigerator predicted to invest RMB 118.0093 million. Raised fund RMB 110 million will invested. RMB 50 million will invest in register capital of Mianyang Meiling, subsidiary of the Company for construction of production line for energy-saving and environmental refrigerator; RMB 60 million will invest in R&D of energy-saving and environmental refrigerator and sales and purchase of raw materials. The project will put into production in December 2010 with capacity of 1.2 million sets (double shift) of energy-saving and environmental refrigerator annually.

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
Original price of intangible assets	966,933,957.33	2,245,377.66	-	969,179,334.99
Land use right	638,981,493.04	22,349.70	-	639,003,842.74
Trademark special right	283,292,448.34	-	-	283,292,448.34
patent technology	2,066,100.00	-	-	2,066,100.00
Non-patent technology	42,593,915.95	2,223,027.96	-	44,816,943.91
Accumulated amortization	317,361,211.47	18,588,807.85	-	335,950,019.32
Land use right	63,653,725.68	6,974,836.09	-	70,628,561.77
Trademark special right	229,712,241.16	8,959,700.02	-	238,671,941.18
patent technology	1,153,572.50	-	-	1,153,572.50

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Item	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end
Non-patent technology	22,841,672.13	2,654,271.74	-	25,495,943.87
Provision for impairment	912,527.50	-	-	912,527.50
Land use right	-	-	-	-
Trademark special right	-	-	-	-
patent technology	912,527.50	-	-	912,527.50
Non-patent technology	-	-	-	-
Book value	648,660,218.36			632,316,788.17
Land use right	575,327,767.36			568,375,280.97
Trademark special right	53,580,207.18			44,620,507.16
patent technology	-			-
Non-patent technology	19,752,243.82			19,321,000.04

(2) As of the end of reporting period, mortgage of intangible assets is as follows:

Details of intangible assets	Property certificate serials	Area (M ²)	Net book value	Note
Office building, plant and dormitory land	ZFGY (2003) 020639	14,834.30	7,375,620.09	Foshan Ronggui Sub-branch of China Merchants Bank
	ZFGY (2003) 020640	5,375.90		
	ZFGY (2003) 020641	16,198.20		
	ZFGY (2003) 020642	13,239.10		
	ZFGY (2003) 020643	15,381.40		
	ZFGY (2003) 020644	14,451.10		
Total		79,480.00	7,375,620.09	

12. Development expense

Item	Amount at year-beginning	Increase during the period	Decrease during the period		Amount at period-end
			Record into current gains and losses	Confirm as intangible assets	
Technology development for Air Conditioner	25,167,492.74	9,266,174.00	982,970.56	2,223,027.96	31,227,668.22

13. Goodwill

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Invested company	Amount at year-beginning	Increase during the period	Decrease during the period	Amount at period-end	Depreciation reserves
Hefei Meiling Group Holding Co., Ltd.	10,922,803.73	-	-	10,922,803.73	5,392,961.64

Goodwill generated from merger of Hefei Meiling Group classified according to assts group:

Assets group	Items	Apportion Goodwill	Impairment provision	Net value
Assets group A	Yingkeite Appliance	846,742.35	846,742.35	-
	Yingkeite Apparatus			
Assets group B	Precision tube	2,706,625.42	2,706,625.42	-
	Non-ferrous metal			
Assets group C	Package products	1,839,593.87	1,839,593.87	-
	Environment-friendly Package			
Assets group D	Trademark special right	5,529,842.09	-	5,529,842.09
Total		10,922,803.73	5,392,961.64	5,529,842.09

14. Deferred income tax assets

(1) Recognized deferred income tax assets

Item	Amount at period-end	Amount at year-beginning
Provision for impairment of assets	31,722,459.49	18,694,589.48
Projected liability	52,775,575.91	47,354,925.36
Dismiss welfare	7,423,272.66	7,235,790.89
Deficit	15,507,193.36	7,671,261.97
Expense withdrawal in advance	3,317,433.48	11,825,784.87
Total	110,745,934.90	92,782,352.57

(2) Unrecognized deferred income tax assets

Item	Amount at period-end	Amount at year-beginning
Deductible temporary difference	21,410,940.16	18,239,611.13
Deductible loss	114,363,471.96	96,850,913.46
Total	135,774,412.12	115,090,524.59

Due to that whether the future income obtained by Meiling Group, Mianyang Meiling, Jiangxi Meiling Appliance and Guangzhou Meiling Marketing, the subsidiaries of the Company, could be

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sufficient for being subject to taxation, such uncertainty led to no recognition for deferred income tax assets.

(3) Items of deductible difference

Item	Amount
Bad debt reserve for accounts receivable	50,160,045.23
Bad debt reserve for other receivables	3,326,549.15
Depreciation reserve for inventory	91,161,778.91
Impairment provision for fixed assets	9,092,569.00
Projected liability	351,837,172.76
Dismiss welfare	49,488,484.37
Deductible losses	62,154,438.96
Expenses withdrawal in advance	15,914,265.63
Subtotal	633,135,304.01

15. Impairment provision for assets

Item	Amount at year-beginning	Increase during the period	Decrease during the period		Amount at period-end
			Reversing	Other transfer-out	
Bad debt reserve	36,911,511.92	17,856,046.92	-	4,065.76	54,763,493.08
Inventory falling price reserves	82,050,515.73	19,263,644.39	-	7,815,941.44	93,498,218.68
Depreciation reserve for fixed asset	17,673,137.91	-	-	13,775.61	17,659,362.30
Depreciation reserve for intangible asset	912,527.50	-	-	-	912,527.50
Depreciation reserve for goodwill	5,392,961.64	-	-	-	5,392,961.64
Total	142,940,654.70	37,119,691.31	-	7,833,782.81	172,226,563.20

16. Short-term loans

Type of loans	Amount at period-end	Amount at year-beginning
Loan in assurance	-	24,000,000.00
Loan in credit	243,089,994.43	120,000,000.00
Total	243,089,994.43	144,000,000.00

Short-term loans at period-end increase RMB 99.09 million over that of year-begin with 68.81% up, mainly due to the increase of credit loans from the Company and its subsidiary Zhongshan Changhong growth in this period.

17. Notes payable

(1) Listed according to types of notes

Type	Amount at period-end	Amount at year-beginning
Bank acceptance bill	1,292,442,654.51	1,191,929,934.59
Commercial acceptance bill	447,070.00	-

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Type	Amount at period-end	Amount at year-beginning
Total	1,292,889,724.51	1,191,929,934.59

18. Account payable

(1) Account payable

Item	Amount at period-end	Amount at year-beginning
Total	2,005,315,350.75	1,598,851,420.62
Including: over 1 year	25,129,738.45	67,514,017.33

(2) Accounts payable to shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at period-end	Amount at year-beginning
Sichuan Changhong Electric Co., Ltd.	47,883,784.51	58,615,813.70

(3) Account payable denominated in foreign currency

Foreign currency	Amount at period-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
USD	-	-	-	367,199.40	6.3009	2,313,686.70
EUR	-	-	-	-	-	-
JPY	16,151,872.84	0.079648	1,286,464.37	16,151,872.84	0.081103	1,309,965.34
Total			1,286,464.37			3,623,652.04

(4) Account payable for related parties found in (III) of Annotation 9.

19. Account received in advance(1) Account received in advance

Item	Amount at period-end	Amount at year-beginning
Total	434,002,521.83	703,404,091.67
Including: over 1 year	23,426,544.57	40,286,922.26

(2) Accounts received in advance from shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at period-end	Amount at year-beginning
Sichuan Changhong Electric Co., Ltd.	-	89,047,249.11

Accounts received in advance at period-end decrease RMB 269.4016 million over that of year-begin with 38.30% down, mainly due to the rapid up settlement for delivery notes in sales peak season.

(3) Account received in advance denominated in foreign currency

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Foreign currency	Amount at period-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
AUD	595.50	6.3474	3,779.88	-	-	-
EUR	40,375.20	7.8710	317,793.20	2,528,586.11	8.1625	20,639,584.12
USD	14,139,731.60	6.3249	89,432,388.40	1,836,145.62	6.3009	11,569,369.94
INR	5,430,565.00	0.0671	364,390.91	-	-	-
Total			90,118,352.39			32,208,954.06

(4) Account receivable from related parties found in (III) of Annotation 9.

20. Wages payable

Item	Amount at year-beginning	Increase in this period	Decrease in this period	Amount at period-end
Salary, bonus, labor expenses	53,008,557.05	249,006,554.58	282,416,189.70	19,598,921.93
Welfare for workers and staff	48,055.45	13,333,308.20	10,722,719.12	2,658,644.53
Social insurance	2,631,944.93	38,490,045.60	37,172,900.68	3,949,089.85
Including: Medical insurance	555,903.69	9,310,912.75	8,969,532.46	897,283.98
Basic endowment insurance	1,603,803.28	25,047,240.50	24,168,208.07	2,482,835.71
Unemployment insurance	365,343.60	2,486,487.97	2,473,320.08	378,511.49
Work injury insurance	58,195.37	1,053,213.47	986,345.10	125,063.74
Maternity insurance	48,698.99	592,190.91	575,494.97	65,394.93
Housing accumulation fund	4,208,482.79	16,471,498.63	14,732,502.21	5,947,479.21
Labour union expenditure and personnel education expense	493,095.11	395,891.13	572,146.57	316,839.67
Non-monetary welfare	-	-	-	-
Dismiss welfare*	48,238,605.92	6,170,066.36	4,920,187.91	49,488,484.37
Others	934,064.00	113,080.00	61,700.00	985,444.00

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Including: shares payment settled with cash	-	-	-	-
Total	109,562,805.25	324,296,012.03	350,913,913.72	82,944,903.56

According to inner early retirement policy of the Company, salary, social insurance and retired welfare during dated of retired and normal retirement date for employees signed agreement in this year, totally RMB 6,170,066.36 was accrued. Since the Company has committed that it would make corresponding improvement for treatment of the inner retired employees as the lowest life security climbs. When calculating expense of wages and social insurances received by the inner retired employees, the Company was subject to present standard, without consideration of discount.

The salary, bonus and allowance withdrawal in amount of year-end of wages payable has been distributed in January and February of 2012.

21. Tax payable

Item	Amount at period-end	Amount at year-beginning
Value-added tax	81,993,672.59	3,688,300.36
Business tax	253,915.09	368,414.01
Enterprise income tax	29,686,930.89	45,895,657.02
Individual income tax	722,084.33	2,397,782.99
Urban maintenance and construction tax	7,617,186.02	7,627,781.47
House property tax	699,546.83	2,073,065.95
Land-use right tax	880,958.89	1,016,066.89
Educational surtax	5,653,891.65	5,507,762.29
Stamp tax	1,352,876.72	2,374,898.88
Construction fund of Water Conservancy Projects	662,810.49	1,472,978.36
Other	151,7679.92	1,517,195.76
Total	131,041,553.42	73,939,903.98

Tax payable at period-end increase RMB 57.1016 million over that of year-ebgin with 77.23% up, mainly because the VAT realized in June-sales peak season, gains a sharply gwroth.

22. Dividends payable

Name of unit	Amount at period-end	Amount at year-beginning	Reason for unsettlement over one year
Ninbbo Weichuang Union Investment Co., Ltd,	450,000.00	450,000.00	No extract required by counterparty
International Business Department of Industry and Commercial Bank of China of Anhui Branch	153,697.50	153,697.50	No extract required by counterparty
Bank of Communications, Hefei Branch	153,697.50	153,697.50	No extract required by counterparty

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Name of unit	Amount at period-end	Amount at year-beginning	Reason for unsettlement over one year
Other piecemeal units	746,161.82	766,984.01	No extract required by counterparty
Total	1,503,556.82	1,524,379.01	

23. Other payable

(1) Other payable

Item	Amount at period-end	Amount at year-beginning
Total	799,045,107.44	518,444,925.03
Including: over 1 year	26,822,310.79	56,224,647.60

Amount with over one year age refers to margins payable to suppliers.

Other payable at period-end increase RMB 280.6002 million over that of year-begin with 54.12% up, mainly because the expenses that occurred have not for reimbursement in this period.

