

Midea Group Co., Ltd.

Semi-Annual Report 2016



August 2016

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this Report is truthful, accurate and complete, and shall together be jointly and severally liable for any false records, misleading statements or material omissions in this Report.

All directors of the Company attended the Board meeting for reviewing this Report.

The Company plans not to distribute cash dividends or bonus shares or turn capital reserves into share capital for the first half of 2016.

Mr. Fang Hongbo, chairman of the Board and president of the Company and Mr. Xiao Mingguang, responsible person for the Company’s financial affairs have represented and warranted that the financial statements carried in this Report are truthful, accurate and complete.

This Report has not been audited by a CPAs firm.

The future plans and some other forward-looking statements mentioned in this Report shall not be regarded as virtual promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Contents

Section I Important Notes, Contents and Definitions	2
Section II Corporate Profile	5
Section III Summary of Accounting Data and Financial Indicators	7
Section IV Report of the Board of Directors	10
Section V Significant Events	41
Section VI Changes in Shares and Particulars about Shareholders	66
Section VII Preference Shares	72
Section VIII Information about Directors, Supervisors and Senior Management ..	73
Section IX Financial Report	74
Section X Documents Available for Reference	153

Definitions

Term	Definition
Company, the Company, Midea Group or the Group	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
Little Swan	Wuxi Little Swan Company Limited
Midea Group Finance	Midea Group Finance Co., Ltd.
Toshiba	Toshiba Corporation
Toshiba Lifestyle	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
MECCA	MECCA International (BVI) Limited
The Reporting Period	The period from 1 January 2016 to 30 June 2016

Section II Corporate Profile

I Corporate information

Stock name	Midea Group	Stock code	000333
Stock exchange	The Shenzhen Stock Exchange		
Company name in Chinese	美的集团股份有限公司		
Abbr. (if any)	美的集团		
Company name in English (if any)	MIDEA GROUP CO., LTD.		
Legal representative	Mr. Fang Hongbo		

II Contact information

	Company Secretary	Representative for Securities Affairs
Name	Jiang Peng	Ou Yunbin
Address	Midea Headquarters Building, 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	
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III Other information

1. Ways to contact the Company

Changes in the Reporting Period to the registered address, office address and their zip codes, website address and email address of the Company:

Applicable N/A

No such changes in the Reporting Period. The said information can be found in the 2015 Annual Report.

2. About the media for information disclosure and the place where materials carrying disclosed information such as this Report are kept

Changes in the Reporting Period to the media for information disclosure and the place where materials carrying disclosed information such as this Report were kept:

Applicable N/A

The newspapers designated by the Company for information disclosure, the website designated by the

CSRC for disclosing this Report and the place where materials carrying disclosed information such as this Report were kept did not change in the Reporting Period. The said information can be found in the 2015 Annual Report.

3. Changes in the registered information

Changes in the Reporting Period to the registered information:

Applicable N/A

The registration date and place of the Company, its business license number, taxation registration number and organizational code did not change in the Reporting Period. The said information can be found in the 2015 Annual Report.

Section III Summary of Accounting Data and Financial Indicators

I Key accounting data and financial indicators

Retroactive adjustments to or restatements of accounting data due to changes in the accounting policies or corrections of accounting errors:

Yes No

	2016H1	2015H1	YoY Change (%)
Operating revenues (RMB'000)	77,522,287	82,509,144	-6.04%
Net profits attributable to the shareholders of the Company (RMB'000)	9,496,493	8,324,123	14.08%
Net profits attributable to the shareholders of the Company excluding non-recurring gains and losses (RMB'000)	9,100,244	7,433,037	22.43%
Net cash flows from operating activities (RMB'000)	8,129,163	8,815,673	-7.79%
Basic earnings per share (RMB/share)	1.48	1.32	12.12%
Diluted earnings per share (RMB/share)	1.48	1.31	12.98%
Weighted average ROE (%)	17.64%	19.62%	-1.98%
	As at the end of 2016H1	As at the end of 2015H1	YoY Change (%)
Total assets (RMB'000)	167,502,747	128,841,935	30.01%
Net assets attributable to the shareholders of the Company (RMB'000)	55,333,098	49,201,852	12.46%

Total share capital of the Company on the last trading session before the disclosure of this Report:

Total share capital of the Company on the last trading session before the disclosure of this Report (share)	6,446,691,854
Fully diluted earnings per share based on the latest share capital above (RMB/share)	1.47

Note: The total share capital of the Company on the last trading session before the disclosure of this Report increased by 21,757,595 shares from the end of the Reporting Period because the Company carried out a stock option incentive scheme and grantees exercised their stock options.

II Differences in accounting data under the domestic and overseas accounting standards

1. Differences in the net profits and net assets disclosed in the financial reports prepared under the international and China accounting standards

Applicable N/A

No such differences for the Reporting Period.

2. Differences in the net profits and net assets disclosed in the financial reports prepared under the overseas and China accounting standards

Applicable N/A

No such differences for the Reporting Period.

III Items and amounts of non-recurring gains and losses

Applicable N/A

Unit: RMB'000

Item	Amount	Note
Gains or losses on disposal of non-current assets (including the offset asset impairment provisions)	6,042	
Government grants charged to the gains/losses for the Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with nationally uniform standards)	762,724	
Gains or losses on the changes in the fair value of held-for-trading financial assets and liabilities, as well as investment gains or losses on the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets, except for the effectively hedging business related to normal business operations of the Company	-539,590	
Non-operating incomes and expense other than the above	67,147	
Less: Income tax effects	30,545	
Minority interests effects (after tax)	-130,471	
Total	396,249	--

Explain the reasons if the Company classifies an item as a non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any non-recurring gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item:

Applicable N/A

No such cases in the Reporting Period.

Section IV Report of the Board of Directors

I Industry Overview

In the first half year of 2016, the macro-economic growth slowed down in China, housing market further polarized, raw material price went up and down, foreign exchange rate continued to be fluctuated, and the home appliance market entered into a stage of focusing on de-stocking, structural change, and product & consumption upgrading. According to China IOL data, the total sales volume of residential Air-conditioner for 2016H1 was just 58million units for the whole China market, which saw 15% decline year-on-year; the total sales volume of refrigerator for 2016H1 was 28.94million units, which saw 1.4% decline year-on-year; and the total sales volume of wash machine for 2016H1 was 27.50million units, which saw 3.82% increase year-on-year. Nevertheless, kitchen appliances and small appliances witnessed fast growth with 16.72million units sold at retail market for 2016H1, which has 4.7% increase year-on-year, according to All View Cloud data.

Under the new economic environment, consumers showed much more participation in the process of buying home appliances and using appliances. Home appliances manufacturers become more product & consumer-oriented. Improving operational efficiency, developing smart appliances, leveraging online sales, and encouraging technological, sales channel and service model innovation, have been the core growth momentum for home appliances manufacturers.

2016 has seen consumption being further upgraded, people's average income being constantly increased, new consuming group represented by youth born after 1985 being more and more active. All these contributed to the diversification of consuming demands and expansion of consuming area which pushed home appliance manufacturers to actively improve product mix, innovation technologies, as well as structural adjustment. According to All View Cloud data, premium smart home appliances have shown rapid growth trend. Sales of smart air conditioners account for 15.3% of total air conditioner sales in the offline channel and achieved 183.8% increase year-on-year, Smart refrigerators account for 10.5% of total refrigerator sales in the offline channel and achieved 438.2% growth year-on-year. Smart wash machines account for 5.8% of total wash machine sales in the offline channel and achieved 251% growth year-on-year.

2016 also witnessed further channel restructuring in the home appliance industry. O2O business model, application of big data and widespread use of mobile payment have largely promoted channel upgrading in the home appliance industry as well as cooperation between home appliance and internet companies. E-commerce has entered into rapid growth period. In the first half of 2016, online sales of home appliances have reached historic high. The B2C online sales market for home appliances for 2016H1 has reached RMB184.8bn, and achieved 35% growth year-on-year. After five years' rapid growth, online shopping has become a significant distribution channel for home appliances.

From mid to long term perspective, the growth momentum of home appliance industry in China hasn't had any change. The major reasons are as follows:

1) With constant increase of people's income and accelerated urbanization in China, the penetration rate of home appliance market is still expected to be improved. According to the data from the National Bureau of Statistics of China, the nominal per capita disposable personal income (DPI) for 2016H1 is RMB 11,886, which has 8.7% increase year-on-year. Meanwhile, urbanization has been accelerated in China. A number of key projects have entered into implementation stage, which created new growth opportunities. All these can effectively pull consumption and release potential of domestic demands.

2) Continuous consumption upgrade, combining with the existing 1.6bn units home appliances sold in the Chinese market, has become a driving force to grow the home appliance sales in China. Notable progress has been made on improving technologies such as energy-saving, environmental friendly, smart appliances, industrial design as well as other features and quality of home appliances products. New generation of consumers has higher demand for life quality which also urged home appliance manufactures to improve their product offering. All these can help improve the product mix and profitability of home appliance manufacturers.

3) In an era of internet+, technology & innovation will further push China to become a Manufacturing Power. Improvement on relevant technologies such as smart control technology, information technology, IOT, big data, cloud computing etc. as well as the widespread use of mobile devices will effectively drive the rapid development of smart home which has been widely recognized as the future trend for the development of home appliances. According to the prediction of China Market Monitor, by 2020 the penetration rate of smart appliances will be further improved in China with smart appliances account for 45%, 25%, and 28% respectively of white goods, kitchen appliances and small domestic appliances

sales. In the future five years, the demand for smart appliances will reach RMB1500bn in China.

4) Under the new competition environment, the ecology of home appliance industry will be further improved, and home appliance market will be further consolidated. Leading home appliance manufacturers, with their competitive advantages in brands, technologies, industrial chain, services, and channels, are expected to further improve their market share and profitability.

5) Based on the huge domestic market with a big population of 1.4bn in China, the home appliance manufacturers in China have formed their competitive advantages in respect of scale, product cluster, industrial chain support and capital, and will still maintain their competitiveness globally. Developing markets have large population and growing economy, and are now entering into fast-developing period for home appliances. Chinese companies are expected to play a significant role in these markets which will provide a solid foundation for the export growth of Chinese companies. Meanwhile, Chinese companies are very active in the global M&A fields. Acquisitions of brands, channels, technologies will provide Chinese companies with new competitive advantages worldwide.

II Analysis of Main Businesses

1. Overview

Midea is a leading global player in consumer appliances and heating, ventilation and air-conditioning (HVAC) systems. In the first half of 2016, the Company continues to adhere to the three corporate strategic focuses: “Leading Products, Operational Efficiency, and Global Operations”. Organizational restructuring has centered on products and users. As a result, R&D capability, reputation of product quality, operational efficiency and business profitability of the Company have been largely improved. Margins of a number of product categories have reached historic high level, risk factors have been generally lowered, overseas sales have achieved substantial growth, globalization has made milestone progress, and the competitive advantage of the Company, having wide range of product categories and worldwide market synergies, has been further strengthened. In 2016H1, the total revenue of the Company is RMB 78Bn with 5.87% decline year-on-year, net income is RMB 10.2Bn, net income attributable to the shareholders is RMB 9.5Bn with 14.08% growth, gross margin reached 29.33% which has 1.97 percent increase compared to 2015H1, ROE is 17.64%.

In 2016, Midea successfully entered into the Fortune Global 500 list, becoming the first Chinese

home appliance manufacture listed on the Fortune Global 500. Midea has been continuously three years ranked highest among home appliance manufacturers on the list of Fortune China 500. According to the *2016 State of Innovation* published by Thomson Reuters, Midea Group is ranked highest among *Top 10 Global Innovators—Home Appliances (2015)* and *Top 10 Kitchen Innovators—Asia (2011-2015)*. According to Euromonitor's *Consumer Appliance Global Ranking*, Midea Group, with a global market share of 4.6%, is ranked the second after Philips among global home appliance companies.

In the first half of 2016, the key tasks of the Company are the following:

- 1) Focusing on users and technological innovation, continuously optimizing product mix and steadily improving product competitive advantages

Adhere to the principle of making good products, strengthening on consumer research, developing innovative products, improving product mix and the share of premium products, which result in the better reputation of our products

In the field of residential air conditioning, Midea focuses on the unique features and differentiation of products. Midea YB300 "Cooling King" floor-standing inverter air conditioners adopted a self-developed innovative refrigerant technology which enables the air conditioner to cool down air rapidly even at 60°C high temperature. It can meanwhile keep noise level at 18DB, has 100 shifts wind speed alternatives, and Wi-Fi remote control function, etc. Midea ALL EASY split air conditioners adopted an innovative design with panel and frame in one piece and chassis being removable, which make installation, maintenance and cleaning air conditioners much more convenient. Midea residential air conditioner, thanks to its technological innovations in all these years, has been granted various honors and awards inside and outside of China. This year there are products being granted 2016 Red Dot product design awards from Germany, the Most Efficient Mini Split Certificate by the Air Conditioning, Heating, and Refrigeration Institute (AHRI), being tested by the Intertek Group from the United States, and Outstanding Design Grand Gold Award and Outstanding Design Gold Award from China Light Industry Outstanding Design Awards.

In the field of commercial air conditioning, as a leading Chinese brand in the commercial air conditioning industry, Midea holds over 1000 patents in this field and won a lot of important projects worldwide including the largest shopping mall in Dubai, Dalma Mall, Foro Central commercial real estate project in Brazil, Changi Airport from Singapore, Jakarta International Airport from Indonesia, as well as

sports game stadiums such as the World Cup in Brazil, the European Youth Olympic Festival and the African Games. 2016 also saw Midea won 100% of public biddings hold by Olympic Committee for the air conditioning of all newly built Rio Olympic Games indoor stadiums. According to China IOL, the growth of Midea commercial air conditioners has been in the last years continuously higher than the growth of industry. Midea commercial air conditioners were granted by the Air Conditioning, Heating, and Refrigeration Institute (AHRI) from the United States the first Modular Air Conditioning Unit Performance Certificate in the world, the first Heat Pump Performance Certificate in Asia, and by Eurovent Certita Certification from the Europe the first VRF Performance Certificate in China. Major testing criteria such as cooling/heating capacity, power consumption, energy efficiency and noise level, are all rated as international leading level.

In the field of laundry, Midea continues to invest heavily in R&D and product innovation by building a globally competitive R&D platform, investing in advanced technologies, smart technologies and core technologies, as well as continuously launching new products. For instance, this year the Company launched its premium series Beverly and differentiation series Disney. The Beverly series design is an outcome from working with Italian craft research institute and represents our premium products. Disney series design is tailor made for children wash machines, wall-hung wash machines as well as portable mini-wash machines, which focuses on combination of arts and practical use and represents our differentiation products. In 2016, Little Swan, the Company's subsidiary, was granted Certificates for its Water Cubic High Efficiency & Energy Saving Technology and for BLDC Motor 20-Year Operating Life Quality by VDE, the world leading Association for Electrical, Electronic & Information Technologies. Beverly front-loading wash machine was granted 2016 Appliance Product Award by China Household Electrical Appliance Association. Beverly top-loading wash machine was granted 2016 Ret Dot product design awards from Germany.

In the field of refrigerator, Midea focused on the development of energy-saving technologies and smart appliances. A number of Midea refrigerator product series were included in the Energy Efficiency Top-Runner List. Midea double-screen smart refrigerator received broad attention at the Appliance & Electronics World Expo in Shanghai due to its special features such as intelligent food management, double screen interactive representation, mobile control, etc. Midea refrigerator 401WGPZV was granted 2016 Appliance Product Award by China Household Electrical Appliance Association due to its

unique selling features such as two separate keeping fresh systems technology, two cabinets separate temperature control technology, auto-control atomization and moisture reservation technology. In the last years, Midea refrigerators have been granted various international and domestic certifications such as UL safety certification from the United States, Energy Star certification from Europe, TUV quality certification, Greenhouse Gas Emission Certification (first one received in the industry), CSC Energy-saving technology certification, CQC quality certification, etc.

In the field of small appliances, Midea has been constantly launching new products in order to address consumers' improving life quality needs. Midea microwave oven M1-L201B adopted the fourth generation of inverter technology which can auto control the temperature, retain freshness and nutrition of food, and meet level 1 energy efficiency standard. Midea "Tianmu" series hoods can reach 400Pa wind pressure for exhaustion and conduct intelligent auto steaming cleaning. Midea "Dinghuo" gas stove adopted three-level combustion technology and its burning capacity can reach 5.0KW. Midea "Menxiang Dingfu" IH rice cooker adopted the world leading multi-frequency IH technology which can cause rice to turn 720° in two directions and achieve the effect of having strong fire but fine heating. Midea "Qingyu" smart electric fan adopted feather-imitation blade design, which can produce soft winds and address the concerns of elders and children. It can connect with air condition and provide an auto control air treatment solution. Midea MUSE water heater is embedded with JBL Bluetooth loud speaker which enable people to listen to music and receive phone calls during showering. A number of Midea small appliance categories have been granted international and domestic awards such as IF Design Awards, Red Dot Awards, and Appliance Awards for consecutive years, which effectively demonstrated the competitiveness of Midea products.

- 2) Completely strengthening positions in channels, rapidly developing e-commerce, and effectively improving logistics capability

Thanks to its wide product categories advantage, Midea is able to strengthen its positions in 6 major channels, i.e., flagship store, Suning, Gome, regional chain stores (TOP Club), smaller regional chain stores (VIP 200) as well as specialty stores in towns and counties, which covers channels from metropolis, tier one cities to towns and villages. 2016H1 has witnessed steady and fast development of V200 and specialty stores, and scale effect shall be shown in the 2nd half of this year. Other channels, particularly flagship stores and TOP club, have grown over 10%, which largely contribute to the stable

development of domestic market.

Centered on users and products, Midea built its online big data platform and started full strategic cooperation with JD, Tmall, Suning online platforms. Midea online flagship stores on these platforms experienced fast growth. In 2016H1, online sales of Midea products in total exceeded RMB 10bn with 57% growth year-on-year, and Midea is ranked the top among all home appliance companies in terms of online sales value.

By way of developing its own logistics platform, Midea has completed consolidating its logistics business in 1/3 provinces in China so far, with an aim of completing nationwide consolidation by the end of this year. Facing the industry development trend from “Logistics Internet” to “Internet Logistics”, Midea’s logistics platform is experiencing a proactive transformation with an aim to achieve its business covering all different channels and combining delivery and installation business together. Through intelligent cloud warehouse, Truckload / Less Truckload, urban distribution, and delivery combining with installation, Midea logistics is able to offer exceptional experience for its customers.

- 3) Adhere to R&D cooperation, strengthening positions in smart home, and maintaining leading position in the industry

Based on its wide product category and large amount of users, Midea has been actively pushing forward its M-Smart strategy. Internally, Midea developed a smart home service application (SaaS), committed to promote the upgrading and optimization of smart appliances, launched Midea Smart Life Plan, and executed the smart life operation and service platform. Externally, Midea strengthened its cooperation with nearly 50 partners on the ecological chain. It entered into strategic relationship with Huawei, IFLYTEK, State Grid, Dooya to develop smart home together. It worked with OnStar to seamlessly connect the Internet of Vehicles with smart home in order to provide smart home users broader experiences. It also cooperated with well-known universities and institutes worldwide on the core technologies of IoT and achieved breakthrough in key areas such as the development of core SIP communication module, combination of three networks module, audio + communication module, security strengthening, smart cloud 2.0 upgrading, etc. which have leading positions in the industry.

- 4) Making further investment in developing overseas market, improving the development of overseas sales platform, and increasing OBM sales

Making further investment in developing overseas market, transforming the business model from

“exporting from China” to “local operations overseas”, expanding the product categories for overseas manufacturing, promoting localization of manufacturing and supply chain, and improving the product qualities of overseas factories; enhancing the consumer research in various countries, strengthening overseas channels, improving the brand image of Midea-owned brands, and improve the product competitiveness at local markets; enhancing the risk control and after-sales service support for overseas sales, unifying the standard for overseas logistics and services, and setting up overseas logistics platform. In the first half year of 2016, Midea’s export business grew approximately 14% year-on-year, inventory has been significantly lowered down, margins and operation efficiency have been largely improved.

5) With a global view, strengthening positions in the industry and exploring new industries

In the first half of 2016, Midea has launched three international M&A deals and strategic cooperation with total value exceeding RMB30bn.

The strategic cooperation with Toshiba home appliance business has been completed. Through this transaction, Midea acquired 80.1% stake in Toshiba Lifestyle Products & Services Corporation (“TLSC”), the home appliance arm of Toshiba Corporation. Midea obtained 5,000 IP assets and is licensed to use the Toshiba brand worldwide for 40 years. This transaction will improve Midea’s capability in branding, technology, channel and manufacturing so as to strengthen Midea’s global influence and competitiveness.

As part of the “Smart Home + Intelligent Manufacturing” strategy, Midea launched a voluntary public tender offer for all shares in KUKA AG (KUKA), a leading global supplier of intelligent automation solutions. By the end of the tender offer acceptance period, 81.04% of all existing shares of KUKA were tendered into the offer. The total number of KUKA shares tendered during the regular and additional tender period, in conjunction with the 13.51% KUKA shares indirectly held by Midea prior to the takeover offer, results in a total of 94.55% of the issued share capital in KUKA.

In 2016H1, Midea has entered into a Definitive Agreement with the shareholder of Clivet S.p.A for the acquisition of 80% stake in Clivet. Benefited from Clivet’s position in commercial air conditioner industry in Europe, Midea will further improve its market share of large-capacity commercial air conditioner in Europe as well as worldwide.

6) Building a highly efficient operation scheme, strengthening lean management through the

complete value chain

Midea 632 IT project, which covers 6 operation systems, 3 management platforms and 2 technical platforms, has been fully launched, which further enhanced the Company's management principle of "One Midea, One System, One Standard" and helped the overall improvement in every business fields of Midea.