(2) Other payable to shareholders holding 5% or above voting shares of the Company

Name of unit	Amount at period-end	Amount at year-beginning
Sichuan Changhong Electric Co., Ltd.	13,508,583.05	5,138,393.96

(3) Other account received denominated in foreign currency

Foreign currency	Amount at period-end			Amount at year-beginning		
	Original currency	Conversion exchange rate	RMB equivalent	Original currency	Conversion exchange rate	RMB equivalent
USD	1,153,724.31	6.3249	7,297,190.89	866,042.87	6.3009	5,456,849.52
Total			7,297,190.89			5,456,849.52

24. Non-current liability due within one year

Item	Amount at period-end	Amount at year-beginning
Long-term loans due within one year	950,900.00	-
Bonds payable due within one year	-	-
Long-term accounts payable due within one year	-	-
Deferred income transfer to gains and losses within one year	2,454,607.92	2,452,094.16
Total	3,405,507.92	2,452,094.16

Non-current liability due within one year at period-end increase RMB 0.9534 million over that of year-begin with 38.88% up, mainly because the long-term loans due within one year growth.

25. Long-term loans

(1) Classification of long-term loans

Type	Amount at period-end	Amount at year-beginning
Loan in pledge	-	-

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Type	Amount at period-end	Amount at year-beginning
Loan in mortgage	5,760,000.00	6,400,000.00
Loan in assurance	-	-
Loan in credit	5,354,600.00	6,305,500.00
Total	11,114,600.00	12,705,500.00

(2) Details of long-term loans at period –end

Loan unit	Borrowing day	Returning day	Currency	Interest rate	Amount at period-end	Amount at year-beginning
Ministry of Finance of Hefei ^{Note1}	2006-11-09	2021-11-08	RMB	3.55%	5,760,000.00	6,400,000.00
Ministry of Finance of Hefei ^{Note2}	2002-11-21	2017-11-20	RMB	3.80%	3,254,600.00	3,905,500.00
Ministry of Finance of Hefei ^{Note3}	2004-12-10	2019-12-10	RMB	3.80%	2,100,000.00	2,400,000.00
Total					11,114,600.00	12,705,500.00

Note1: In August of 2006, the Company signed Asset Mortgage Agreement with Ministry of Finance of Hefei. It takes five industry crusher chambers which cover an area of 2,322.98 square meters (Details could be found in Fixed assets for mortgage in the Appendix VIII and X) as mortgage for the Company to get the lending of treasury bond fund which has 15-year term and worthy of RMB 7,040,000 from the Ministry of Finance of Hefei. The capital on-lending began to bear interest from the appropriate date (November 9, 2006), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, during which the annual interest rate was subject to floating interest rate (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). The principal RMB640,000.00 and interest RMB 227,200.00 were paid in this year .

Note2: On November 1, 2002, the Company signed Agreement on Lending of Treasury Bond for Building Project fund with Ministry of Finance of Hefei, which promised that Ministry of Finance of Hefei lending treasury bond RMB 7,160,000 of the technology reform project of nanometer preservation material to the Company with the return time limit of 15 years. The capital on-lending began to calculate the interest from the appropriate date (November 21, 2002), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, in which the annual interest rate was subject to floating interest rate after year 1999 (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). The principal repaid in this year was RMB 650,900.00, and interest was RMB127,579.20. The principle RMB650,900.00 payable has classified to non-current liability due within one year by the Company dated 10 December 2012; interest RMB 148,400.00 will pay together with the principle and no payment in this period.

Note3: It was the special treasury bond capital appropriated by Ministry of Finance of Hefei for enterprises' information reform, received on 10 December 2004. The principle RMB300,000.00 payable has classified to non-current liability due within one year by the Company dated 10 December 2012; interest RMB 91,200.00 will pay together with the principle and no payment in this period.

26. Special payable

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Item	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-end
Relocation compensation for Jiangxi Meiling	18,494,978.80	-	657,857.74	17,837,121.06
Total	18,494,978.80	-	657,857.74	17,837,121.06

In January 2011, concerning the land located in Cidu Road, Jindetown City owned by Jiangxi Meiling Company with aggregate area of 159,448.8 square meters, Land Reserve Centre of Jindetown City recovering land use rights with land compensation of RMB 65 million (including dismantling, relocation and setting) paid. The RMB 657,857.74 decreased in this period mainly refers to the relocation expenses.

27. Projected liability

Item	Amount at year-begin	Increase during the period	Carry-forward during the year	Amount at period-end
Product quality guarantee	11,610,337.88	-	-	11,610,337.88
Specific guarantee fund for quality service of products	304,089,164.55	37,887,360.00	1,749,689.67	340,226,834.88
Total	315,699,502.43	37,887,360.00	1,749,689.67	351,837,172.76

Product quality guarantee was the "Three Guarantee" maintenance fee withdrawal according to the "Three Guarantee" policy; Specific guarantee fund for quality service of products was the accrual overhaul expensed of the service activity year-free maintenance for major parts of country-oriented appliance.

28. Other non-current liabilities

Item	Amount at period-end	Amount at year-beginning
Deferred income	56,088,625.21	57,318,443.08

Mainly refers to the deferred income of dormitory building and supporting facility for employees, which relocation from former Wuhu Road strategy move to Economic-Development Zone; gradually recognize as income by depreciation of corresponding settlement assets for relocation compensation received from the Government.

29. Share capital

Shareholders / type	Amount at year-begin		Changed during the period					Amount at period-end	
	Amount	Proportion %	New shares issued	Bonus share	Shares transferred from capital reserve	Others	Subtotal	Amount	Proportion %
Shares with conditional subscription	149,383,274	23.47	-	-	-	-93,993,046	-93,993,046	55,390,228	8.70
State-owned shares	102,464	0.02	-	-	-	-102,464	-102,464	-	-
State-owned legal person shares	80,953,606	12.72	-	-	-	-33,490,596	-33,490,596	47,463,010	7.46
Other domestic shares	68,327,204	10.73	-	-	-	-60,399,986	-60,399,986	7,927,218	1.24
Including: Domestic legal person shares	68,224,740	10.72	-	-	-	-60,503,474	-60,503,474	7,721,266	1.21

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Shareholders / type	Amount at year-begin		Changed during the period					Amount at period-end	
	Amount	Proportion %	New shares issued	Bonus share	Shares transferred from capital reserve	Others	Subtotal	Amount	Proportion %
Domestic natural person shares	102,464	0.01	-	-	-	103,488	103,488	205,952	0.03
Foreign shares	-	-	-	-	-	-	-	-	-
Including: Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Executives' shares	-	-	-	-	-	-	-	-	-
Shares with no restricted condition	487,066,064	76.53	-	-	-	93,993,046	93,993,046	581,059,110	91.30
RMB common shares	351,346,064	55.20	-	-	-	93,993,046	93,993,046	445,339,110	69.97
Domestically listed foreign shares	135,720,000	21.33	-	-	-	-	-	135,720,000	21.33
Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total shares	636,449,338	100.00	-	-	-	-	-	636,449,338	100.00

30. Capital reserve

Item	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-end
Share premium	1,561,918,988.45	-	-	1,561,918,988.45
Capital reserve transferred from original system	-	-	-	-
Other capital reserve	48,080,558.82	-	-	48,080,558.82
Total	1,609,999,547.27	-	-	1,609,999,547.27

31. Surplus reserves

Item	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-end
Statutory surplus reserve	184,018,222.78	-	-	184,018,222.78
Discretionary surplus reserve	115,607,702.16	-	-	115,607,702.16
Total	299,625,924.94	-	-	299,625,924.94

32. Retained profit

Item	Amount	Withdraw or distribution ratio
Amount at the end of last period	250,743,672.24	

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Item	Amount	Withdraw or distribution ratio
Add: adjustment from undistributed profit at year-begin	-	
Including: change of accounting policy	-	
Correction of former material error	-	
Change of combination scope under common control	-	
Other adjustment factors	-	
Amount at the beginning of this year	250,743,672.24	
Add: net profit attributable to shareholders of parent company for this year	110,855,042.20	
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 share capital	-	
Amount at the end of this period	361,598,714.44	

Retained profit increase RMB 11,085.50 million over that of year-begin with 44.21% up, mainly due to the new income obtained in this period.

33. Minority shareholder's equity

Subsidiaries	Minority shareholding ratio at period-end	Amount at period-end	Amount at year-beginning
Zhongke Meiling Cryogenics Limited Company	30%	21,302,020.30	20,242,362.50
Hefei Meiling Appliance Marketing Co., Ltd.	Found in Annotation VII."Sybsidiaries"	31,168,413.82	30,995,800.62
Zhongshan Changhong Appliance Co., Ltd.	Found in Annotation VII."Sybsidiaries"	5,821,513.01	6,680,103.73
Total		58,291,947.13	57,918,266.85

34. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount at this period	Amount at same period of last year
Main business income	5,137,875,700.69	5,168,549,152.44
Other business income	174,734,822.43	306,469,536.20
Total	5,312,610,523.12	5,475,018,688.64
Main business income	3,886,517,715.35	4,019,061,177.42
Other business income	157,459,482.91	282,394,871.08
Total	4,043,977,198.26	4,301,456,048.50

(2) Main business classified according to product

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Product	Amount at this period		Amount at same period of last year	
	Operating income	Operating cost	Operating income	Operating cost
Refrigerator, freezer	3,524,512,428.36	2,608,915,664.41	3,539,624,036.27	2,588,293,007.07
Air conditioner	1,480,247,536.02	1,159,935,393.63	1,522,538,794.50	1,341,976,407.24
Washing machine	68,173,774.95	54,339,892.93	56,711,859.87	49,255,837.49
Other	64,941,961.36	63,326,764.38	49,674,461.80	39,535,925.62
Total	5,137,875,700.69	3,886,517,715.35	5,168,549,152.44	4,019,061,177.42

(3) Main business classified according to sales region

Region	Amount at this period		Amount at same period of last year	
	Operating income	Operating cost	Operating income	Operating cost
Domestic	4,522,151,494.79	3,289,722,049.67	4,524,774,628.61	3,390,966,852.43
Overseas	615,724,205.90	596,795,665.68	643,774,523.83	628,094,324.99
Total	5,137,875,700.69	3,886,517,715.35	5,168,549,152.44	4,019,061,177.42

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

Customer	Operating income	Proportion taking in total operating income of the Company (%)
Sichuan Changhong Electric Co., Ltd.	772,244,674.67	14.54%
Nanjing purchasing centre of Suning appliance Co., Ltd.	529,893,810.47	9.97%
Chongqing Yu'ao Appliance Sales Co., Ltd.	56,934,952.64	1.07%
Anhui Baida Appliance Chain Co., Ltd.	36,273,944.90	0.68%
Shijiazhuang Tianwang Refrigerator Co., Ltd.	33,897,865.70	0.64%
Total	1,429,245,248.38	26.90%

35. Business tax and extra charges

Item	Amount at this period	Amount at same period of last year
Business tax	14,137,344.39	213,161.00
City construction tax	16,862,415.25	11,211,699.26
Extra charge for education	12,089,201.44	8,028,992.56
Property House Tax of investment real estate	8,850.24	-
Price adjustmet fund	9,982.41	-
Embankment fee	60,166.03	-
River maintainance fee	5,000.00	-
Total	43,172,959.76	19,453,852.82

Business tax and extra charges grew 121.92% over same period of last year, mainly due to the increase of business tax and extra charges have been paid in period.