Midea has been pushing forward lean management through the whole value chain. T+3 order based production planning scheme changes production planning from base on manufacturer self-evaluation to base on customer ordering, which reduces lead time and accelerated turnover. From distribution side, Midea tries to persuade its customers to change their mindset and to improvement ordering and inventory management. From supply chain side, Midea enhanced its management of exclusive suppliers and introduced good quality suppliers. From R&D side, Midea continues to reduce SKUs, reduce the number of materials and improve standardization. From manufacturing side, Midea upgraded manufacturing through implementing flexible production, automation, and lean management. The T+3 scheme has effectively improved inventory turnover and reduced warehouse area which leads to improvement of operational efficiency.

7) Continuously launching long-term incentive plans, improving corporate governance

This year Midea launched the third term of share option plan for mid to high level management employees, and the second term of Partnership Program (ESOP) for core senior management people which aims to change professional managers to partners and link the interests of management with the long term value of the Company. Partnership Program and share option plan aligned the interests of senior management, key employees and shareholders together and largely improved the corporate governance of the Company.

The main tasks for the second half of 2016 are as follows:

a. Focusing on the home appliance and HVAC industry, to continuously push forward the transformation and upgrade of existing business; focusing on R&D, to ensure the steady improvement of product competitiveness; focusing on users, to further develop differentiation products and product innovation, and to ensure the unique technology capability and product competitive advantages of Midea products.

b. Continue to apply the lean management philosophy and methods through the whole value chain,

extending the T+3 scheme with an aim to further lower down inventory level, optimize inventory structure, shorten cash conversation cycle, and improve efficiency criteria.

c. Adhere to the Smart Home and Intelligent Manufacturing Strategy, embracing the opening, cooperative, mutual benefiting and win-win philosophy, and providing better quality and more convenient smart home user experience

d. exploring the international strategic markets, further driving the globalization of Midea, improving the global competitiveness of Midea, ensuring the post-acquisition integration of Toshiba transaction as well as other M&A projects, and ensuring a good entry and positioning in new industries such as robotics industry.

e. continuously improving corporate structure and systems, paying attention to the training of talents and recruitment of professionals, improving the corporate atmosphere and innovating long term inventive plans.

YoY changes in key financial data

Unit: RMB'000

	2016H1	2015H1	YoY Change (%)	Main reasons for change
Operating revenues	77,522,287	82,509,144	-6.04%	
Operating costs	54,866,160	59,878,906	-8.37%	
Selling expenses	8,185,178	8,986,099	-8.91%	
Administrative expenses	3,690,059	3,604,757	2.37%	
Financial expenses	-905,261	-778	-116,257.46%	Mainly due to the interests' income and foreign exchange gains.
Income tax expenses	1,946,671	1,808,007	7.67%	
Net cash flows from operating activities	8,129,163	8,815,673	-7.79%	Mainly due to the loan providing business of Midea financing company. Net cash flow from operating activities excluding the loan business has actually increased 9%.
Net cash flows from investing activities	-16,336,731	-8,825,101	85.12%	Mainly due to the increased investment activities.
Net cash flows from financing activities	13,246,447	272,708	4,757.37%	Mainly due to borrowing loans and issuing bonds.

Net increase in cash and cash equivalents	5,109,499	234,907	2,075.12%	Reasons mentioned above.
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Major changes to the profit structure or sources of the Company in the Report Period:

Applicable Inapplicable

No such cases in the Report Period.

Report Period progress of any development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

Applicable Inapplicable

No such cases in the Report Period.

Report Period progress of any operating plans previously disclosed by the Company:

In the Report Period, we moved forward with all of our tasks according to our schedules of the beginning of the year and progress has been made. For details, see "I Overview" in this section.

III Main business breakdown

Unit: RMB'000

	Operating revenue	Operating cost	Gross margin (%)	YoY change in operating revenue (%)	YoY change in operating cost (%)	YoY change in gross margin (%)
By business segment						
Manufacturing	70,661,932	48,885,454	30.82%	-6.86%	-10.24%	2.61%
Logistics transportation	905,094	836,276	7.60%	7.95%	14.68%	-5.42%
By product						
Large home appliances	48,282,097	33,090,488	31.46%	-11.41%	-13.83%	1.92%
Air conditioners and components	34,199,997	22,894,273	33.06%	-20.12%	-23.35%	2.82%
Refrigerators and components	6,701,367	4,955,414	26.05%	11.18%	9.99%	0.79%
Washing machines and components	7,380,733	5,240,801	28.99%	30.52%	30.06%	0.25%

Small household appliances	20,368,484	14,182,924	30.37%	5.38%	-1.12%	4.59%
Motors	3,610,901	3,091,178	14.39%	-4.83%	-5.86%	0.94%
Logistics	2,182,447	1,986,472	8.98%	5.75%	3.74%	1.76%
By geographical segment						
PRC	40,240,886	26,163,392	34.98%	-18.56%	-22.24%	3.08%
Other countries and regions	31,326,140	23,558,338	24.80%	14.77%	9.34%	3.74%

Note: In order to help investors learn about the actual scale of operation and operational capability of motors and logistics, the above mentioned data include the intercompany sales of motors and logistics within the Company. Please refer to the notes to the financial statements in this Annual Report for the data excluding the intercompany sales amount.

IV Core competitiveness analysis

1. Midea is a world leading consumer appliance and HVAC industrial conglomerate and its major product categories have a leading position in the industry, which enables the Company to provide one-stop full service high quality home appliance solutions to users.

Midea is the only home appliance and HVAC manufacturer in China with fully integrated value chain and widest product categories. With its industry-leading technologies and manufacturing capabilities in key components of home appliances such as compressors, motors, magnetrons, and its strong logistics and service capabilities, Midea has obtained fully integrated value chain including R&D of key components and finished goods, as well as in-house manufacturing and sales. Midea brand is a very well-known brand in China for home appliances and HVAC products. A wide range of product categories have leading positions in the industry which enable the Company to provide systematic and competitive home appliances solutions to the consumers as well provide synergies in banding, bargaining with supplier, consumer research and R&D cross all categories. Facing the development trend of smart appliances in the future, the compatibility, collaboration and interaction between home appliances become increasingly important. With such wide range of product categories, Midea has competitive advantages in building smart home platform and providing systematic solutions to consumers.

2. Midea is able to integrate worldwide R&D resources and has world leading R&D and technology

innovation capabilities

Midea is committed to building a globally competitive and multi-tier R&D scheme and acquiring world leading R&D technologies and capabilities. According to the *2016 State of Innovation* published by Thomson Reuters, Midea Group is ranked highest among *Top 10 Global Innovators–Home Appliances (2015)* and *Top 10 Kitchen Innovators–Asia (2011-2015)*. The Company has invested in setting up a global innovation center, recruiting high-end talents, as well as R&D centers in the USA, Germany, Singapore, South Korea, Japan, Italy, Shanghai, and Shenzhen. The Company keeps close cooperation relationship with over 30 universities or research institutes inside and outside of China such as Tsinghua University, Zhejiang University, MIT, UCB, Stanford, etc. Meanwhile, the Company also pays attention to commercialize the R&D achievements. Based on user-centered design, the Company launched high-efficient cooling, heating, as well as Child Star air-conditioners, smart detergent auto-dispense washer/dryer combination, “Steaming Cubic” micro-wave oven, IH smart rice cooker, steaming auto-cleaning hoods, smart water heater and smart water purifier, etc. which are highly recognized by the consumers.

3. Midea has achieved its overseas OBM business positioning, relying on its world-leading manufacturing capability, scale advantages, diversified product mix as well as worldwide production facilities

With its world-leading production scale and experiences, diversified product mix, and worldwide manufacture facilities, Midea has built its rapid expansion capability in emerging markets which meanwhile strengthened its capabilities for competing in developed markets. In many product categories, Midea is one of the largest manufactures or branding sales worldwide. With such large scale production, the Company has its competitive advantages in high efficiency and cost saving which makes very hard for other manufacturers to compete. Overseas sales have accounted for over 40% of the total revenue of the Company, and various products have been exported to over 200 countries and regions. Through long-term cooperation with international companies, Midea has gained deep understanding of product features and requirements for overseas markets. By way of setting up joint ventures, Midea has effectively enlarged its sales channels and improved its experiences in overseas markets and transformed its business mode from “exporting from China” to “local productions overseas”.

4. Midea has extensive and solid channels which secured stable growth for both online and offline business development

After years of effort and development, Midea has shaped broad and deep channels nationwide. In the mature tier one and two markets, Midea has kept close cooperation with national large chain stores like Suning and Gome. In the large tier three and four markets, Midea mainly depends on flagship stores, specialty store, traditional channels as well as modern channels as enhancement. Channel retailing stores have covered tier one and two markets completely and 95% of tier three and four markets. Midea's competitive advantages in brands, products, offline channels and logistics capabilities have effectively strengthened its competitiveness in online sales. Midea has already become the largest home appliances manufacture for online sales.

5. Modern corporate governance and incentive schemes have formed solid foundation for the sustainable development of Midea

Midea pays high attention to its governance structure, risk control, as well as centralization and decentralization of powers. The Company has built an established professional manager system. Multidivisional structure has been in operation for many years, which adopts decentralization and performance-oriented incentive scheme, and has become the training and development platform for professional managers. The senior management of Midea are all professional managers and on average have worked at the Company for 15-20 years. They all have extensive industry and management experiences, deep understanding of global and Chinese home appliance industry and are able to guide the development of the Company to the right direction. Such governance structure secures the sustainable development of the Company.

Currently, senior management and core management personnel, via directly or indirectly holding Midea shares and participating in the share option plans or "Partnership Program", have aligned their interests with shareholders, with incentive schemes combining both long-term and short-term interests.

V Analysis of investments

1. External equity investments

(1) External investments

Applicable N/A

External investments		
Investment in the Reporting Period (RMB)	Investment in the same period of last year (RMB)	Change (%)

4,767,935,220	965,815,780	393.67%
Investees' profile		
Name of investee	Main business	The Company's investment as a percentage of the investee's total equity interests (%)
Toshiba Lifestyle Products & Services Corporation	Production and sale of home appliances	80.10%

(2) The Company's shareholdings in financial corporations

√ Applicable □ N/A

Company name	Type of company	Initial investment amount (RMB'000)	Number of shares held at the beginning of the period	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period	Shareholding percentage at the end of the period (%)	Carrying value as at the end of the period (RMB'000)	Gain or loss for the Reporting Period (RMB'000)	Accounting title	Source of shares
Golden Eagle Asset Management Co., Ltd.	Fund company	50,000	50,000,000	20.00%	50,000,000	20.00%	38,377	3,932	Long-term equity investment	Promoter shares in establishment
Bank of Jiangsu Co., Ltd.	Commercial bank	13,220	5,232,676	0.05%	5,232,676	0.05%	13,330		Long-term equity investment	Non-public issue
Hubei Bank Corporation Limited	Commercial bank	5,000	5,870,266	0.17%	5,870,266	0.17%	5,000		Long-term equity investment	Non-public issue
Foshan Shunde Rural	Commercial bank	1,318,540	328,874,160	9.69%	373,085,433	9.69%	1,530,330	134,315	Long-term equity	Non-public issue

Commercial Bank Company Limited									investment	
Zhangshu Shunyin County Bank Company Limited	Commercial bank	6,000	6,000,000	6.00%	6,000,000	6.00%	6,000		Long-term equity investment	Non-public issue
Fengcheng Shunyin County Bank Company Limited	Commercial bank	6,000	6,000,000	6.00%	6,000,000	6.00%	6,000		Long-term equity investment	Non-public issue
Total		1,398,760	401,977,102	--	446,188,375	--	1,599,037	138,247	--	--

Note: Bank of Jiangsu Co., Ltd. went public via the Shanghai Stock Exchange on 2 August 2016.

(3) Securities investments

Applicable N/A

No such cases in the Reporting Period.

(4) Shareholdings in other listed companies

Applicable N/A

No such cases in the Reporting Period.

2. Entrusted asset management, derivatives investments and entrusted loans

(1) Entrusted asset management

Applicable N/A

Unit: RMB'0,000

Name of trustee	Related party or not	Whether it is a related-	Product type	Value of entrusted assets	Comment date	Termination date	Method of remuneration	Actual principal amount	Amount provided for	Projected income	Actual gain or loss

		party transact ion					ration	recovere d for the period	impairme nt (if any)		amount for the period
Bank	No	No	Bank financial product	2,217,890	2016.01. 01	2016.12.3 1	As agreed	963,252	-	49,320	49,320
Total				2,217,890	--	--	--	963,252	-	49,320	49,320
Source of entrusted assets				All from the Company's own funds							
Cumulative amount of principals and profits overdue				0							
Litigations involved (if applicable)				N/A							
Disclosure date of the announcement about the board's consent for the asset management entrustment (if any)				2016.03.26							
Disclosure date of the announcement about the general meeting's consent for the asset management entrustment (if any)				2016.04.27							

(2) Investments in derivative financial instruments

Applicable N/A

Unit: RMB'0,000

Opera ting party	Rel ated part y or not	Wh ethe r it is a relat ed-p arty tran sact ion	Type of deriva tive	Initial investme nt amount	Comme ncemen t date	Termina tion date	Investme nt amount at the beginning of the period	Purcha sed amount in the Reporti ng Period	Sold amou nt in the Report ing Perio d	Amount provide d for impairm ent (if any)	Investme nt amount at the end of the period	Ratio of investm ent amount at the end of the period to the Compa ny's net assets at the end of the period (%)	Actual gain or loss amount for the period
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Futures company	No	No	Futures contracts	748.20	2016.01 .01	2016.12 .31	748.20	-	-	-	23.90	0.01%	895.70
Bank	No	No	Forward forex contracts	-8,414.40	2016.01 .01	2016.12 .31	-8,414.40	-	-	-	-50,875.4	-27.55%	-47,438.60
Total				-7,666.20	--	--	-7,666.20	-	-	-	-50,851.5	-27.54%	-46,542.90
Source of derivatives investment funds				All from the Company's own funds									
Litigation involved (if applicable)				N/A									
Disclosure date of the announcement about the board's consent for the derivative investment (if any)				2016.03.26									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				2016.04.27									
Risk analysis of positions held in derivatives during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)				<p>For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p>									

	<p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
<p>Changes in market price or fair value of derivatives product invested during the Reporting Period: specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives</p>	<p>1. Gain/loss from futures hedging contracts incurred during the Reporting Period was RMB8,957,000;</p> <p>2. Gain/loss from forward forex contracts incurred during the Reporting Period was RMB-474,386,000;</p> <p>3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.</p>
<p>Explanation of significant changes in accounting policies and</p>	<p>N/A</p>

specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period	
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

(3) Entrusted loans

Applicable N/A

No such cases in the Reporting Period.

3. Use of raised funds

Applicable N/A

No such cases in the Reporting Period.

4. Analysis to major subsidiaries and investees

Applicable N/A

Particulars about major subsidiaries and investees:

Company name	Company type	Industry	Principal products or services	Registered capital (RMB'0,000)	Total assets (RMB million)	Net assets (RMB million)	Operating revenues (RMB million)	Operating profits (RMB million)	Net profits (RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	Home appliances	USD7,200.00	12,402	2,598	5,932	683	592

Guangdong Midea Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing of home appliances	Air conditioners	RMB85,400.00	29,875	3,561	15,100	935	818
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	Home appliances	USD4,200.00	6,934	1,839	3,461	713	617
Wuhu Midea Kitchen & Bathroom Electric Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	Water heaters	RMB6,000.00	4,087	587	3,151	436	463
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	Subsidiary	Manufacturing of home appliances	Air conditioners	RMB30,000.00	6,141	1,140	5,047	663	594

5. Major investments not financed by raised funds

Applicable N/A

No such cases in the Reporting Period.

VI Forecast of business performance from January to September in 2016

Warning about an estimated major change in the aggregate net profit from the beginning of the year to the end of the next Reporting Period compared with the same period in the previous year and explanation for the change:

Applicable N/A

VII Explanations by the Board of Directors and the Supervisory Committee regarding the "non-standard auditor's report" issued by the CPAs firm for the Reporting Period

Applicable N/A

VIII Explanations by the Board of Directors regarding the "non-standard auditor's report" issued by the CPAs firm for last year

Applicable N/A

IX Profit distribution plan carried out during the Reporting Period

Profit distribution plan carried out during the Reporting Period, especially the execution of or the adjustments to the parts in the plan about cash dividends and turning capital reserves into share capital:

Applicable N/A

The 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital was carried out during the Reporting Period, which is detailed as follows: Based on its total of 4,267,391,228 shares, the Company would distribute a cash dividend of RMB12.00 (tax inclusive) per 10 shares to all shareholders, resulting in a total cash dividend payment of RMB5,120,869,473.60. The remaining undistributed profit would be carried forward for future distribution. And the Company would also increase shares of all shareholders by converting capital reserves into share capital on the basis of 5 additional shares for every 10 shares, representing a total increment of 2,133,695,614 shares.

The said plan was reviewed and approved at the Sixth Meeting of the Second Board of Directors on 24 March 2016 and later at the 2015 Annual General Meeting on 26 April 2016. And the Announcement on Implementation of the 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital was disclosed on 29 April 2016. The book closure date for this profit distribution & conversion of capital reserves into share capital was 5 May 2016, and the ex-right and ex-dividend date was 6 May 2016. The implementation of the said plan has been finished in the Reporting Period.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and the resolution of the general meeting:	Yes
Specific and clear dividend standard and ratio:	Yes
Complete decision-making procedure and mechanism:	Yes
Independent directors fulfilled their responsibilities and played their due role:	Yes
Minority shareholders have the chance to fully express their opinion and desire and their legal rights and interests were fully protected:	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent:	N/A

X Pre-plan for profit distribution and turning capital reserves into share capital for the Reporting Period

Applicable N/A

The Company plans not to distribute cash dividends or bonus shares or turn capital reserves into share capital for the first half of 2016.

XI Visitors in the Reporting Period

Applicable N/A

The Company attaches great importance to communication with investors. In the first half of 2016, it directly communicated with more than 700-person-time investors in various ways.

Date	Place	Occasion	Type of visitor	Visitor	Main talking points with investors and materials provided by the Company
2016-1-6	Hong Kong	Strategy meeting	Institution	Farallon, Acru Asset Management, BosValen Asset Management, CICC AMD, CITIC Securities International, China Huarong International, China Innovation Capital, China International Fund, First Beijing, Fundatech Capital, Greenwoods Asset Management Hk, Ing&Share Investment, Pacific Eagle, Pictet, Rays Capital Partners, Shenwan Hongyuan Asset Management, Shinhan Bnp, Sichuan Golden Nest Capital Management, Sinochem HK Group, Summitview Capital, Telligent, Trivest Advisors, Ward Ferry, Winnington Capital, Yuanta Funds, LBN Advisers, Zeal Asset Management, Trilogy, Springs Capital, JP Morgan Asset Management, FIL, Value Partners, Balyasny, Bocom International Asset Management, CI Investments, CQS, Harvest Global, JK Capital, Lizard Investors, Modus, Neuberger Berman, Pinebridge, Samsung AM, Standard Pacific Capital, Och-Ziff	Main talking points with investors included: (1) industry and development status; (2) condition of business and development strategies; (3) periodic report released by other companies and other contents involved. Materials:
2016-1-12	Beijing	Strategy meeting	Institution	Wellington Management, New Silk Road, Lone Pine Capital, Khazanah Nasional, J.W.Childs, Invesco, Sirios Capital, Ariose Capital Management, CPPIB, QVT Financial, Landmark Group, Tairen Capital, Bayerninvest, Teng Yue Partners, Brilliance CM,	periodical report, announcement and other information disclosure.

				Impax AM, Baring AM, Wealth Oasis, Asiya Investments, Flowering Tree IM, Discovery Bay Capital, Exabyte CM, China Investment Corporation, Hillhouse CM, Harvest FM, Manulife AM, GMT Capital, Prudence IM, Xingtai CM, Eastspring, Aberdeen AM	Except institutional investors, the Company pays great attention to communications with individuals and other minority investors by phone, email and interactive platform in replying to all questions and suggestions that need special attention.
2016-1-13	Shanghai	Strategy meeting	Institution	JP Morgan Asset Management, Wellington Management, FIL Investment Management, Goldman Sachs Investment Partners, Indus Capital, Matthews Asia, Morgan Stanley Investment Management, Alliance Bernstein, DePrince Race & Zollo, Yiheng Capital, Capital World Investors, AR Capital, BlueCrest Capital, Carrhae, Columbia Threadneedle, Farallon Capital Asia Pte Ltd, Fidelity Management & Research, Marshall Wace Asia Limited, Prime Capital Management, Schroders, Barrow Hanley Mewhinnery & Srauss, Invesco, Kingsmesd Asset Management, Neuberger Berman, Oaktree Capital Management, Oxbow Capital Management, Pleiad Investment, Seatown, Zaaba Capital	
2016-1-15	The Company	On-Site survey	Institution	DBS Vickers	
2016-1-15	The Company	Phone talk	Institution	Fidelity Fund	
2016-1-20	The Company	Phone talk	Institution	Southeastern Asset Management	
2016-1-21	The Company	Phone talk	Institution	Nan Shan Life Insurance	
2016-1-21	The Company	On-Site survey	Institution	Hanlun Investment	
2016-1-26	The Company	On-Site survey	Institution	Mingda Capital	
2016-1-27	The Company	On-Site survey	Institution	Mitsubishi UFJ International Investment Trust	
2016-1-29	The Company	Phone talk	Institution	Fubon Securities	
2016-3-28	The Company	Results presentation	Institution	Gold State Securities, Ginkgo Winfine Investment, Shangcheng Asset, Tebon Securities, Guohe Fund, ICBC, Industrial Securities, Banyan Partners, Shanghai Honghu Investment, CITIC Wings Asset, Capital International	
2016-3-29	The Company	Phone talk	Institution	Guotai Investment, Fuh Hwa Securities Investment Fund, MassMutual Mercuries Life, United Investment Trust, Franklin Huamei Investment Trust	
2016-4-5	Hong Kong	Roadshow	Institution	HSBC Global Asset Management, Value Partners	