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36. Sales expense

Item	Amount at this period	Amount at same period of last year
Market support	339,055,305.97	332,026,794.94
Transport expenses	199,129,238.65	182,289,436.10
National three guarantees expense	46,931,957.86	66,726,845.17
Accrued expense of 10-year guarantee for county-oriented appliance	36,632,756.61	67,653,978.00
Salary and extra charges	85,033,757.52	71,641,628.47
Social security	7,843,124.70	6,232,141.96
Public reserve	1,335,609.15	1,804,929.55
Advertisement expenses	30,090,962.25	45,483,220.37
Air conditioner installation fee	71,445,465.30	95,697,936.42
Operation activities expenses	7,552,947.70	8,342,091.28
Exhibition expenses	19,644,900.61	27,735,395.97
Storage lease expenses	38,272,491.42	29,815,327.56
Travelling expenses	12,001,834.82	12,931,053.87
Meeting organization	4,619,066.14	6,662,076.03
House-lease expenses	3,352,543.45	4,999,637.90
Communication expenses	3,066,357.33	3,173,313.24
Consumption of machinery materials	2,397,756.34	3,412,457.85
Office expenses	795,599.73	1,517,758.02
Consumption of machinery materials	9,388.91	1,332,676.94
Depreciation expenses	1,807,933.25	1,683,199.36
Other expenses	26,838,501.26	9,813,654.78
Total	937,857,498.97	980,975,553.78

37. Administration expense

Item	Amount at this period	Amount at same period of last year
Salary and surcharge	56,171,855.72	40,525,932.53
Social insurance and Public Housing Reserve Fund	13,006,755.63	11,673,885.96
Amortized intangible assets	11,766,359.78	20,056,465.44
Taxes	10,457,725.59	9,222,727.52
Trial fee of R&D	9,417,303.98	7,131,665.02
Dismiss welfare	7,548,716.51	9,824,271.02
Depreciation	7,347,161.52	7,745,818.63
Business activity cost	4,255,274.65	1,759,396.51
Domestic travelling fee	3,650,680.99	1,841,605.79
Utilities	3,509,287.66	1,642,772.76

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Item	Amount at this period	Amount at same period of last year
Business cost	2,793,770.21	1,738,572.15
Inspection and authentication fee	2,056,761.15	1,962,781.39
Assets leasing	674,742.69	651,961.76
Funds of Board	556,666.22	642,980.44
Property insurance	411,832.29	1,566,730.34
Use chage of software	400,752.79	517,592.99
Other	24,885,894.38	25,039,003.97
Total	158,911,541.76	143,544,164.22

38. Financial expense

Item	Amount at this period	Amount at same period of last year
Interest expenditure	4,219,580.96	4,204,824.66
Less: Interest income	11,932,542.50	7,494,271.83
Add: exchange loss	-10,711,606.88	1,093,505.60
Add: procedure charge expenditure	2,325,279.14	2,751,113.85
Add: discount expenditure	-17,447,220.62	-16,991,034.30
Add: other expenditure	-1,040,468.55	1,195,220.44
Total	-34,586,978.46	-15,240,641.58

Financial expense gains a y-o-y down of 126.94%, mainly because the interest income increase in the period for fund-raised and income from foreign exchange increased.

39. Loss from Assets depreciation

Item	Amount at this period	Amount at same period of last year
Bad debt losses	17,856,046.92	20,768,659.31
Provision for falling price of inventory	19,263,644.39	2,328,940.97
Provision for devaluation of fixed assets	-	-
Provision for devaluation of construction in progress	-	-
Provision for devaluation of goodwill	-	-
Total	37,119,691.31	23,097,600.28

Loss from Assets depreciation gains a y-o-y growth of 60.71%, maily because the accrued bad debt provision and depreciation for ivnentroy increased in this period, which was withdrwal according to the accounting rules and company's accounting policy as well as real account receivable and inventory.

40. Investment income

(1) Sources of investment income

Item	Amount at this period	Amount at same period of last year
Long-term equity investment income by cost method	1,073,757.30	267,003.27

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Long-term equity investment income by equity method	-812,793.39	-136,457.31
Investment income from disposal of long-term equity investment	-	201,850.28
Investment income from period of holding financial assets available for sale	-	-
Investment income from disposal of financial assets available for sale	-	-
Total	260,963.91	332,396.24

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

Item	Amount at this period	Amount at same period of last year	Remark
Huishang Bank Co., Ltd.	1,073,757.30	-	-
Chaohu Meiling Appliance Marketing Co., Ltd.	-	267,003.27	consolidated as subsidiary after acquisition of other equity
Total	1,073,757.30	267,003.27	-

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

Item	Amount at this period	Amount at same period of last year	Remark
Hefei Meiling Sole Energy Science & Technology Co., Ltd.	-768,399.40	-136,457.31	-
Changhong Ruba Electric Company (Private) Ltd.	-220,191.66	-	-
Hefei Xingmei Assets Management Co., Ltd.	175,797.67	-	-
Total	-812,793.39	-136,457.31	-

41. Non-operation revenue

(1) Details about non-operation revenue

Item	Amount at this period	Amount at same period of last year
Gains from disposal of non-current assets	152,002.92	10,974,329.05
Incl.: gains from disposal of fixed assets	152,002.92	33,513.74
gains from disposal of Intangible assets	-	10,940,815.31
Government subsidy	4,237,836.91	108,247,649.58
Income of penalty	144,666.02	249,707.16
Others	45,143.59	70,964.26
Total	4,579,649.44	119,542,650.05

Non-operation revenue gains a y-o-y down of 96.17%, mainly due to the subsidy of energy-saving and beneficial to people has not been received by subsidiary Sichun Air-Conditioner in the period.

(2) Details about government subsidy

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Item	Amount at this period	Amount at same period of last year	Sources and accordance
Funds of maintaining stable growth in foreign trade	-	513,874.00	”Award Policy for Promoting the Stable and Fast Development of Industry Economy”
deferred income transfer-in	1,227,304.11	625,334.42	
Subsidy for fixed assets	-	226,286.00	Notice of Specific Using Plan (2 nd group) of Environment Protection for year of 2009 in Hefei (HH[2009]No.:157)
Subsidy in favour of energy-saving air conditioner	-	105,114,545.73	Ministry of Finance, NDRC[CJ (2009) No.213 号]; Ministry of Finance, NDRC[2009 No.:5] and [2009 No.:6]
Tax paid back	510,000.00	326,353.18	GXCZJ
subsidy for absorb and re-innovation		451,956.25	
A one-time award from excellent enterprise tech. center	359,000.00	-	R&D institution newly appointed and evaluation excellent awards
A one-time award for participated the regulation of national standards	300,000.00	-	Standard regulation awards
Foreign talent appointment subsidy	250,000.00	-	Policy Notice: HZ[2011] No. 54
Subsidy for Key technology innovation for year of 2011 in Mianyang	300,000.00	-	MCJ【2011】No.217
Industry development of precision and efficiency temperature –controlling DC variable air-conditioner	500,000.00	-	MKF【2012】No. 17
Other spare government subsidy	791,532.80	989,300.00	
Total	4,237,836.91	108,247,649.58	

42. Non-operating expenditure

Item	Amount at this period	Amount at same period of last year
Loss from disposal of non-current assets	5,333,936.81	1,884,529.38
Incl.: loss from disposal of fixed assets	5,333,936.81	1,884,529.38
loss from disposal of Intangible assets	-	-
External donation	-	-
Penalty and late fee	196,241.46	174,850.08
Others	95,640.53	83,949.02
Total	5,625,818.80	2,143,328.48

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Non-operating expenditure gains a y-o-y growth of 162.48% mainly due to the abundant losses for fixed assets increased in this period.

43. Income tax expenses

Item	Amount at this period	Amount at same period of last year
Current income tax	31,829,543.35	44,148,538.56
Deferred Income Tax	-17,963,582.33	-26,012,646.78
Total	13,865,961.02	18,135,891.78

Current income tax

Item	Amount
Total consolidated profit this year	125,373,406.07
Add: Combined offset	14,665,866.31
Add: Amount increased by taxation adjustment	55,703,402.90
Less: Amount decreased by taxation adjustment	2,831,423.36
Add: Domestic deficit coverage by overseas taxable income	-
Less: Deficit coverage for previously years	2,436,955.17
Add: Deficit of subsidiary this year	14,494,071.90
Amount of taxation income this period	204,968,368.65
Including: 25% rate applicable	10,842,880.52
15% rate applicable	194,125,488.13
Income tax paid this period	31,829,543.35
Including: 25% rate applicable	2,710,720.13
15% rate applicable	29,118,823.22
Less: Deduction amount of income tax	-
Less: Offset amount of income tax	-
Tax payable this period	31,829,543.35
Add: Income tax payable for over sea's income	-
Less: Income tax offset for over sea's income	-
Add: Other adjustment factor	-
Current income tax	31,829,543.35

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

Item	Serials	Amount at this period	Amount at same period of last year
Net profit attributable to shareholders of parent company	1	110,855,042.20	126,157,996.21
Non-recurring gains and losses attributable to parent company	2	-781,743.71	10,303,133.16

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Item	Serials	Amount at this period	Amount at same period of last year
Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses	3=1-2	111,636,785.91	115,854,863.05
Total shares at the beginning of the year	4	636,449,338.00	530,374,449.00
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			
Item			
1. gains (losses) arising from financial assets available for sale			
Less: affect of income tax arising from financial asset sale			
Net, written in other comprehensive income in previous period and carried forward to gains and losses in current period			
Subtotal			
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	7		
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 cash flow hedge			
Subtotal			
4. Conversion difference arising from foreign currency statement			
Less: net, carried forward to gains and losses in current period disposing overseas operation			
Subtotal			
5. Others			
Less: affect of income tax arising from others which affect other comprehensive income			
Net, others written in other comprehensive income in previous period and carried forward to gains and losses in current period			
Subtotal			
Total			
Decreased shares due to repurchase	8		

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Item	Serials	Amount at this period	Amount at same period of last year
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		
Weighted average of ordinary shares issued	$12=4+5+6\times7+11-8\times9+11-10$	636,449,338.00	530,374,449.00
Basic earnings per share(I)	$13=1+12$	0.1742	0.2379
Basic earnings per share(II)	$14=3+12$	0.1754	0.2184
Diluted potential ordinary shares dividend recognized as expense	15		
Conversion expense	16		
Income tax rate	17	15%	15%
weighted average of ordinary shares added through warrant, exercise of option and convertible bonds	18		
Diluted earnings per share(I)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.1742	0.2379
Diluted earnings per share(II)	$20=[3+(15-16)\times(1-17)]\div(12+18)$	0.1754	0.2184

45. Other comprehensive income

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 at this period
Bid security/deposit received	5,292,513.37
Insurance compensation received	4,873,115.55
Other	2,627,646.55
Total	12,793,275.47

2) Cash paid for other activities relating to operation

Item	Amount at this period
Market support fee paid	80,955,567.71
Advertisement paid	30,226,942.65
Exhibition charge paid	21,523,693.50
Living expenses for intern paid	19,316,260.40
Domestic business travelling fee paid	17,342,559.01
Business activity paid	12,046,853.12
Employee's reserve fund paid	9,567,318.63
Rents paid	7,503,332.44
Routine buses charge	4,723,338.98
Others paid	69,063,273.99
Total	272,269,140.43

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3) Cash received from other activities relating to investment

Item	Amount at this period
Interest income arising from bank savings	11,890,911.45
Bidding margins from construction projects	-5,719,708.32
Total	6,171,203.13

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 at this period	Amount at same period of last year
1 . Net profit is adjusted to cash flow of operation activities:		
Net profit	111,507,445.05	121,327,936.65
provision for depreciation of assets	37,119,691.31	23,097,600.28
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	52,284,463.48	60,809,710.71
Amortization of intangible assets	23,483,817.85	20,521,678.01
Amortization of long-term retained expense	-	-
Loss from disposal of fixed assets, intangible assets and other long term assets(gain is listed with “-”)	-34,755.69	-9,089,799.67
Loss from discarding fixed assets as useless (gain is listed with “-”)	5,216,689.58	-
Loss from change of fair value(gain is listed with “-”)	-	-
Financial expense (gain is listed with “-”)	-7,712,961.54	-15,240,641.58
Investment loss (gain is listed with “-”)	-260,963.91	-332,396.24
Decrease of deferred income tax assets (increase is listed with “-”)	-17,963,582.33	-26,012,646.78
Increase of deferred income tax liabilities (decrease is listed with “-”)	-	-
Decrease of inventories (increase is listed with “-”)	378,701,851.04	-126,385,347.03
Decrease of operational accounts receivable (increase is listed with “-”)	-1,383,917,065.74	-1,632,961,065.03
Increase of operational accounts payable (decrease is listed with “-”)	541,031,080.37	1,039,931,274.87
Others	-	-
Net cash flow arising from operation activities	-260,544,290.53	-544,333,695.81
2. Significant investment and financing activities with no reference to cash collection and payment:		
Debt convert to capital	-	-