			on	Limited, Zeal Asset Management, China Alpha Fund, UBS Global Asset Management, Point 72, Blue Ocean Asset Management, CCB International Asset Management, Q Fund Management, Winnington Capital Limited, Zaaba Capital, China International Fund Management, Goldman Sachs, Telligent, Light & Salt, Atlantis Investment Management Ltd
2016-4-6	Hong Kong	Roadshow	Institution	Fidelity International, JP Morgan Asset Management, Eton Park Capital, Acru Asset Management, BOCI Prudential, Goldman Sachs Asset Management, LBN Advisers, Light & Salt Capital Management, Overlook Investments, Springs Capital, Trilogy Partners, Neuberger Berman Asia, Summitview Capital Management, Fundatech Capital
2016-4-7	The Company	On-Site survey	Institution	RBC Global
2016-4-7	The Company	Phone talk	Institution	Laxey Partners Limited (LPL), Somerset Capital Management LLP, Seafire Capital, Santa Lucia Asset Management, Samoa Capital, Rays Capital, Prusik Investment Management LLP, Threadneedle Asset Management Ltd, M&G Investment Management Limited, JP Morgan Asset Mgmt UK Ltd (GEM Team), J O Hambro Capital Management Ltd, Ivaldi Capital, Investec Asset Management Ltd, HSBC Global Asset Management (UK) Ltd, Bank Vontobel AG, Delta Lloyd Asset Management NV, Cederberg Capital UK LLP, Citic Securities, Carrhae Capital LLP, azValor Asset Mangement
2016-4-8	The Company	On-Site survey	Institution	Baillie Gifford
2016-4-8	The Company	Phone talk	Institution	Fidelity Fund
2016-4-11	The Company	Phone talk	Institution	American Century
2016-4-11	The Company	On-Site survey	Institution	Stewart, Odey, Millennium, Shengshu Investment
2016-4-12	The Company	Phone talk	Institution	Indus Capital
2016-4-12	The Company	On-Site survey	Institution	Fidelity Fund
2016-4-13	The Company	Phone talk	Institution	Fidelity Fund (London)
2016-4-14	The	On-Site	Institution	Aberdeen

	Company	survey	on	
2016-4-21	The Company	On-Site survey	Institution	Somerset Capital
2016-4-22	The Company	On-Site survey	Institution	Canada Pension Fund Investment Company
2016-4-25	The Company	Phone talk	Institution	Broad Peak
2016-4-27	The Company	On-Site survey	Institution	Capital, CLSA, DB, F&H Fund Management, Greenwood, GTM, HSBC, Modus Asset Management, Morgan Stanley, Neuberger Berman, Oberweis Asset, OTPP, Overlook Investments, PPLC, Robeco Investment, UBS Asset Management, UG Investment, Ward Ferry, Essence Securities, Bisheng Investment, Deepwater Capital, Bosera Asset Management, Caihua Capital, Da Cheng Fund, Temasek, Oriental Marathon Investment, ESAM Asset, Fosun Group, Fidelity Fund, Fullgoal Ansheng, Hill House Capital, Guanjun Asset, Everbright Prudential, GF Securities, Guangzheng Hang Seng, Sinolink Securities, Guotai Junan Securities, Haitong Securities Assets, Xingzhi Venture Capital, Citibank, Harvest Fund, Gold State Securities, Neo-Criterion Capital, Macquarie Securities, Mingda Asset Management, JP Morgan, Qianfang Fund, Rayfund, Cephei Capital, Qianxin Investment, Wanfeng Youfang Investment, Shenwan Hongyuan, Shenwan Hongyuan Securities (Hong Kong), Schroeder, Taiping Asset Management(Hong Kong), Taikang Asset Management, Golden Nest Capital, Industrial Securities, Yiheng Capital, Yongan Gainful Asset, Yongjin Investment, Yuanwang Asset, Changjiang Securities, Long-term Investment, Zheshang Securities, Galaxy Securities, CITIC Securities, Zhuhai Common Growth Fund
2016-4-28	Shenzhen	Strategy meeting	Institution	Shin Kong Life, Hua Nan Investment Trust, China Life Insurance
2016-5-4	Hong Kong	Strategy meeting	Institution	Putnam, Baring Asset, Brilliance, Deepwater Capital, Fuh Hwa, Modus Asset, Robeco, Springboard, Trivest, Allianz Global, Bosvalen Asset, Central Asset, China Asset, Edmond De Rothschild, OTPP, Oberweis Asset, Rays Capital, Viking, Zeal Asset, Trilogy, HSBC, Och-Ziff, Acru Asset, Alphalex Capital, Asiya, BEA Union, CICC HKAM, Capital Group, Daiwa SB investments, Eastspring Investments, Franklin Templeton, Hedgestone Capital, JT Capital, Kontiki

				Capital, Lockheed Martin, Marco Polo Pure AM, Minmetals Capital, Mirae Asset, Nexus IM, Nezu Asia, Oxbow Capital, Q Fund, RHB Asset, Senrigan Capital, Yiheng Capital, iVenture Investment
2016-5-6	Shenzhen	Strategy meeting	Institution	Doric Capital, Gemway Assets, Gsam gems team, Indus Capital, Pacific Alliance Im, Prudential Financial Securities, Newport Asia, Allianz Global Investors, Atlantis Im, BNP Paribas AM, Comgest, Macquarie Private Wealth, Amundi Asset Management, China Asset Management, Mirae AM, Point72 Asset Management, UBP Asset Aanagement, J.P.Morgan AM PRG
2016-5-9	Chengdu	Strategy meeting	Institution	Columbia Mgt Inv Advisers, Harvest Global Investments, Invesco Advisors, Atlantic Investment Management, Axa Investment Managers Asia, Henderson Global Investors, Wells Capital Management, Ruffer LLP, CIM Investment Management, Allianz Global Investors Asia Pacific, Fidelity
2016-5-11	The Company	On-Site survey	Institution	New Idea Investment
2016-5-12	Hong Kong	Strategy meeting	Institution	GIC, Capital World, Gavekal Asia, Morgan Stanley AM, Nezu Capital, JPMorgan AM, Capital Research Global, Baring AM, BEA Union IM, BlackRock IM, BNP Paribas AM, China Investment, Comgest Far East, Fullerton Fund, Marshall Wace AM, Marshall Wace North America, Newton Inv Mgmt, Rochkhampton Management HK, Samsung Investment, Trivest Advisors, Acion Partners, Allianz RCM, BOCI Prudential AM, Everpoint AM, Indus Capital Mgmt, Janchor Partners, Pinebridge Investments Asia, Point72 AM, Rays Capital Partners, Schroder Inv Management HK, UBS wealth Management
2016-5-13	The U.S.	Roadshow	Institution	Wellington Management, Oaktree Capital Management, Thornburg Investment, Harvard Management Co., Neon Liberty Capital Management, Tiger Pacific Capital, Caxton Associates LP, Sanoor Capital, Indus Capital Partners, Ashmore Equities Investment Management, Harding Loevner LP, RS Investments, Arrowgrass, Moore Capital Management, Visium Asset Management, JPMorgan Asset Management, Lazard Asset Management, Advent Capital Management LLC, Greyson Capital Management, Joho Capital LLC, GLG Partners,

				Truck Capital, Marvin & Palmer, Expedition Investment Partners, Global Thematic Partners, Kingdon Capital Management LLC, Teng Yue Partners, Oppenheimerfunds Inc, Kylin Management LLC, Lone Pine Capital, Franklin Mutual Advisors LLC, Fidelity Management and Research, Granite Point, Evergreen Investment Management Company LLC
2016-5-16	Shenzhen	Strategy meeting	Institution	Schroders, Wellington, Manulife Asset Management, Myriad Asset Management, J.P. Morgan Asset Management, Columbia Threadneedle, Navigator Asset Management, Thornburg Investment Management, TPG-Axon, Allianz Global Investors, Matthews International Capital Management, Prince Street Capital Management, Value Partners
2016-5-16	The Company	On-Site survey	Institution	E Fund Management
2016-5-18	The Company	On-Site survey	Institution	Genesis
2016-5-19	The Company	On-Site survey	Institution	Morvern Investments, WaveStone
2016-5-19	Shenzhen	Strategy meeting	Institution	Bosera Asset Management, Penghua Fund, Essence Securities, Invesco Great Wall, Great Wall Fund, Homeocapital, First Capital Securities, Yimin Fund, China-Europe Rabbit Fund Management, Qianhai Ankang Investment, Hengda Finance, Flying Financial, Jin Zhen Investment, Etock Capital, GR Asset, Foresea Life Insurance, Gold State Securities
2016-5-25	Beijing	Strategy meeting	Institution	Eastbay Asset Management, Henderson Global Investors, Lone Pine Capital, Miura Global Partners, Turiya Capital Management, Keywise Capital, QVT Financial, Goldman Sachs Investment Partners, Janchor Partners, Pleiad Investment Advisors, Saga Tree Capital Advisors, State Street Global Advisors, Quest Management Inc, State Street Global Advisors, GIC, All-Stars Investment, Moore Capital, UBS Asset Management, All-Stars Investment, Neuberger Berman Asia, Zaaba Capital, Cevian Capital, Ariose Capital, Boyu Capital, Nomura Asset Management, Norges Bank Investment Management, Ivaldi Capital, T Rowe Price, Ariose Capital, Janus Capital Group, Prime Capital Management, Coatue Management, China Asset Management, Robeco Groep, SPQ Asia Capital, UG Investment Advisors, Ward Ferry Management, Oberweis Asset Management,

				Composite Capital, JP Morgan Asset Management, Fidelity Worldwide Investment
2016-5-25	Singapore	Strategy meeting	Institution	Janus Capital, Putnam Investments, Point72 Asia, Goldman Sachs, Credit Suisse, CIMB Principal, Kingsmead, Millennium, Ellis Munro, Nomura, MFS Investment, Old Mutual, Goldman Sachs, Broad Peak, Eastspring Investment, Bank Negara Malaysia, Southeastern Asset Management, Flowering Tree Investment Management, Citic Securities International, Prince Street, CPP Investment Board, Lion Global, Amundi, GIC, Fidelity, Wellington Management, Aberdeen, Seatown Holdings, Shaw Spring, Truston, Fullerton Fund Management, Somerset Capital Management
2016-5-27	Hangzhou	Strategy meeting	Institution	Yinhua Fund, Chang Xin Assets Management, Fortune SG Fund, JIC Group, Tianhong Asset Management, CUAM, Harvest Fund, Neuberger-Berman, Runhui Investment, New Thought, ABC-AC Fund, Pinpoint Investment, Khazanah Nasional Berhad, Temasek Holdings, First State Cinda Fund
2016-5-31	Shenzhen	Strategy meeting	Institution	Point72 AM, AP AM, China AM, DIAM, Comgest, Julius Baer Group Ltd, Modus AM, Prime CM, Q Fund Management, Marshall Wace, Capital Research And Management, Acion Partners, Broad Peak, Keywise CM, Mirae Asset, Sumitomo Mitsui AM, Turiya Advisors, HSBC Global AM, Value Partners, Latimer Light Capital, Magnolia CM, Modus AM, Seatown Holdings, Serenity CM, Greenwoods AM, Investec AM, Pinpoint AM
2016-6-1	The Company	Phone talk	Institution	Yulan Capital
2016-6-1	The Company	Phone talk	Institution	Davidson Kempner European Partners
2016-6-3	Shenzhen	Strategy meeting	Institution	SAIF Partners, Deutsche Bank, RHB AM, Fair China Focus Fund, Farallon Capital, Taiping AM, Overlook Investments
2016-6-6	The Company	On-Site survey	Institution	Ellerston Capital
2016-6-7	Shenzhen	Strategy meeting	Institution	Atlantis Investment, Fullgoal Asset Management, Indus Capital, Lombard Odier, Blue Pool Capital, Elevation Capital Management, Gemboom Investment, Q Fund Management, Allianz Global

				Investors, Balyasny (BAM) Asset Management, Gloung Capital, Morgan Stanley, First State Stewart, Fidelity
2016-6-8	The Company	Phone talk	Institution	Yuanta Funds, China Life Insurance, Franklin Investment Trust, KGI Research Department
2016-6-14	Beijing	Strategy meeting	Institution	NBIM, Fidelity Management&Research, C I Funds, CIC, GIC, Investec AM, JP.Morgan AM, Black Creek IM, GLG Partners(UK), Nezu Asia CM, TPG Capital, Fidelity International(UK), Bank Negara Malaysia, Mirae Asset Global, Public Mutual Bhd, York Capital Management, Mondrian Investment Partners
2016-6-15	Hong Kong	Strategy meeting	Institution	CouplandCardiff Management, Morgan Stanley, Keywise Capital Management, APG Asset Management, Ellis Brandy Management, Apollo Investment Management, Power Pacific Corporation, Deutsche Asset Management, GAM, Bosheng Capital Management, GMT Capital, Sumeru Capital, Bank Julius Bar, Mirae Asset Global Investment, TT International, Black Creek Investment Management, GaveKal Capital, ClearBridge Investments, Q Fund Management, Millennium Capital Management, China Asset Management
2016-6-15	Guangzhou	Roadshow	Institution	City National Rochdale
2016-6-15	Guangzhou	Roadshow	Institution	Wary Ferry
2016-6-16	The Company	Phone talk	Institution	Port Meadow Fund
2016-6-17	Chengdu	Strategy meeting	Institution	Hongde Fund, CICC Fund, Yinhua Fund, ICBC, CIFM, COAMC, Dacheng Fund
2016-6-22	Taiwan	Strategy meeting	Institution	Eastspring Investment, Cathay Insurance, Mercuries Life Insurance, Cathay United Bank, SinoPac Securities, Development international, Venture Capital, Hequn Investment, China Trustee, Franklin Huamei Investment Trust, Nomura Trust and Banking, Yuanda Securities, KCI Investment Consultant, FH Investment, Pramerica Investment Trust
2016-6-23	Shanghai	Strategy meeting	Institution	Neuberger Berman, Schroders, KB Asset Management, Khazanah Nasional, Value Partners, Trivest, Spring River Capital, Perseverance Asset, Cathay Life Insurance, Yinhua Funds, Upright Finance, Granford Capital, Yongling Tonghui Finance, tral Asset Investments, Chongyang Investment, Fuhua Securities Investment Trust, Brilliance Capital, Starrock, Orchid Asia, Hongxi

				Assets,Xinyuan Assets, Western Securities, ICBC-AXA Life, Taiping Fund Management,Bin Yuan Capital, Point Assets, Fosun Group, Leadbank, Qianhai Highrun M&A Fund,Shanghai Xingzhi Venture Capital, Yuanshi Assets Management, Fenghe Asia, Asia Value Capital, Nomura Investment, Fubon Life Insurance, Xingju Capital, Yong Peng Investment
2016-6-23	Beijing	Strategy meeting	Institution	Sunshine Assets, China Asset Management,ICBC Credit Suisse, Harvest Fund, Yinhua Fund, NCAM, Huashang Fund, Zhongyou Fund, China Life Insurance, Taikang AMC
2016-6-27	The Company	Phone talk	Institution	Fubon Life Insurance, Nan Shan Life Insurance, Cathay Investment Trust, Cathay Life, Yuanta Baolai Investment Trust,Pramerica Investment Trust
2016-6-27	The Company	On-Site survey	Institution	Cathay United Bank in Taiwan
2016-6-28	The Company	Phone talk	Institution	Sumitomo Trust & Banking
2016-6-28	The Company	On-Site survey	Institution	Bosera Funds, Yinhua Fund, Changjin Investment, Elitimes, Huashang Investment, Guangdong Jingyang Investment
2016-6-28	The Company	On-Site survey	Institution	Nomura Asset Management
2016-6-29	Shenzhen	Strategy meeting	Institution	Ruiquan Capital, Zhongrong International Investment Trust, Yimin Fund, Hongyi Assets, Qianhai Life Insurance, Zhexin Yide, Jingtai Lifeng, Qianhai Housheng Assets, BNP PARIBAS, Guangcai Capital, Great Wall Securities, Baohong Assets Management, Qianhai Tianzu Capital, Shanghai Jinzhen Investment, Southern Ruitai, Huaxia Rongyi Shenzhen Investment Development, Xinding Fund, Zhongtie Baoying Assets,ABC, Shenzhen Warburg Investment, Youngy Investment, Yixing Investment,Chuang Shijie Capital, Caitong Fund

Section V Significant Events

I Corporate governance

The Company has been improving its corporate governance, building a modern corporate system and standardizing its operations in strict accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies* of the China Securities Regulatory Commission and other applicable laws and regulations. The governance of the Company in the Reporting Period complied with the *Company Law* and the CSRC requirements.

II Lawsuits

Material lawsuits and arbitrations

Applicable N/A

No such cases in the Reporting Period.

Other lawsuits

Applicable N/A

III Media criticism

Applicable N/A

No such cases in the Reporting Period.

IV Bankruptcy and reorganization

Applicable N/A

No such cases in the Reporting Period.

V Asset transactions

1. Acquisition of assets

Applicable N/A

Transaction party or its ultimate controller	Acquired asset	Transaction price (RMB'0,000)	Progress (note 2)	Effects on the Company's operation (note 3)	Influence on the Company's profit/loss (note 4)	Net profit contributed by the asset to the Company as a percentage of the Company's net profit (%)	Related-party transaction or not	Relationship with the transaction party (applicable for a related-party transaction)	Disclosure date (note 5)	Index to the disclosed information
Toshiba Corporation	A 80.1% stake of Toshiba Lifestyle Products & Services Corporation	331,470.84	Formalities for the equity transfer completed	Increasing Midea's global influence and overall competitiveness by improvement in brand, technology, channel, manufacturing capability, etc. through this acquisition	0	0	No	N/A	2016-07-01	www.cninfo.com.cn

Note: The consolidated financial statements for the Reporting Period include the balance sheet of Toshiba Lifestyle Products & Services Corporation for Toshiba Lifestyle and the Company have completed the formalities for the said equity transfer on 30 June 2016.

2. Sale of assets

Applicable N/A

No such cases in the Reporting Period.

3. Business combination

Applicable N/A

No such cases in the Reporting Period.

VI Implementation of any equity incentive plan and its effects

√ Applicable □ N/A

A. Overview of the First Stock Option Incentive Plan

a. The Company convened the Sixth Meeting of the Second Board of Directors on 24 March 2016, at which the Proposal for the Adjustments to the Incentive Receivers and Their Exercisable Stock Options of the First Stock Option Incentive Plan was reviewed and approved. As such, it was agreed to adjust the incentive receivers and their exercisable stock options for the First Stock Option Incentive Plan due to the leave, position changes and failure in the performance appraisal of some incentive receivers. Upon the adjustments, the incentive receivers decreased from 626 to 562, and their unexercised stock options were adjusted to 58,155,600 (including the unexercised stock options from the first exercise period).

The Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period of the First Stock Option Incentive Plan was also considered and approved. Due to the fact that the exercise conditions have grown mature for the second exercise period, a total of 559 qualified incentive receivers have been allowed to exercise 27,185,000 stock options in the second exercise period.

b. On 29 April 2016, the Announcement on Implementation of the 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital was disclosed by the Company, with a decision to distribute a cash dividend of RMB12.00 for every 10 shares to all the shareholders and increase shares of all shareholders by converting capital reserves into share capital on the basis of 5 additional shares for every 10 shares based on the total of 4,267,391,228 shares of the Company. The book closure date was 5 May 2016, and the ex-right and ex-dividend date was 6 May 2016.

The Company convened the Tenth Meeting of the Second Board of Directors on 9 May 2016, at which the Proposal for the Adjustments to the Number of Stock Options and the Exercise Price for the First Stock Option Incentive Plan was reviewed and approved. As the 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital had been carried out, the number of unexercised stock options for the First Stock Option Incentive Plan was changed from 58,155,600 to 87,233,400, the exercisable stock options for the second exercise period were revised from 27,185,000 to 40,777,500, and the exercise price was reduced from RMB17.72 per share to RMB11.01 per share.

c. Upon examination by the Shenzhen Stock Exchange and the Shenzhen branch of China Securities

Depository and Clearing Co., Ltd., the chosen and qualified incentive receivers for the First Stock Option Incentive Plan may choose to exercise their exercisable stock options in the second exercise period, which is from 7 June 2016 to 17 February 2018.

B. Overview of the Second Stock Option Incentive Plan

a. The Company convened the Tenth Meeting of the Second Board of Directors on 9 May 2016, at which the Proposal for the Adjustments to the Number of Stock Options and the Exercise Price for the Second Stock Option Incentive Plan was reviewed and approved. As the 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital had been carried out, the number of stock options for the Second Stock Option Incentive Plan was changed from 83,790,000 to 125,685,000, and the exercise price was reduced from RMB30.54 per share to RMB19.56 per share.

b. The Company convened the 13th Meeting of the Second Board of Directors on 1 June 2016, at which the Proposal for the Adjustments to the Incentive Receivers and Their Exercisable Stock Options of the Second Stock Option Incentive Plan was reviewed and approved. As such, it was agreed to adjust the incentive receivers and their exercisable stock options for the Second Stock Option Incentive Plan due to the leave, position changes and failure in the performance appraisal of some incentive receivers. Upon the adjustments, the incentive receivers for the Second Stock Option Incentive Plan decreased from 733 to 639, and the exercisable stock options for the revised incentive receivers were also reduced from 125,685,000 to 108,705,000.