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Convertible bond due within one year	-	-
Fixed assets leased in by financing	-	-
3. Net change in cash and cash equivalent:		
Balance of cash at period-end	1,166,845,074.91	1,479,457,104.15
Less: Balance of cash at period-begin	1,401,674,679.41	1,986,440,504.29
Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-begin	-	-
Net increase in cash and cash equivalent	-234,829,604.50	-506,983,400.14

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

Item	Amount at this period	Amount at 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	-	-

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(4)Cash and cash equivalent

Item	Amount at this period	Amount at same period of last year
Cash	1,166,845,074.91	1,479,457,104.15
Including: stock cash	1,073,493.68	1,836,692.45
Bank deposit available for payment at any time	860,055,857.75	1,124,042,167.14
Other monetary capital available for payment at any time	305,715,723.48	353,578,244.56
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	1,166,845,074.91	1,479,457,104.15
Including: restricted cash and cash equivalent used by parent company or subsidiaries	305,715,723.48	353,578,244.56

47. Items to statement of change of shareholders' equity

(1) "Other" items of amount at end of last year : Nil

(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. Controlling shareholder and terminal controller

(1) Controlling shareholder and terminal controller

Controlling shareholder and terminal controller	Type of entity	Place of registrati	Nature of business	Legal represent	Organization code
Sichuan Changhong Electric Co., Ltd.	Stock company	Mianyang	Manufacture and sales	Zhao Yong	20541230-8
Sichuan Changhong Electronic Group Co., Ltd.	Limited company	Mianyang	Manufacture and	Zhao Yong	72081866-0

(2) Register capital and change thereof of controlling shareholder

controlling shareholder	Amount at year-begin	Increase during the period	Decrease during the period	Amount at period-end
Sichuan Changhong Electric Co., Ltd.	4,616,244,222	-	-	4,616,244,222

(3) Shares held by the controlling shareholder and its changes on equity (including shares held directly/indirectly)

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controlling shareholder	Amount of shares held		Shareholding ratio (%)	
	Amount at period-end	Amount at year-begin	Amount at period-end	Amount at year-begin
Sichuan Changhong Electric Co., Ltd.	158,328,461	156,839,461	24.88	24.64

2. Subsidiaries

More details found in Annotation VII.

3. Associated enterprises

Invested units	Type of entity	Place of registration	Nature of business	Legal representative	Registered capital	Shareholding ratio		Organization code
						Period-end	Year-begin	
Changhong Ruba Electric Company (Private)Ltd.	Privately Limited company	Pakistan	Manufactures and sales	-	USD 4 million	40.00%	40.00%	-
Hefei Xingmei Assets Management Co., Ltd.	Limited liability	Hefei	Management of real estate, leasing	Huang Youzhi	RMB 1million	48.28%	48.28%	57851196-6
Hefei Meiling Sole Energy Science & Technology Co., Ltd.	Limited company	Feidong County	Manufactures and sales	Ren Sheming	RMB 9.5million	32.75%	32.75%	73733490-2

4. Other related parties

Type of relation	Related parties	Main business	Organization code
Other enterprises under control from the same controlling shareholders or terminal controller	PT.CHANGHONGELECTRIC INDONESIA	Sales	-
	Chengdu Lejiayi Commercial & Trade Co., Ltd.	Sales	79782546-3
	Fuzhou Lejiayi Commercial & Trading Co., Ltd.	Sales	67652028-4
	Guangdong Changhong Electrical Co., Ltd.	Sales	78940429-8
	Guangdong Changhong Digital Technology Co., Ltd.	Utilities provided	78940429-8
	Guiyang Lejiayi Commercial & Trade Co., Ltd.	Sales	67071455-5
	Hefei Changhong Industrial Co., Ltd.	Sales	66621592-1
	Huayi Compressor Co., Ltd.	Purchase	70562223-x
	Jinan Lejiayi Commercial & Trading Co., Ltd.	Sales	67227469-6
	Jiangxi Changhong Electrical Science & Technology Development Co., Ltd.	Sales	667483178
	Kunming Yijiahong Commercial & Trade Co., Ltd.	Sales	67656328-4

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Lejiayi Chain Management Co., Ltd.	Sales	66535156-9
Mianyuan Hongfa Technology Co., Ltd	Purchase	79582077-3
Mianyang Lejiayi Commercial & Trade Chain Co.,Ltd.	Sales	665391552
081 Electric Group Sichuan Liyuan Electronic Co., Ltd	Purchase	205809540
Sichuan COC Display Devices Co., Ltd.	Sales	66275681-9
Sichuan Hongrui Electrics Co., Ltd.	Purchase	68237616-X
Sichuan Hongshi Display Technology Co., Ltd.	Sales	66968647-0
Sichuan Hongxin Software Co., Ltd.	Purchase	671440445
Sichuan Changhong Packing Printing Co., Ltd.	Purchase	79399834-0
Sichuan Changhong Power Supply Limited	Purchase	205418582
Sichuan Changhong Electrical System Limited	Purchase	779839036
Sichuan Changhong Jijia Precision Co., Ltd.	Purchase	793998375
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	Purchase	79399836-7
Sichuan Changhong Minsheng Logistics Limited Company	Purchase, transportation	79785892-7
Sichuan Changhong Mould Plastic Technology Co., Ltd.	Purchase	782291526
Sichuan Changhong Equipment Science & Technology Co., Ltd.	Purchase	793998359
Sichuan Changhong New Energy Science & Technology Co., Ltd.	Purchase	79399394-5
Mianyang Hongrun Electrical Co., Ltd.	Purchase	769966197
Taiyuan Lejiayi Commercial & Trading Co., Ltd.	Sales	779841582
CHANGHONG ELECTRIC MIDDLE EAST FZE	Sales	-
Changhong (Hong Kong) Trading Co., Ltd.	Sales	-
Changhong Appliance (Australia) Co., Ltd.	Sales	-
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Purchase, Sales	66744793
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	Sales	556427608
Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	Purchase	69226840
Chongqing Hong Life Commercial & Trade Co., Ltd.	Sales	69226840
Jindezhen Honghua Appliance Components Co., Ltd.	Purchase	67497863-8

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Associates of controlling shareholders and actual controllers	Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	Purchase	795816686
	Sichuan Hongyu Metal Manufacture Co., Ltd.	Purchase	665361804
	Sichuan Jinghong Packing Product Co., Ltd.	Purchase	779814584
	Sichuan Changhe Technology Co., Ltd.	Purchase	777909555
	Sichuan Changxin Refrigeration Parts Co., Ltd.	Purchase , Sales	779841582
	BVCH Optronics (Sichuan) Co., Ltd.	Purchase	69226840-2
	Sichuan Huafeng Enterprise Group Co., Ltd.	Sales	20540125-4
	Sichuan Changhong International Hotel Co., Ltd.	Sales	720818652
Joint-ventures and associates of subsidiaries	Guangyuan Meiling Appliance Marketing Co., Ltd.	Sales	69915460-0
	Changzhou Meiling Appliance Marketing Co., Ltd.	Sales	55026803-6
	Guangxi Meiling Household Appliance Co., Ltd.	Sales	55225094-8
	Haozhou Meiling Appliance Marketing Co., Ltd.	Sales	69896652-7
	Xuancheng Meiling Appliance Marketing Co., Ltd.	Sales	55631828-4
	Jiujiang Meiling Appliance Marketing Co., Ltd.	Sales	69609608-9
	Buyang Meiling Appliance Marketing Co., Ltd.	Sales	56635286-5

(II) Related transaction

1. Purchase commodities

Type of related parties and names of related parties	Amount at this period (RMB0'000)	Amount at same period of last year (RMB0'000)
Controlling shareholder and terminal controller		
Including: Sichuan Changhong Electric Co., Ltd.	4,635.26	4,325.87
Other enterprises under control from the same controlling shareholder or terminal controller		
Including: Huayi Compressor Co., Ltd.	24,145.85	27,599.97
Sichuan Changhong Mould Plastic Technology Co., Ltd.	13,502.88	22,273.94
Sichuan Changhong Jijia Precision Co., Ltd.	9,710.39	6,469.11
Mianyuan Hongfa Technology Co., Ltd	-	3.52
Sichuan Changhong Packing Printing Co., Ltd.	1,454.17	1,380.62
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	144.38	86.83
Sichuan Changhong Equipment Science & Technology Co., Ltd.	688.76	1,315.90
081 Electric Group Sichuan Liyuan Electronic Co., Ltd	374.66	526.56

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Sichuan Changhong New Energy Science & Technology Co., Ltd.	33.42	39.70
Mianyang Hongrun Electrical Co., Ltd.	439.46	724.98
Guangdong Changhong Electrical Co., Ltd.	23.57	46.76
Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	9.84	31.97
Jindezhen Honghua Appliance Components Co., Ltd.	111.13	-
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	508.78	2,118.58
Sichuan Changhe Technology Co., Ltd.	86.35	78.47
Sichuan Changxin Refrigeration Parts Co., Ltd.	5,442.90	8,227.50
Sichuan Jinghong Packing Product Co., Ltd.	749.97	1,697.76
Sichuan Hongyu Metal Manufacture Co., Ltd.	11.92	45.79
Total	62,073.69	76,993.83

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 at this period		Amount at same period of last yare	
	Amount(RMB0'000)	Ratio (%)	Amount(RMB0'000)	Ratio (%)
Controlling shareholders and terminal controller				
Including: Sichuan Changhong Electric Co., Ltd.	77,224.47	14.54	62,871.58	11.49
Other enterprises under same control from controlling shareholders and terminal controller				
Including: PT.CHANGHONG ELECTRIC IND	3,563.76	0.67	48.33	0.01
Sichuan Changhong Jijia Precision Co., Ltd.	1,304.50	0.25	2,102.69	0.38
Sichuan Changhong Mould Plastic Technology Co., Ltd.	2,374.22	0.45	5,290.03	0.97
Sichuan Hongshi Display Technology Co., Ltd.	-	-	105.59	0.02
Mianyang Lejiayi Commercial & Trade Chain Co., Ltd.	2.85	0.00	464.51	0.08
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	52.17	0.01	-	-
Hong Kong (Changhong) Trade Co., Ltd.	11.60	0.00	-	-
Chongqing Hong Life Commercial & Trade Co., Ltd.	100.36	0.02	82.11	0.02
Huayi Compressor Co., Ltd.	-	-	2.74	0.00
Fuzhou Lejiayi Commercial & Trading Co., Ltd.	-	-	0.20	0.00

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Jinan Lejiayi Commercial & Trading Co., Ltd.	-	-	1.65	0.00
Sichuan Hongrui Electrics Co., Ltd.	1.12	0.00	-	-
Sichuan Changhong New Energy Science & Technology Co., Ltd.	0.17	0.00	41.09	0.01
Sichuan Changhong Packing Printing Co., Ltd.	-	-	0.38	0.00
Guangdong Changhong Digital Technology Co., Ltd.	0.40	0.00	-	-
Sichuan Changhong Minsheng Logistics Limited Company	30.90	0.01	23.85	0.00
Taiyuan Lejiayi Commercial & Trading Co., Ltd.	-	-	0.00	0.00
Wandao Network Technology Co., Ltd.	77.19	0.01	113.53	0.02
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	8.32	0.00	13.53	0.00
Lejiayi Chain Management Co., Ltd.	1,780.16	0.34	-	-
Changhong Appliance (Australia) Co., Ltd.	1,693.62	0.32	1,012.98	0.19
CHANGHONG ELECTRIC MIDDLE EAST FZE	945.77	0.18	-	-
Sichuan Changhong International Hotel Co., Ltd.	-	-	26.41	0.00
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	122.75	0.02	264.84	0.05
Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	15.10	0.00	27.19	0.00
Controlling shareholders and associated enterprise of actual controller				
Including: Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	0.21	0.00	-	-
BVCH Optronics (Sichuan) Co., Ltd.	-	-	30.00	0.01
Sichuan Changhong Xinrui Technology Co., Ltd.	-	-	167.59	0.03
Associated and joint-venture				
Including: Guangyuan Meiling Appliance Marketing Co., Ltd.	940.80	0.18	1,318.83	0.24
Changzhou Meiling Appliance Marketing Co., Ltd.	663.68	0.12	1,149.93	0.21
Guangxi Meiling Household Appliance Co., Ltd.	6,388.11	1.20	7,642.73	1.40
Haozhou Meiling Appliance Marketing Co., Ltd.	2,031.61	0.38	2,161.30	0.39
Xuancheng Meiling Appliance Marketing Co., Ltd.	1,969.47	0.37	2,247.09	0.41
Jiujiang Meiling Appliance Marketing Co., Ltd.	2,590.86	0.49	4,123.74	0.75
Buyang Meiling Appliance Marketing Co., Ltd.	10,093.84	1.90	6,561.33	1.20
Total	113,988.01	21.46	97,895.77	17.88

Business contacts with related parties are performed under normal market business regulation and have the same situation towards other enterprises. Concerning the price purchase/sales and other labour provided between the Companies and related parties, pricing according to national price, if applicable; pricing according to market price if without national pricing and without marketing pricing, then 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 no

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the principle of “Cost plus expense”.