The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Second Stock Option Incentive Plan was also considered and approved. Due to the fact that the exercise conditions have grown mature for the first exercise period, a total of 629 qualified incentive receivers have been allowed to exercise 35,895,000 stock options in the first exercise period.

c. Upon examination by the Shenzhen Stock Exchange and the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., the chosen and qualified incentive receivers for the Second Stock Option Incentive Plan may choose to exercise their exercisable stock options in the first exercise period, which is from 28 June 2016 to 27 May 2018.

C. Overview of the Third Stock Option Incentive Plan

a. On 25 May 2016, the Third Stock Option Incentive Plan (Draft) and its Abstract of Midea Group Co., Ltd. was reviewed and approved at the 12th Meeting of the Second Board of Directors, and the incentive

receiver list for the Third Stock Option Incentive Plan (Draft) was examined at the Ninth Meeting of the Second Supervisory Committee.

b. On 6 June 2016, the Company convened the Third Special General Meeting for 2016, at which the Third Stock Option Incentive Plan (Draft) and its Abstract, the Implementation and Appraisal Measures for the Third Stock Option Incentive Plan of Midea Group Co., Ltd., the Proposal for Asking the General Meeting to Authorize the Board to Handle Matters Related to the Third Stock Option Incentive Plan and other relevant proposals were reviewed and approved.

c. In light of the authorization given at the Third Special General Meeting for 2016, the Company convened the 15th Meeting of the Second Board of Directors on 28 June 2016, at which the Proposal for the Adjustments to the Incentive Receiver List and the Number of Granted Stock Options for the Third Stock Option Incentive Plan, the Proposal for the Determination of the Grant Date for the Third Stock Option Incentive Plan and the Proposal for the Grant-Related Matters for the Third Stock Option Incentive Plan were reviewed and approved. As such, the Company agreed to grant 127,290,000 stock options to 929 receivers on 28 June 2016.

VII Significant related-party transactions

1. Related-party transactions arising from routine operation

√ Applicable □ N/A

Related transaction party	Relationship	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'0,000)	Proportion in the total amount of transactions of the same kind (%)	Approved transaction line (RMB'0,000)	Over the approved line	Way of settlement	Obtainable market price for a transaction of the same kind	Disclosure date	Index to the disclosed information
Infore Environment Technology	Controlled by family	Procurement	Procurement of goods	Market price	-	118,461.20	2.45%	125,500	No	Payment after delivery	-	2016-03-26	www.cninfo.com.cn

Group Co., Ltd.	member of the Company's actual controller												
Hefei Huitong New Materials Co., Ltd.	Controlled by family member of the Company's actual controller	Procurement	Procurement of goods	Market price	-	10,402.40	0.22%	40,000	No	Payment after delivery	-	2016-03-26	www.cninfo.com.cn
Total				--	--	128,863.60	--	165,500	--	--	--	--	--
Details of any sales return of a large amount				N/A									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period				The associated amount limit between the Company and the related parties and the subsidiaries did not exceed the estimated total amounts of routine related-party transactions by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

2. Related-party transactions regarding purchase and sales of assets

Applicable N/A

No such cases in the Reporting Period.

3. Related-party transitions arising from joint investments in external parties

Applicable N/A

No such cases in the Reporting Period.

4. Credits and liabilities with related parties

Applicable N/A

No such cases in the Reporting Period.

5. Other related-party transactions

Applicable N/A

The Proposal for the Related-Party Transaction Regarding Note Discounting for Infore Environment in 2016 and the Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank in 2016 were reviewed and approved at the Sixth Meeting of the Second Board of Directors on 24 March 2016 and later at the 2015 Annual General Meeting on 26 April 2016.

In 2016, Midea Group Finance, a subsidiary of the Company, intends to provide note discounting services for Infore Environment and its subsidiaries, with the total amount of discounted notes expected not to exceed RMB1 billion and the interest charged not exceeding RMB20 million.

In 2016, the deposit balance of the Company in Shunde Rural Commercial Bank shall not exceed RMB5 billion and neither shall the credit balance provided by the bank to the Company exceed RMB3 billion

Index to the announcements about the said related-party transactions disclosed

Announcement title	Disclosure date	Disclosure website
Announcement on the Related-Party Transaction Regarding Note Discounting for Infore Environment in 2016	2016-03-26	www.cninfo.com.cn
Announcement on Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank	2016-03-26	www.cninfo.com.cn

VIII Occupation of the Company's funds for non-operating purposes by the controlling shareholder and its related parties

Applicable N/A

IX Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable N/A

No such cases in the Reporting Period.

(2) Contracting

Applicable N/A

No such cases in the Reporting Period.

(3) Leasing

Applicable N/A

No such cases in the Reporting Period.

2. Guarantees provided by the Company

Applicable N/A

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Shanxi Huaxiang Group Co., Ltd.	2016-3-26	20,400	2016-1-28	18,300	Joint and several liability	One year	No	No
Total external guarantee line approved during the Reporting Period (A1)			20,400	Total actual external guarantee amount during the Reporting Period (A2)				6,800

Total approved external guarantee line at the end of the Reporting Period (A3)				20,400	Total actual external guarantee balance at the end of the Reporting Period (A4)				18,300
Guarantees between the Company and its subsidiaries									
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not	
Midea Group Finance Co., Ltd.	2016-3-26	1,095,800	2016-1-1	252,000	Joint and several liability	One year	No	No	
Midea Microcredit Co., Ltd.	2016-3-26	60,000	-	0	Ditto	Ditto	Ditto	Ditto	
Foshan Shunde Midea Microcredit Co., Ltd.	2016-3-26	30,000	-	0	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea Refrigeration Equipment Co., Ltd.	2016-3-26	1,095,100	2016-1-11	514,969	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2016-3-26	718,500	2016-1-12	401,085	Ditto	Ditto	Ditto	Ditto	
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	2016-3-26	43,600	2016-1-1	1,372	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	2016-3-26	293,700	2016-4-28	34,371	Ditto	Ditto	Ditto	Ditto	
Midea Commercial Air Conditioning Equipment Co., Ltd., Guangdong Province	2016-3-26	14,400	-	0	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea-SIIX Electronics Co., Ltd.	2016-3-26	12,000	-	0	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2016-3-26	105,500	2016-6-28	2,389	Ditto	Ditto	Ditto	Ditto	
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	2016-3-26	181,100	2016-1-12	66,631	Ditto	Ditto	Ditto	Ditto	
Guangdong Midea Kitchen & Bathroom Appliances Manufacturing Co., Ltd.	2016-3-26	10,000	-	0	Ditto	Ditto	Ditto	Ditto	
Foshan Shunde Midea Drinking	2016-3-26	19,300	2016-5-11	10,000	Ditto	Ditto	Ditto	Ditto	

Manufacturing Co., Ltd.								
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	2016-3-26	9,800	-	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Environment Appliances Manufacturing Co., Ltd.	2016-3-26	223,000	2016-1-12	103,809	Ditto	Ditto	Ditto	Ditto
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	2016-3-26	448,200	2016-3-29	194,604	Ditto	Ditto	Ditto	Ditto
Guangdong GMCC Refrigeration Equipment Co., Ltd.	2016-3-26	67,800	2016-4-27	24,990	Ditto	Ditto	Ditto	Ditto
Guangdong GMCC Precise Manufacture Co., Ltd.	2016-3-26	34,000	2016-1-1	462	Ditto	Ditto	Ditto	Ditto
Guangdong Welling Motor Co., Ltd.	2016-3-26	65,700	2016-1-1	397	Ditto	Ditto	Ditto	Ditto
Foshan Welling Electronic and Electric Appliances Co., Ltd.	2016-3-26	10,000	2016-1-1	59	Ditto	Ditto	Ditto	Ditto
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2016-3-26	118,000	2016-1-1	3,915	Ditto	Ditto	Ditto	Ditto
Ningbo Midea Joint Materials Supply Co. Ltd.	2016-3-26	66,000	2016-1-1	5,398	Ditto	Ditto	Ditto	Ditto
Foshan Welling Material Co., Ltd.	2016-3-26	21,000	2016-1-1	1,528	Ditto	Ditto	Ditto	Ditto
Guangzhou Kaizhao Trading Co., Ltd.	2016-3-26	18,000	-	0	Ditto	Ditto	Ditto	Ditto
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	2016-3-26	52,400	-	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	2016-3-26	36,000	-	0	Ditto	Ditto	Ditto	Ditto
Wuhu GMCC Air Conditioning Equipment Co., Ltd.	2016-3-26	151,600	2016-1-1	1,645	Ditto	Ditto	Ditto	Ditto
Hefei Midea Refrigerator Co., Ltd.	2016-3-26	43,600	2016-6-21	14,687	Ditto	Ditto	Ditto	Ditto
Hubei Midea Refrigerator Co., Ltd.	2016-3-26	10,000	2016-1-1	358	Ditto	Ditto	Ditto	Ditto
Hefei Hualing Co., Ltd.	2016-3-26	52,000	2016-1-1	280	Ditto	Ditto	Ditto	Ditto
Guangzhou Midea Hualing	2016-3-26	20,000	2016-1-1	507	Ditto	Ditto	Ditto	Ditto

Refrigerator Equipment Co., Ltd.								
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	2016-3-26	7,000	-	0	Ditto	Ditto	Ditto	Ditto
Hefei Midea-Bosch Air Conditioning Equipment Co., Ltd.	2016-3-26	10,000	-	0	Ditto	Ditto	Ditto	Ditto
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	2016-3-26	6,000	2016-1-1	1,008	Ditto	Ditto	Ditto	Ditto
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	2016-3-26	12,000	-	0	Ditto	Ditto	Ditto	Ditto
Anhui GMCC Refrigeration Equipment Co., Ltd.	2016-3-26	10,000	2016-1-1	371	Ditto	Ditto	Ditto	Ditto
Anhui GMCC Precise Manufacture Co., Ltd.	2016-3-26	24,000	2016-6-23	13,086	Ditto	Ditto	Ditto	Ditto
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2016-3-26	12,000	-	0	Ditto	Ditto	Ditto	Ditto
Annto Logistics Co., Ltd.	2016-3-26	32,000	2016-1-1	10,168	Ditto	Ditto	Ditto	Ditto
Hefei Midea Washing Machine Co., Ltd.	2016-3-26	40,000	2016-6-28	0	Ditto	Ditto	Ditto	Ditto
Jiangsu Midea Cleaning Appliances Co., Ltd.	2016-3-26	26,800	2016-6-20	762	Ditto	Ditto	Ditto	Ditto
Jiangxi Midea Guiya Lighting Co., Ltd.	2016-3-26	5,500	-	0	Ditto	Ditto	Ditto	Ditto
Changzhou Welling Motor Manufacturing Co., Ltd.	2016-3-26	12,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea International Holdings Ltd.	2016-3-26	2,436,256	2016-2-1	646,233	Ditto	Ditto	Ditto	Ditto
Midea International Trading Co., Ltd	2016-3-26	70,000	2016-1-4	29,323	Ditto	Ditto	Ditto	Ditto
Midea Electric Investment (BVI) Limited	2016-3-26	27,000	-	0	Ditto	Ditto	Ditto	Ditto
Calpore Macao Commercial Offshore Ltd.	2016-3-26	21,300	2016-1-4	1,944	Ditto	Ditto	Ditto	Ditto
Welling International Hong Kong Limited	2016-3-26	24,000	-	0	Ditto	Ditto	Ditto	Ditto
Main Power Electrical Factory Limited	2016-3-26	46,400	2016-1-6	16,592	Ditto	Ditto	Ditto	Ditto
Midea Electric Trading (Singapore) Co. Pte. Ltd.	2016-3-26	986,000	2016-1-1	115,432	Ditto	Ditto	Ditto	Ditto