3. Rent of related parties

Lessor	Lessee	Type of assets leasing	Date of starting	Date of end	Pricing basis for leasing	Leasing income recognized in this year
Hefei Meiling Co., Ltd.	Sichuan Changhong Mould Plastic Technology Co., Ltd.	Workshop	2012-1-1	2012-12-31	Contract of workshop leasing	647,190.00
Hefei Meiling Co., Ltd.	Sichuan Changhong Jijia Precision Co., Ltd.	Workshop	2012-1-1	2012-12-31	RMB 12/m ² per month	233,280.00
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Electrical Co., Ltd.	Office building	2012-1-1	2012-12-31	RMB 10.96 / m ² per month	101,642.40
Zhongshan Changhong Appliance Co., Ltd.	Guangdong Changhong Digital Technology Co., Ltd.	Office building	2012-1-1	2012-12-31	RMB 10.96 / m ² per month	11,828.70
Zhongshan Changhong Appliance Co., Ltd.	Sichuan Changhong Minsheng Logistics Limited Company 中山分公司	Office building	2012-1-1	2012-12-31	RMB 10.96 / m ² per month	2,208.06
Zhongshan Changhong Appliance Co., Ltd.	Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	Office building	2012-1-1	2012-12-31	RMB 10.96 / m ² per month	12,668.94
Zhongshan Changhong Appliance Co., Ltd.	Sichuan Service Exp. Appliance Service Chain Co., Ltd.	Office building	2012-1-1	2012-12-31	RMB 8.50 / m ² per month	174,420.00
Sichuan Changhong Air-Conditioner Co., Ltd.	Sichuan Changhong Jijia Precision Co., Ltd.	Equipment	2012-1-20	2013-1-19	Leasing Contract	19,331.19
Sichuan Changhong Air-Conditioner Co., Ltd.	Sichuan Changhong Mould Plastic Technology Co., Ltd.	Equipment	2012-1-1	2012-12-31	Leasing Contract	4,739.33

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Sichuan Changhong Air-Conditioner Co., Ltd.	BVCH Optronics (Sichuan) Co., Ltd.	Equipment	2011-10-1	2012-12-31	Leasing Contract	24,658.36
Sichuan Changhong Air-Conditioner Co., Ltd.	BVCH Optronics (Sichuan) Co., Ltd.	Equipment	2012-6-1	2012-12-31	Leasing Contract	1780.88

4. Lessee of related parties

Lessor	Lessee	Type of assets leasing	Date of starting	Date of end	Pricing basis for leasing	Leasing income recognized in this year
Sichuan Changhong Electric Co., Ltd.	Sichuan Changhong Air-Conditioner Co., Ltd.	Workshop	2012-1-1	2012-12-31	Contract of assts leasing	3,229,132.54
Sichuan Changhong Minsheng Logistics Limited Company	Mianyang Meiling Refrigeration Co., Ltd.	Workshop	2010-1-1	2029-12-31	Contract of workshop leasing	3,076,962.00

5. Related guarantee

Party providing guarantee	Party receiving guarantee	Ceiling guarantee amount	Date start for guarantee	Due date for guarantee	Whether implemented or not
Hefei Meiling Co., Ltd.	Sichuan Changhong Air-Conditioner Co., Ltd.	88.88 million Yuan	2011-11-28	2012-5-27	Yes
Hefei Meiling Co., Ltd.	Zhongshan Changhong Appliance Co., Ltd.	50 million Yuan	2012-4-23	2013-4-22	No
Hefei Meiling Co., Ltd.	Hefei Meiling Nonferrous Metal Products Co., Ltd.	17 million Yuan	2011-7-19	2012-6-29	Yes
Hefei Meiling Co., Ltd.	Hefei Meiling Nonferrous Metal Products Co., Ltd.	7 million Yuan	2011-6-29	2012-6-29	Yes
Hefei Meiling Group Holding Co., Ltd.	Meiling Equator Appliance (Hefei) Co., Ltd.	4 million Yuan	2009-6-22	2012-6-22	Yes
Hefei Meiling Group Holding Co., Ltd.	Hefei Equator Appliance Co., Ltd.	2 million Yuan	2009-6-22	2012-6-22	Yes
Sichuan Changhong	Hefei Meiling Co., Ltd.	80 million	2010-6-15	2012-6-15	Revoke

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Air-Conditioner Co., Ltd.		Yuan			d
Sichuan Changhong Electronic Group Co., Ltd.	Hefei Meiling Co., Ltd.	80 million Yuan	2010-5-15	2012-5-15	Revoke d

The aforementioned warrantees are the Company's wholly-owned or controlling subsidiaries. These companies run normally, bringing no negative influence on the Company's financial status. In the report period, guarantee ceiling provided to subsidiary by the Company amounting to RMB 486 million, RMB 168.88 million was actually guarantee and actual guarantee balance at period-end was RMB 50 million. For the abovementioned guarantee, subordinate subsidiary Meiling Group provided ceiling guarantee RMB 6 million to Meiling Yingkaite Appliance (Hefei) Co., Ltd. and Hefei Yingkaite Appliance Co., Ltd. with actually guarantee of RMB 0. The guarantee was formed in history before 100% equity of Meiling Group was transferred by agreement. The guarantee was expired till end of this report period.

6. Assets transfer of related parties

Name of related parties	Type of related transaction	Amount at this period	Amount at same period of last yare
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	Fixed assets purchased	31,881.37	-
Sichuan Changhong Electric Co., Ltd.	Fixed assets purchased	645,025.00	-
Sichuan Hongxin Software Co., Ltd.	Fixed assets purchased	-	840,000.00
Total		676,906.37	840,000.00
Sichuan Changhong Minsheng Logistics Limited Company	Fixed assets transfer	1,515,429.10	-
Total		1,515,429.10	-

7. Receive labour services

Labour services providers	Amount at this period	Amount at same period of last yare
Sichuan Changhong Electric Co., Ltd.	4,866,889.82	3,129,011.66
Sichuan Hongxin Software Co., Ltd.	1,300,000.00	400,000.00
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	27,936,717.65	29,722,014.22
Sichuan Changhong Minsheng Logistics Limited Company	137,507,322.33	70,462,292.20
Total	171,610,929.80	103,713,318.08

8. Water & power supply

Related parties(receiving party)	Amount at this period	Amount at same period of last yare
Guangdong Changhong Electrical Co., Ltd.	375,113.52,	260,666.19

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Guangdong Changhong Digital Technology Co., Ltd.	67,803.38	57,631.71
Sichuan Changhong Minsheng Logistics Limited Company	18,270.58	13,141.52
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	16,020.87	1,541.42
Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	2,830.71	-
Total	480,039.06	332,980.84

9. Water & power received

Related parties(provider)	Amount at this period	Amount at same period of last yare
Sichuan Changhong Electric Co., Ltd.	6,175,194.03	-
Total	6,175,194.03	-

10. Trademark licensing authorized by related parties, patent implementation permit

On 1 June 2010, the proposal of “Trademark Licensing Contract” signed between Sichuan Changhong Air-conditioner Co., Ltd and Sichuan Changhong Electric Co., Ltd. has been approved by 34th Meeting of 6th Session of the Board. Allow controlling subsidiary – Changhong Air-conditioner entered into the “Trademark Licensing Contract” with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Changhong Air-conditioner, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize the trademark of “Changhong” for long-term free use to Changhong Air-conditioner and Zhongshan Changhong in products of air-conditioners and air purification equipment. Chonghong Air-conditioner will use in the trademark registered place by regulations.

On 1 June 2010, the proposal of “Trademark Licensing Constract” signed between Zhongshan Changhong Appliance Co., Ltd and Sichuan Changhong Electric Co., Ltd has been approved by 34th Meeting of 6th Session of the Board. Allow controlling subsidiary – Zhongshan Changhong entered into the “Trademark Licensing Contract” with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Zhongshan Changhong, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize the trademark of “Changhong” for long-term free use to Changhong Air-conditioner and Zhongshan Changhong in products of air-conditioners and air purification equipment. Zhongshan Chonghong will use in the trademark registered place by regulations.

On 1 June 2010, the proposal of “Patent Permit Contract” signed between Zhongshan Changhong Appliance Co., Ltd and Sichuan Changhong Electric Co., Ltd has been approved by 34th Meeting of 6th Session of the Board. Allow controlling subsidiary – Zhongshan Changhong entered into the “Patent Permit Contract” with Sichuan Changhong. The contract agrees that: under the premise of being the controlling shareholder of Hefei Meiling Co., Ltd., Sichuan Changhong, and being the controlling shareholder of Zhongshan Changhong, Hefei Meiling Co., Ltd., the trademark owner, Sichuan Changhong, will authorize four patents in air-conditioner (including machine union of air-conditioner with separation, equipment of cool-to-heat of air-conditioner, removal air-conditioner with heat pump style and removal air-conditioner with shower style) to Zhongshan Changhong for free use in the validity of patent. The permit and use rage are exclusively by

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Zhongshan Changhong, un-transference, un-permit and use in global. Zhongshan Changhong has the rights to manufacture, use, develop and sale of the permit products.

On 10 November 2010, the 38th Meeting of 6th Session of the Board approved the followed proposals: Sichuan Changhong Air-conditioner, entered into “Supplementary Contract of Patent License for Implementation” with Sichuan Changhong; Zhongshan Changhong, , entered into “*Patent License Contract for Implementation*” with Sichuan Changhong and Zhongshan Changhong, entered into “Supplementary Contract of Patent License for Implementation “with Sichuan Changhong. The contract agrees that: agreed Sichuan Changhong entered into “Supplementary Contract of Trademark Licensing” with Changhong Air-conditioner, Zhongshan Changhong respectively. Terminated relevant clause of free-use authorization concerning authorized to Changhong Air-conditioner and Zhongshan Changhong. That is terminated premise of “Sichuan Changhong being the controlling shareholder of Meiling Apparatus and Meiling Apparatus being the controlling shareholders of Changhong Air-conditioner and Zhongshan Changhong ”; agreed the *Supplementary Contract of Patent License for Implementation* signed between Zhongshan Changhong and Sichuan Changhong, the supplementary contract stated that terminated the relevant clause of premise of authorized Zhongshan Changhong for free-use that listed in signed four pieces of *Contract of Patent License for Implementation*, that is” terminated the premise of Sichuan Changhong being the controlling shareholders of Meiling Apparatus and Meiling Apparatus being the controlling shareholders of Zhongshan Changhong”.

(III) Exchange balance of related parties

1. Accounts receivable of related parties

Related parties(items)	Amount at period-end	Amount at year-begin
Controlling shareholder and terminal controller		
Including: Sichuan Changhong Electric Co., Ltd.	13,031,589.47	25,257.14
Other enterprises under control from the same controlling shareholder y or terminal controller		
Including: Sichuan Hongshi Display Technology Limited	-	105,000.00
Sichuan Changhong Mould Plastic Technology Co., Ltd.	3,371,621.60	2,843,178.95
Sichuan Changhong Minsheng Logistics Limited Company	149,921.00	188,428.89
Sichuan Changhong Jijia Precision Co., Ltd.	0.03	233,280.04
Changhong Appliance (Australia) Co., Ltd.	19,449,664.11	9,706,173.07
Jiangxi Changhong Electrical Science & Technology Development Co., Ltd.	-	147,000.00
Changhong (Hong Kong) Trading Co., Ltd.	115990.33	-
PT.CHANGHONG ELECTRIC INDONESIA	36,976,610.72	33,778,627.43
CHANGHONG ELECTRIC MIDDLE EAST FZE	5,690,353.10	-
Hefei Changhong Industrial Co., Ltd.	532,038.54	1,202,046.69
Huayi Compressor Co., Ltd.	3,200.43	3,200.00
Sichuan Changhong Packing Printing Co., Ltd.	1,440.00	-
Lejiayi Chain Management Co., Ltd.	8,327,879.24	-
Jinan Lejiayi Commercial & Trading Co., Ltd.	7,473.00	-

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Fuzhou Lejiayi Commercial & Trading Co., Ltd.	14,611.20	14,611.20
Wandao Network Technology Co., Ltd.	1,467.60	-
Sichuan COC Display Devices Co., Ltd.	131,550.04	131,550.04
Sichuan Hongshi Display Technology Limited	7,500.00	-
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	733,063.24	131,073.21
Taiyuan Lejiayi Commercial & Trading Co., Ltd.	23,534.05	-
Chongqing Hong Life Commercial & Trade Co., Ltd.	11,707.20	-
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	427,288.36	-
Sichuan Changhong International Hotel Co., Ltd.	10,522.60	10,522.60
Guangdong Changhong Digital Technology Co., Ltd.	57,076.56	
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	-	2,994.67
BVCH Optronics (Sichuan) Corp.	100,100.01	100,100.01
Sichuan Changhong Xinrui Technology Co., Ltd.	159,145.15	854,245.04
Associates and joint-venture		
Including: Guangxi Meiling Household Appliance Co., Ltd.	17,492,757.60	-
Haozhou Meiling Appliance Marketing Co., Ltd.	205,580.00	-
Buyang Meiling Appliance Marketing Co., Ltd.	273,360.10	122,845.00
Changhong Ruba Electric Company (Private) Ltd.	240,587.03	
Total	107,547,632.31	49,600,133.98

2. Account received in advance from relate parties

relate parties (item)	Amount at period-end	Amount at year-begin
Controlling shareholder and terminal controller -		
Including: Sichuan Changhong Electric Co., Ltd.	-	89,047,249.11
Other enterprises under control from the same controlling shareholder y or terminal controller		
Including: Chengdu Lejiayi Commercial & Trade Co., Ltd.	-	501.21
Mianyang Lejiayi Commercial & Trade Chain Co., Ltd.	33,325.01	3,125,559.07
Sichuan Changhong Mould Plastic Technology Co., Ltd.	-	-
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	-	0.32
Sichuan Changhong Equipment Science & Technology Co., Ltd.	0.33	0.33
Sichuan Changhong Power Supply Limited	48,000.00	-

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Wandao Network Technology Co., Ltd.	5,348.00	-
Chongqing Hong Life Commercial & Trade Co., Ltd.	-	102,513.20
Sichuan Changhong Gerun Renewable Resources Co., Ltd.	65,831.90	-
Sichuan Changhong Electrical System Limited	0.40	0.40
CHANGHONG ELECTRIC MIDDLE EAST FZE	-	2,503.83
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	510.45	-
Associates and joint-venture		
Including: Guangyuan Meiling Appliance Marketing Co., Ltd.	4,747,525.24	804,576.72
Changzhou Meiling Appliance Marketing Co., Ltd.	1,738,428.11	566,021.83
Haozhou Meiling Appliance Marketing Co., Ltd.	493,760.77	3,636,738.23
Xuancheng Meiling Appliance Marketing Co., Ltd.	3,456,209.54	4,009,727.99
Jiujiang Meiling Appliance Marketing Co., Ltd.	6,316,661.51	-
Buyang Meiling Appliance Marketing Co., Ltd.	14,318,089.47	5,807,295.25
Total	31,223,690.73	107,626,687.48

3. Account payable from related parties

relate parties (item)	Amount at period-end	Amount at year-begin
Controlling shareholder and terminal controller		
Including: Sichuan Changhong Electric Co., Ltd.	47,883,784.51	58,615,813.70
Sichuan Changhong Electronic Group Co., Ltd.	215.00	-
Other enterprises under control from the same controlling shareholder y or terminal controller		
Including: Huayi Compressor Co., Ltd.	109,898,513.05	103,026,497.05
Sichuan Changhong Jijia Precision Co., Ltd.	64,945,137.36	42,691,953.22
Sichuan Changhong Mould Plastic Technology Co., Ltd.	108,604,718.19	44,617,994.79
Sichuan Changhong Minsheng Logistics Limited Company	14,343,724.63	9,403,109.53
Sichuan Changhong Packing Printing Co., Ltd.	1,717,613.38	7,080,395.30
Sichuan Changhong Equipment Science & Technology Co., Ltd.	11,096,159.81	5,472,068.07
Mianyang Hongrun Electrical Co., Ltd.	2,833,102.80	-
Sichuan Changhong Precise Electrical Science & Technology Co., Ltd.	1,439,206.93	651,172.51
Sichuan Changhong New Energy Science & Technology Co., Ltd.	422,531.58	359,419.72
Guangdong Changhong Electrical Co., Ltd.	98,536.02	26,848.37

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Sichuan Hongxin Software Co., Ltd.	-	36,000.00
Sichuan Changhong Power Supply Limited	57,890.44	29,057.54
Jindezhen Honghua Appliance Components Co., Ltd.	791,846.42	-
Sichuan Changhong Gerun Renewal Resources Co., Ltd.	10,503.63	-
Sichuan Service Exp. Appliance Service Chain Co., Ltd.	97,926.00	6,756,125.52
Sichuan Changhong International Hotel Co., Ltd.	37,749.00	-
Sichuan Jiahong Industrial Co., Ltd.	31,428.00	-
081 Electric Group Sichuan Liyuan Electronic Co., Ltd	1,297,721.69	582,427.29
Zhongshan Changhong Mould Plastic Science & Technology Co., Ltd.	86,378.69	28256.13
Associates of controlling shareholders and actual controllers:		
Including: Sichuan Changhong Dongyuan Precise Equipment Co., Ltd.	2,600,402.86	160,743.88
Sichuan Changxin Refrigeration Parts Co., Ltd.	16,406,281.37	2,802,151.03
Sichuan Jinghong Packing Product Co., Ltd.	5,736,126.97	347,443.03
Sichuan Hongyu Metal Manufacture Co., Ltd.	89,486.18	-
Sichuan Changhe Technology Co., Ltd.	724,829.01	422,644.13
Sichuan Huafeng Enterprise Group Co., Ltd.	8,787,320.90	-
Total	391,251,813.52	283,110,120.81

4. Other account payable of related parties

relate parties (item)	Amount at period-end	Amount at year-begin
Controlling shareholder and terminal controller -		
Including: Sichuan Changhong Electric Co., Ltd.	13,508,583.05	5,138,393.96
Sichuan Changhong Electric Group Co., Ltd.	10,539.73	-
Other enterprises under control from the same controlling shareholder or terminal controller -		
Including: Sichuan Changhong Minsheng Logistics Limited Company	15,317,506.06	32,347,821.57
Sichuan Changhong Jijia Precision Co., Ltd.	7,200,000.00	200,000.00
Sichuan Changhong Mould Plastic Technology Co.,	320,000.00	320,000.00
Sichuan Changhong Property Co., Ltd.	-	3,042.00
Jindezhen Honghua Appliance Components Co., Ltd.	50,000.00	50,000.00
Sichuan Changhong Gerun Renewable Resources Co.,	10,000.00	27,523.40
Sichuan Service Exp. Appliance Service Chain Co.,	4,167,200.00	-

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Sichuan Changhong International Hotel Co., Ltd	2,168.00	2,168.00
Sichuan Jiahong Industrial Co., Ltd.	10,000.00	-
081 Electric Group Sichuan Liyuan Electronic Co., Ltd	2,000.00	-
Associates of controlling shareholders and actual rollers:		
Including: Sichuan Changhong Dongyuan Precise Equipment Ltd.	346,610.86	-
Sichuan Changhe Technology Co., Ltd.	66,010.55	50,000.00
Total	41,010,618.25	38,138,948.93

X. Contingency

- (I) Pending action or possible liabilities formed from arbitration: Nil
- (II) Contingency from external guarantee: Nil
- (III) Besides the above contingencies, the Company had no other major contingencies till end of 30 June 2012.

XI. Commitments

(I) On March 25, 2010, in the "Equity Transferring Contract" entered into between the Company and Xingtai Holding Company, the Company makes commitment as:

(1) Don't change the dominant legal person position of the transferee corporation, the new unit after transferring couldn't move out of Hefei City for continuous electronic appliance and related industries. New units after transferring must contribute tax more than 15 million yuan per year within 5 years which equal to the actual tax contributed by previous Meiling Group in last year.

(2) Within 5 years since the contract comes into effect the Company must newly increase over 0.1 billion yuan of investment in Hefei city.

(3) Within 5 years since the contract comes into effect the Company couldn't transfer externally this transferee besides internal transferring.

(4) The total amount of 48.69 million yuan of creditor's rights owned by subsidiary within the transferring scope of previous Meiling Group (the actual amount of creditor's right should be determined according to audit report issued in deadline of audit Mar. 25, 2010), have been transferred to Hefei Xingtai Asset Management Co., Ltd. The new unit after transferring should pay off the debts within 2 years since the contract was signed (must supply lawful and effective guarantee).

(5) The new unit after transferring offers jobs according to 80% of the present number of working staffs of the transferee corporation and subsidiaries within transferring scope. Under the same condition, present staffs of the corporation would be given preference when employing, present management personnel would be orderly placed. Take the replacement date of identity of staffs as the successive date of labour relationship. Sign contracts with allotted time of over 3 years with employed person within 1 month since the contract comes into effect; successively or newly offer various social insurances for staffs according to relevant rules and contribute housing accumulation fund.

(6) The new unit after transferring takes over all the assets and liabilities which have been estimated and approved of the transferee corporation.

(7) The new unit after transferring implements terms signed externally of the transferee corporation.

(8) The new unit after transferring continuously matches party A to complete the stripping

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operation of non-transferred interests and rights belonging to the transferee corporation.

(9) The new unit after transferring must rationally make use of the land within transferring couldn't call for changing the usage of lands.

(10) The new unit after transferring couldn't weaken or dim the trademark and trade name of Meiling inversely should carefully protect the trademark and trade name of Meiling and make commitment that output of Meiling products can't be lower than 70% of production of Meiling products; the growth rate of sales of Meiling products can't be lower than 20% each year; R&D and trademark maintenance fees of Meiling products can't be less than 1% of sales amount.

(II) On 27 February 2011, "Deposit Agreement of Quality Service- First Compensation for Meiling Refrigerator Consumer Rights Protections" was signed between the Company and China Consumers' Association. The Company volunteers to set up a deposit of RMB 5 million for "Quality Service- First Compensation for Meiling Refrigerator, Consumer Rights Protections" in CCA, and CCA in charge of the deposit. Concerning unsatisfaction for treatment from the Company, on refrigerator products or service the Company provided, compensate consumers, who claims to CCA after mediation. Till end of 1 March 2012, the above said deposit has no compensated yet. The agreement has one year validity period. No agreement renewable between the two parties so far.

Besides the above events, the Company had no other significant commitment till end of 30 June 2012.

XII. Events occurring after the balance sheet date

(I) Significant lawsuits, arbitrations and commitments made after balance sheet date: Nil

(II) Significant changes on assets value, tax policy and foreign exchange rate after balance sheet date: Nil

(III) Significant losses on assets due to nature disaster after balance sheet date: Nil

(IV) Shares and bonds issuance and other significant debt financing after balance sheet date: Nil

(V) Share capital transfer from public reserve fund after balance sheet date: Nil

(VI) Significant deficit occurred after balance sheet date: Nil

(VII) Enterprise merge or subsidiary disposal occurred after balance sheet date: Nil

(VIII) Significant external investment after balance sheet date: Nil

(IX) Dividend or profit plans to distribute or declare to distribute approved by discussion in the plan of profit distribution: Nil

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

XIII. Segment information (Unit: RMB0'000)

(I) Segment of Semi-Annual report of 2012

Items	Refrigerator and freezer	Air-conditioner	Washing machine	Marketing	Other	Offset between segments	Total
Operation income	341,614.72	152,786.74	1,325.64	277,870.21	12,190.24	254,067.21	531,720.34
Including: income from external transaction	95,869.86	152,506.42	391.63	277,870.21	5,082.22	-	531,720.34
Income from transaction between segments	245,744.86	280.31	934.01	-	7,108.02	254,067.20	-

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Items	Refrigerator and freezer	Air-conditioner	Washing machine	Marketing	Other	Offset between segments	Total
Operation expense	326,474.36	148,778.81	1,580.22	280,347.38	13,159.52	252,602.85	517,737.44
Operation profit(loss)	15,140.36	4,007.92	-254.58	-2,477.17	-969.29	-	13,982.89
Total assets	730,121.88	173,697.75	3,994.22	102,681.68	26,928.26	207,447.90	829,975.89
Total liabilities	405,132.17	128,116.95	7,322.64	103,933.38	16,720.76	117,472.26	543,753.64
Supplementary information	-	-	-	-	-	-	-
Depreciation and amortization expense	5,642.34	847.68	141.46	3.67	954.28	12.60	7,576.83
Capital expenditure	12,076.36	781.01	1.35	-	54.83	-	12,913.55
Non-cash expense except for depreciation and amortization	16,757.34	13,553.39	37.06	16,943.65	434.10	-	47,725.54

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)	16,279,699.03	16,664,805.83
Machinery equipment(fixed assets leased temporary)	99,582.31	16,733,497.12
Other equipment (fixed assets leased temporary)	531,278.70	37,905.00
Land use right(investment real estate)	634,551.85	653,736.13
Total	17,545,111.89	34,089,944.08

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

(III) Financial assets and liabilities with foreign currency

Item	Amount at year-begin	Gains and losses of fair value change of this year	accumulative fair value change recorded in equity	Impairment withdrew this year	Amount at year-end
Financial assets					
Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Loans and account receivable	19,893,918.11			1,670,279.87	33,405,597.44
Financial assets available for sale	-	-	-	-	-
Hold-to-maturity investment	-	-	-	-	-
Subtotal of financial assets	19,893,918.11			1,670,279.87	33,405,597.44
Financial liabilities					
Foreign currency loans	-	-	-	-	17,147,698.33
Subtotal of financial liabilities	-	-	-	-	17,147,698.33

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XV. Notes to main items of financial statement of parent company

1. Account receivable

(1) Age structure of account receivable

Item	Amount at period-end				Amount at year-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Within 1year	809,761,538.21	98.95	10,608,231.56	64.78	410,913,726.29	97.33	14,268,314.42	71.50
1-2years	1,684,245.88	0.21	252,636.88	1.54	4,967,556.79	1.18	745,133.52	3.73
2-3 years	1,953,624.30	0.24	683,768.51	4.18	1,483,269.40	0.35	519,144.29	2.60
3-4 years	1,229,541.01	0.15	1,171,284.86	7.15	1,708,099.57	0.40	1,708,099.57	8.56
4-5 years	738,385.81	0.09	738,188.11	4.51	3,107,988.41	0.74	2,709,459.92	13.59
Over 5 years	2,921,974.66	0.36	2,921,974.66	17.84	4,311.68	0.00	4,311.68	0.02
Total	818,289,309.87	100.00	16,376,084.58	100.00	422,184,952.14	100.00	19,954,463.40	100.00
Net value	801,913,225.29				402,230,488.74			

(2) Risk structure of account receivable

Item	Amount at period-end				Amount at year-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	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								
combination 1	218,627,238.57	26.72	14,310,920.26	87.39	294,478,282.88	69.75	17,795,231.99	60.4
combination 2	597,596,906.98	73.03	-	-	125,547,437.85	29.74	-	-
Subtotal	816,224,145.55	99.75	14,310,920.26	87.39	420,025,720.73	99.49	17,795,231.99	42.4
Account receivable with single minor amount but withdrawal single item bad debt provision	2,065,164.32	0.25	2,065,164.32	12.61	2,159,231.41	0.51	2,159,231.41	100.00
Total	818,289,309.87	100.00	16,376,084.58	200	422,184,952.14	100.00	19,954,463.40	473
Net value	801,913,225.29				402,230,488.74			

(3) Account receivable with single significant amount and withdrawal bad debt provision single: Nil

(4) Among the combinations 1, withdrawal bad debt provision by account age:

Age	Amount at period-end			Amount at year-begin		
	Amount	Ratio (%)	Bad debt provision	Amount	Ratio (%)	Bad debt provision
Within 1 year	212,164,631.23	5	10,608,231.56	285,366,288.44	5	14,268,314.42
1-2 years	1,684,245.88	15	252,636.88	4,967,556.79	15	745,133.52
2-3 years	1,953,624.30	35	683,768.51	1,483,269.40	35	519,144.29
3-4 years	129,458.11	55	71,201.96	-	55	-
4-5years	1,318.00	85	1,120.30	2,656,856.57	85	2,258,328.08

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Age	Amount at period-end			Amount at year-begin		
	Amount	Ratio (%)	Bad debt provision	Amount	Ratio (%)	Bad debt provision
over5 years	2,693,961.05	100	2,693,961.05	4,311.68	100	4,311.68
Total	218,627,238.57		14,310,920.26	294,478,282.88		17,795,231.99
Net value			204,316,318.31			276,683,050.89

(5) Vary account in combination 2:

Items	Book balance	Accrued proportion	Bad debt provision
Current account with related parties	535,857,446.98	0%	-
Account receivable with L/C	61,739,460.00	0%	-
Total	597,596,906.98		-

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

Account receivable	Book balance	Bad debt provision	Accrued proportion	Accrued reasons
Shandong Wendeng Department Store General Company	129,051.14	129,051.14	100%	Cease business contact 3-5 years; predicted un-recovered for urgent
Jiangsu Zhenjiang Gome Electrical Appliances Co., Ltd.	176,425.61	176,425.61	100%	
Liuzhou Minyu Hardware Appliance Business	51,588.00	51,588.00	100%	
Nanjing Central Emporium Co., Ltd.	512,925.85	512,925.85	100%	
Zhejiang Yongle Appliance Co., Ltd. (Taizhou)	95,090.82	95,090.82	100%	
Gaomi Sanhe Appliance Market Co., Ltd.	610,458.57	610,458.57	100%	
Cifeng Baixin Apparatus Co., Ltd.	271,114.97	271,114.97	100%	
Yichun Jixing Appliance Town	218,509.36	218,509.36	100%	
Total	2,065,164.32	2,065,164.32		

(7) Account receivable received of previous that being verified in 2011: Nil

(8) Bad debt provision switch-back: Nil

(9) Bad debt of account receivable verified in this year: 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 Electric Co., Ltd.	25,257.14	-	25,257.14	-

(11) Top 5 of account receivable

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Unit	Relationship with the Company	Amount	Age	Proportion in total account receivable
Hefei Meiling Appliance Marketing Co., Ltd.	Subsidiary	494,525,984.80	Within 1 year	60.43%
Electrolux (China) Electric Co., Ltd.	Non-related party's client	87,534,851.53	Within 1 year	10.70%
Electrolux Major Appliances, Latin Ameri	Non-related party's client	27,663,858.59	Within 1 year	3.38%
changhong Electric(Australia)	Under same control	19,014,763.12	Within 1 year	2.32%
Guangxi Meiling Household Appliance Co., Ltd.	Affiliated enterprise	17,491,557.60	Within 1 year	2.14%
Total		646,231,015.64		78.97%

(12) Account receivable of related parties

Unit	Relationship with the Company	Amount	Proportion in total account receivable
Mianyang Lejiayi Trading Chain Co.,Ltd.	Under same control	22,077.66	0.003%
Hefei Meiling Appliance Marketing Co., Ltd.	Subsidiary	494,525,984.80	60.43%
Zhongke Meiling Cryogenics Technology Limited Company	Subsidiary	4,059,561.62	0.50%
Hefei Meisidun Appliance Co., Ltd.	Subsidiary	667,014.04	0.08%
Sichuan Changhong Electric Co., Ltd.	Subsidiary	25,257.14	0.003%
Jiangxi Meiling Refrigeration Co., Ltd.	Subsidiary	19,000.00	0.002%
changhong Electric(Australia)	Under same control	19,014,763.12	2.32%
Guangxi Meiling Household Appliance Co., Ltd.	Joint-venture, affiliated enterprise of subsidiary	17,491,557.6	2.14%
Total		535,825,215.98	65.48%

(13) Balance of accounts receivable in foreign currencies

Foreign currency	Amount at period-end			Amount at year-begin		
	Original currency	Exchange rate	RMB converted	Original currency	Exchange rate	RMB converted
USD	30,073,489.49	6.3249	190,211,813.68	11,821,292.86	6.3009	74,484,784.18
EUR	371,379.60	7.8710	2,923,128.83	80,368.91	8.1625	656,011.23
AUD	2,859,772.62	6.3474	18,152,120.73	1,449,875.21	6.4093	9,292,685.18
Total			211,287,063.24			84,433,480.59

2. Other account receivable

(1) Age structure of other account receivable

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Item	Amount at period-end				Amount at year-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	45,256,022.18	93.11	70,735.60	2.80	47,589,941.38	92.88	354,284.00	12.97
1-2years	209,309.78	0.43	-	-	934,623.97	1.82	30,000.00	1.10
2-3 years	475,104.76	0.98	70,000.00	2.77	257,209.36	0.50	70,435.31	2.58
3-4 years	376,692.00	0.78	110,684.06	4.38	182,820.37	0.36	-	-
4-5 years	13,757.25	0.03	-	-	-	-	-	-
over5 years	2,274,133.93	4.68	2,274,133.93	90.04	2,276,133.93	4.44	2,276,133.93	83.35
Total	48,605,019.90	100.00	2,525,553.59	100.00	51,240,729.01	100.00	2,730,853.24	100.00
Net value	46,079,466.31				48,509,875.77			

(2) Risk structure of other account receivable:

Item	Amount at period-end				Amount at year-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	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								
combination 1	1,913,095.96	3.94	348,559.87	18.22	7,584,063.96	14.80	551,859.52	7.28
combination 2	44,514,930.22	91.59	-	-	41,477,671.33	80.95	-	-
Combination Subtotal	46,428,026.18	95.52	348,559.87	0.75	49,061,735.29	95.75	551,859.52	1.12
Account receivable with single minor amount but withdrawal single item bad debt provision	2,176,993.72	4.48	2,176,993.72	100.00	2,178,993.72	4.25	2,178,993.72	100.00
Total	48,605,019.90	100.00	2,525,553.59	5.20	51,240,729.01	100.00	2,730,853.24	5.33
Net value	46,079,466.31				48,509,875.77			

(3) Other account receivable with single significant amount and withdrawal bad debt provision single: Nil

(4) Among combinations 1, withdrawal bad debt provision by age analysis:

Age	Amount at period-end			Amount at year-begin		
	Amount	Ratio (%)	Bad debt provision	Amount	Ratio (%)	Bad debt provision
Within 1 year	1,414,712.00	5	70,735.60	7,085,680.00	5	354,284.00
1-2 years	-	15	-	200,000.00	15	30,000.00
2-3 years	200,000.00	35	70,000.00	201,243.75	35	70,435.31
3-4 years	201,243.75	55	110,684.06	-	55	-
4-5 years	-	85	-	-	85	-

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Age	Amount at period-end			Amount at year-begin		
	Amount	Ratio (%)	Bad debt provision	Amount	Ratio (%)	Bad debt provision
Over 5 years	97,140.21	100	97,140.21	97,140.21	100	97,140.21
Total	1,913,095.96		348,559.87	7,584,063.96		551,859.52
Net value			1,564,536.09			7,032,204.44

(5) Vary account in combination 2:

Combination	Book balance	Accrual proportion	Bad debt provision	Age
Connected amount between related parties	41,954,245.12	0%	-	Within 1 year
Reserve fund of employees	2,560,685.10	0%	-	Within 1 year
Total	44,514,930.22			

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

Other account receivable	Book balance	Bad debt provision	Accrual proportion	Reasons
Resignation workers	2,176,993.72	2,176,993.72	100%	Un-receivable

(7) Other account receivable of previous years that have been verified recovered in 2012: Nil

(8) Switch-back of bad debt provision: Nil

(9) Other account receivable verified in this year: Nil

(10) In the balance of other receivable at the end of this year, there is no arrearage due from shareholders holding 5% or above voting right shares of the Company

(11) Particulars about the top 5 others receivable

Unit	Amount	Ageing	Proportion taking in total accounts receivable	Nature or content
Hefei Meiling Appliance Marketing Co., Ltd.	37,437,949.39	1-2 years	77.02%	Connected amount
Sichuan Changhong Air-Conditioner Co., Ltd.	2,943,819.31	Within 1 year	6.06%	Connected amount
Social Security bureau of Hefei City(guarantee fund for migrant workers)	1,414,712.00	Within 1 year	2.91%	Margin for civilian workers
Luohe Meiling Appliance Marketing Co., Ltd.	1,350,000.00	Within 1 year	2.78%	Connected amount

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From 1 January 2012 to 30 June 2012

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Unit	Amount	Ageing	Proportion taking in total accounts receivable	Nature or content
CEIEC(Deposit of home appliance going to the countryside)	492,000.00	1-2 years	1.01%	Deposit of home appliance going to the countryside
Total	43,638,480.70		89.78%	

(12) Other account receivable from related parties

Item	Amount at period-end	Amount at year-begin
Hefei Meiling Appliance Marketing Co., Ltd.	37,437,949.39	37365819.17
Guangyuan Meiling Appliance Marketing Co., Ltd.	0.20	0.20
Changzhou Meiling Appliance Marketing Co., Ltd.	6,468.80	6468.80
Guangxi Meiling Appliance Marketing Co., Ltd.	2,753.04	-
Xinxiang Meiling Appliance Marketing Co., Ltd.	96,000.00	96,000.00
Xuancheng Meiling Appliance Marketing Co., Ltd.	-	-
Liu'an Meiling Appliance Marketing Co., Ltd.	6,400.00	-
Jinzhou Meiling Appliance Marketing Co., Ltd.	4,803.50	4,803.50
Luohe Meiling Appliance Marketing Co., Ltd.	1,350,000.00	-
Changchun Meiling Appliance Marketing Co., Ltd.	58,650.88	-
Sichuan Changhong Air-Conditioner Co., Ltd.	2,943,819.31	-
Hefei Meiling Non-ferrous Metal Co., Ltd.	47,400.00	-
Zhongke Meiling Cryogenics Technology Limited Company	-	92,223.85
Urumchi Meiling Appliance Marketing Co., Ltd.	-	12,893.47
Neijiang Meiling Appliance Marketing Co., Ltd.	-	59,504.43
Total	41,954,245.12	37,637,713.42

(13) Account receivable denominated in foreign currency: 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	829,348,087.68	829,348,087.68
Long-term equity investment calculated by equity method	12,250,094.32	12,074,296.65
Total of long-term equity investment	841,598,182.00	841,422,384.33
Less: provision for impairment of long-term equity investment	-	-

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From 1 January 2012 to 30 June 2012

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Value of long-term equity investment	841,598,182.00	841,422,384.33
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(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 period-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	100.00	45,000,000.00	45,000,000.00	-	-	45,000,000.00	-
Mianyang Meiling Refrigeration Co., Ltd.	90.00	100.00	45,000,000.00	95,000,000.00	-	-	95,000,000.00	-
Hefei Meiling Appliance Marketing Co., Ltd.	99.00	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	90.00	76,256,419.37	76,256,419.37	-	-	76,256,419.37	-
Huishang Bank Co., Ltd.	0.13	0.13	5,000,000.00	5,000,000.00	-	-	5,000,000.00	1,073,757.30
Hefei Meiling Packing Products Co., Ltd.	48.28	100.00	25,055,600.00	12,961,230.52	-	-	12,961,230.52	-
Hefei Meiling Group Holding Co., Ltd.	100.00	100.00	113,630,000.00	113,630,000.00	-	-	113,630,000.00	-
Jiangxi Meiling Appliance Co., Ltd.	98.75	100.00	79,000,000.00	79,000,000.00	-	-	79,000,000.00	-
Subtotal			746,442,457.16	829,348,087.68	-	-	829,348,087.68	1,073,757.30
Calculation by equity method								
Hefei Xingmei Assets Management Co., Ltd.	48.28	48.28	12,094,369.48	12,074,296.65	175,797.67	-	12,250,094.32	-
Subtotal			12,094,369.48	12,074,296.65	175,797.67	-	12,250,094.32	-
Total			758,536,826.64	841,422,384.33	175,797.67	-	841,598,182.00	1,073,757.30

(3) Investment in associates

Invested unit	Total assets at period-end	Total liability at period-end	Total net assets at period-end	Total operating income this year	Net profit of this year

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Hefei Xingmei Asset Management Co., Ltd.	29,462,169.71	1,923,899.60	27,538,270.11	1,513,552.20	364,121.10
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4. Operation income and operation cost

(1) Operation income and operation cost

Item	Amount for this year	Same period of last year
Main business income	3,231,307,780.05	3,604,607,979.80
Other business income	389,731,362.59	601,876,011.12
Total	3,621,039,142.64	4,206,483,990.92
Main business income	2,689,101,247.09	2,716,145,527.69
Other business income	380,915,606.24	588,185,835.37
Total	3,070,016,853.33	3,304,331,363.06

(2) Classified according to product

Industry	Amount for this year		Same period of last year	
	Operation income	Operation cost	Operation income	Operation cost
Main business	3,231,307,780.05	2,689,101,247.09	3,604,607,979.80	2,716,145,527.69
Refrigerator and freezer	3,170,841,768.18	2,637,049,040.26	3,554,806,111.78	2,675,279,505.96
Washing machine	59,699,998.53	50,861,363.20	49,801,868.02	40,866,021.73
Other	766,013.34	1,190,843.63	-	-
Other business	389,731,362.59	380,915,606.24	601,876,011.12	588,185,835.37
Total	3,621,039,142.64	3,070,016,853.33	4,206,483,990.92	3,304,331,363.06

(3) Classified according to region

Region	Amount for this year		Same period of last year	
	Operation income	Operation cost	Operation income	Operation cost
Domestic sales income	3,190,412,833.84	2,642,377,624.08	3,913,732,488.43	3,023,483,357.12
Overseas sales income	430,626,308.80	427,639,229.25	292,751,502.49	280,848,005.94
Total	3,621,039,142.64	3,070,016,853.33	4,206,483,990.92	3,304,331,363.06

(4) Sales income from the top 5 customers for this year

Customer	Operating income	Proportion taking in total operating income of the Company (%)
Shijiazhuang Meiling Apparatus Marketing Co., Ltd.	148,843,343.94	4.11%
Mianyang Meiling Apparatus Marketing Co., Ltd.	120,930,613.80	3.34%
Hefei Meiling White Appliance Marketing Co., Ltd.	116,278,501.33	3.21%
Taiyuan Meiling Apparatus Marketing Co., Ltd.	105,693,310.94	2.92%
Beijing Meiling Apparatus Marketing Co., Ltd.	103,662,113.99	2.86%

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From 1 January 2012 to 30 June 2012

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Customer	Operating income	Proportion taking in total operating income of the Company (%)
Total	595,407,884.01	16.44%

5. Investment income

(1) Sources of investment income

Item	Amount for this year	Same period of last year
Long-term equity investment income by cost method	1,073,757.30	-
Long-term equity investment income by equity method	175,797.67	-37,579.41
Investment income from disposal of long-term equity investment	-	201,850.28
Investment income from period of holding financial assets available for sale	-	-
Investment income from disposal of financial assets available for sale	-	-
Accrued income from disposal of subsidiaries from cost method to equity method	-	-
Total	1,249,554.97	164,270.87

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

Item	Amount for this year	Same period of last year	Reasons for increase/decrease
Hefei Xingmei Assets Management Co., Ltd.	175,797.67	-37,579.41	
Total	175,797.67	-37,579.41	

6. Supplementary information for cash flow statement of parent company

Item	Amount for this year	Same period of last year
1. Adjust net profit to cash flow for operational activities:		
Net profit	110,870,938.47	126,786,138.15
Add: provision for depreciation of assets	-24,334,130.41	12,483,061.95
Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets	34,970,754.18	36,905,963.72
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 "-")	-81.64	1,876,439.38
Loss from discarding fixed assets as useless (gain is listed with "-")	5,279,309.14	-
Loss from change of fair value(gain is listed with "-")	-	-
Financial expense (gain is listed with "-")	-6,305,853.31	-18,725,111.31
Investment loss (gain is listed with "-")	-1,249,554.97	-164,270.87

Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

Item	Amount for this year	Same period of last year
Decrease of deferred income tax assets (increase is listed with “-”)	-795,809.16	-18,988,030.67
Increase of deferred income tax liabilities (decrease is listed with “-”)	-	-
Decrease of inventories (increase is listed with “-”)	498,749,442.14	-26,384,122.87
Decrease of operational accounts receivable (increase is listed with “-”)	-1,193,687,338.13	-895,455,379.10
Increase of operational accounts payable (decrease is listed with “-”)	250,140,718.90	270,530,983.97
Others	-	-
Net cash flow arising from operation activities	-314,115,831.38	-498,888,554.24
2. Significant investment and financing activities with no reference to cash collection and payment:		
Debt convert to capital	-	-
Convertible bond due within one year	-	-
Fixed assets leased in by financing	-	-
3. Net change in cash and cash equivalent:		
Balance of cash at period-end	789,679,272.06	1,062,368,214.04
Less: Balance of cash at period-begin	1,045,235,918.61	1,798,742,365.27
Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-begin	-	-
Net increase in cash and cash equivalent	-255,556,646.55	-736,374,151.23

XVI. Supplementary information

(I) Non-operational gains and losses for this year

Non-recurring gains and losses regulated by Explanation Announcement of Information Disclosure on Stock Issuance Enterprise No.1—Non-recurring gains/losses (2008) from CSRC:

Item	Amount for this year	Same period of last year	Explanation
Gains and losses from disposal of non-current assets	-5,181,933.89	9,089,799.67	Refer to Non-operating gains and Expenditure for details
Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident	-	-	
Government subsidy recorded in current gains and losses	4,237,836.91	3,133,103.85	Refer to Non-operating Income for details
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	-	-	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	-	-	
Gains and losses from exchange of non-monetary assets	-	-	

Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

Item	Amount for this year	Same period of last year	Explanation
Gains and losses from assets under trusted investment or management	-	-	
Various provision for impairment of assets withdrew due to act of God, such as natural disaster	-	-	
Gains and losses from debt restructuring	-	-	
Enterprise reorganization expense	-	-	
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value	-	-	
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control	-	-	
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	-	-	
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	-102,072.38	61,872.32	Refer to Non-operating gains and Expenditure for details
Other gains and losses items complying with definition for non-current gains and losses	-	-	
Subtotal	-1,046,169.36	12,284,775.84	
Affect on income tax	38,231.24	1,903,048.71	
Affect on minority equity(after taxation)	-302,656.89	78,593.96	
Total	-781,743.71	10,303,133.17	

(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 first half year of 2012 are as follow:

Profit during the report period	Weighted average	Earnings per share
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Annotations to Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2012 to 30 June 2012

(Unless otherwise specified, RMB for record in the statement)

	return on equity (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	3.89%	0.1742	0.1742
Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses	3.91%	0.1754	0.1754

XVII. Approval of financial statement

The financial statement has already been approved from the board of directors of the Company for reporting dated 16 August 2012.

Chapter IX. Documents Available for Reference

Documents Available for Reference

- I. Text of semi-annual report with signature of the President;
- II. The financial report carrying the signatures and seals of the President, person who in charge of financial works and Principal of Accounting Institutes;
- III. Originals documents of the Company and manuscripts of public notices that disclosed in the newspapers designated by CSRC in the report period;
- IV. “Article of Association of Hefei Meiling Co., Ltd.”

The aforesaid documents are all available at 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.

Hefei Meiling Co., Ltd.

Chairman: Liu Tibin

Approval date by the Board: 16 August 2012