Midea Consumer Electric (Vietnam) Co., Ltd.	2016-3-26	21,000	-	0	Ditto	Ditto	Ditto	Ditto
Springer Carrier Ltda.	2016-3-26	130,000	-	0	Ditto	Ditto	Ditto	Ditto
Climazon Industrial Ltda.	2016-3-26		-	0	Ditto	Ditto	Ditto	Ditto
Carrier S.A	2016-3-26	12,000	-	0	Ditto	Ditto	Ditto	Ditto
Carrier Fuego S.A.	2016-3-26		-	0	Ditto	Ditto	Ditto	Ditto
Carrier(Chile) S.A.	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea Electrics Netherlands B.V.	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea America Corp.	2016-3-26	35,000	-	0	Ditto	Ditto	Ditto	Ditto
PT.Midea Planet Indonesia Co., Ltd	2016-3-26	35,000	-	0	Ditto	Ditto	Ditto	Ditto
MIDEA Scott & English Electronics Sdn Bhd	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea America(Canada) Corp.	2016-3-26	7,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea Middle East	2016-3-26	36,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea Europe GmbH	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea Italia S.R.L.	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Midea México, S. DE R.L. DE C.V.	2016-3-26	21,000	-	0	Ditto	Ditto	Ditto	Ditto
Orient Household Appliances Ltd.	2016-3-26	14,000	-	0	Ditto	Ditto	Ditto	Ditto
Toshiba Lifestyle Products & Services Corporation	2016-6-30	1,040,512	-	0	Ditto	Ditto	Ditto	Ditto
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			10,355,868		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			3,356,973
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			10,355,868		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			2,470,373
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not

N/A			
Total guarantee amount (total of the above-mentioned three kinds of guarantees)			
Total guarantee line approved during the Reporting Period (A1+B1+C1)	10,376,268	Total actual guarantee amount during the Reporting Period (A2+B2+C2)	3,363,773
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	10,376,268	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	2,488,673
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company		44.98%	
Of which:			
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)			0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)			2,388,736
Portion of the total guarantee amount in excess of 50% of net assets (F)			0
Total amount of the three kinds of guarantees above (D+E+F)			2,388,736
Joint responsibilities possibly borne or already borne in the Reporting Period for undue guarantees (if any)			N/A
Provision of external guarantees in breach of the prescribed procedures (if any)			N/A

(1) Illegal provision of guarantees for external parties

Applicable N/A

No such cases in the Reporting Period.

3. Other significant contracts

Applicable N/A

No such cases in the Reporting Period.

4. Other significant transactions

Applicable N/A

No such cases in the Reporting Period.

X Undertakings made by the Company and its shareholders interested in 5% or more of the shares of the Company made in the Reporting Period or subsisting to the Reporting Period

√ Applicable □ N/A

Undertaking	Undertaking giver	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling shareholder, actual controller	Share lock-up	1. Midea Holding and He Xiangjian have undertaken as follows: Within 36 months from the listing date of Midea Group's stocks, they will neither transfer or entrust others to manage their directly and indirectly held shares of Midea Group issued prior to this issuance, nor sell them to Midea Group. If they break the above undertaking, they will assume all liabilities arising therefrom.	2013.03.28	36 months from the day of Midea Group's listing (2013.09.18-2016.09.18)	1. There has been no violation of this undertaking.
	Controlling shareholder, actual controller	Maintenance of independence	2. Midea Holding and He Xiangjian have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will remain independent from Midea Group in respect of personnel, finance, assets, business and institutions, in accordance with relevant laws and regulations and regulatory documents. They will faithfully fulfill the above undertaking, and assume the corresponding legal liability. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal liabilities according to relevant laws, rules, regulations and regulatory documents.	2013.03.28	Long-standing	2. There has been no violation of this undertaking.
	Controlling shareholder	Avoiding competition within	3. In order to avoid possible competition within the industry between Midea Group and Midea Holding and its controlled enterprises as well as He Xiangjian, his immediate family and	2013.03.28	Long-standing	3. There has been no violation of this undertaking.

	<p>lder, actual control er</p>	<p>the industry</p>	<p>his controlled companies, Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) None of the entities or individuals mentioned above is or will be engaged in the same or similar business as the existing main business of Midea Group and its controlled companies. They are not or will not be engaged or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations;</p> <p>(2) If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom within a reasonable period;</p> <p>(3) If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in competitive business to the new ones of Midea Group and its controlled companies;</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they will</p>			
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		not change or terminate this undertaking. (5) Midea Holding and He Xiangjian shall faithfully fulfill the above undertaking, and assume the corresponding legal responsibilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.			
Controlling shareholder, actual controller	Regulation of related transactions	4. In order to regulate matters of related transactions that may occur in the future between Midea Group and Midea Holding and its controlled companies as well as He Xiangjian, his immediate family and his controlled companies, Midea Holding and He Xiangjian have undertaken as follows: (1) They will regulate any related transactions with Midea Group and its controlled companies using their utmost efforts to reduce them. For unavoidable related transactions with Midea Group and its controlled companies, including but not limited to commodity trading, providing services to each other or as agent, they will sign legal normative agreements with Midea Group, and go through approval procedures in accordance with related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They guarantee to offer fair prices for related transactions, and fulfill the information disclosure obligations in respect of the related transactions according to related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They also guarantee not to illegally transfer the funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.	2013.03.28	Long-standing	4. There has been no violation of this undertaking.

		<p>(2) They shall fulfill the obligation of withdrawing from voting that involves the above mentioned related transactions at the general meeting of Midea Group;</p> <p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they shall not change or terminate this undertaking.</p> <p>(5) Midea Holding and He Xiangjian will faithfully fulfill the above undertaking and assume the corresponding legal liabilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p>			
Controlling shareholder, actual controller	On Midea Trade Union Committee transferring its limited equity of Midea Group	<p>5. On 4 January 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, namely He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all its limited equity of Midea Group (22.85%) respectively to those five people. According to the confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June, 2013, Foshan Shunde Beijiao General Union, superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that the Midea Trade Union</p>	2013.03.28	Long-standing	5. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been no violation of this undertaking.

		<p>Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any agreement from all staff committee members.</p> <p>Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss to Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.</p>			
Controlling shareholder, actual controller	<p>Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing</p>	<p>6. Midea Holding and He Xiangjian have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of staff social insurance, housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses when Midea Group and its subsidiaries are required to pay them in advance.</p>	2013.03.28	Long-standing	<p>6. So far, the payment of the staff social insurance and the housing provident fund has not brought about any controversy or potential disputes. There has been no violation of this undertaking.</p>
Controlling	Issues about	7. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries	2013.03.28	Long-standing	<p>7.1 The Process of Property Ownership Certificate:</p>

	shareholder, actual controller	asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries	<p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing, trademarks, patents and stock rights, declared in the related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group.</p> <p>(2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and housing or property declared in related files of this merger.</p> <p>(3) Midea Holding shall assist Midea Group (including its subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries).</p> <p>(4) Under any circumstances that Midea Group suffers from losses incurred from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any other reasons, Midea Holding shall compensate any loss for these reasons in time</p>			<p>The Report discloses that the Company is trying to get the Property Ownership Certificate for 177 of its properties, which cover an area of 2,148,485.65 square meters. So far, 62 applications have been approved, the total area covers 2,086,357.42 square meters, which accounts for 97.11% of total area. Another property with an area of 1,966.69 square meters (0.09% of the total area) has been disposed. The remaining 114 properties, spanning an area of 60,161.54 square meters account for 2.8% of the total area. These properties are all small unit size auxiliary facilities such as security booth, transformer room, power room, pump room, gas station and so on, for which property ownership certificates cannot be granted or applied for. So far these 114 properties have not been required to be dismantled by competent departments so that these buildings are still in regular use, which has not brought about any controversy or any company loss caused by disputes. There has been no violation of this undertaking.</p> <p>7.2 The Use of Rental Houses of This Company</p> <p>The Report discloses that as of 31 December 2012, our company used 113 leasing houses in total, of which our company cannot get the property certificate of 100 leasing houses from the leasing party. So far the contracts of 90 out of the 113 rental houses have not been signed to extend the</p>
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		<p>and in full. Midea Holding shall compensate the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to from competent authorities or through claims from any other third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing.</p> <p>Midea Holding and He Xiangjian will compensate any losses of Midea Group where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality.</p>		<p>leasehold. The property certificate of 1 of the remaining 23 houses has been obtained while the other 22 certificates have not been obtained yet. These 22 rental houses have not rendered our company any economic loss or penalty caused by defective property rights, which result in removing to other rental houses. There has been no violation of this undertaking.</p> <p>7.3 Land Use Rights of Leasing Use</p> <p>The "Report" discloses that as of 31 December, 2012, our company has had one case of using rental houses, covering a total area of 57,506.95 square meters for which the lessor of the rental land mentioned above did not provide any legal ownership files showing or detailing ownership of this land. So far this rental land has not rendered our company any controversy or any loss caused by disputes. There has been no violation of this undertaking.</p> <p>7.4 The Procedures of Renaming Land Owner Under Process Caused by the Alteration of the Company's Name</p> <p>The Report discloses that there are still 10 cases in the process of registering a new land owner caused by changing the company's name and its subsidiaries. So far, five cases have been approved and the other five cases are still under</p>
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						<p>review, which have not rendered any loss to the company. There has been no violation of this undertaking.</p> <p>7.5 Processing the Renaming Procedures of Some Trademarks</p> <p>So far, 8 of the 62 trademarks cases involved in the Report have applied for cancellation of the subjects through their owners and these trademarks shall no longer be in use. The company will not apply for the renaming procedures for those trademarks. The renaming procedures of the remaining 54 cases have been processed and this undertaking has been fulfilled. There has been no violation of this undertaking.</p>
	Other shareholders	Share lock-up	Shareholders of Midea Group Ningbo Meicheng, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang promise that since Midea Group was listed on the Shenzhen Stock Exchange, transferring shares or delegating others to manage their shares with either direct or indirect ownership of Midea Group, issued before this time, has been forbidden for 36 months. Midea Group is not allowed to buy back those shares either.	2013.03.28	36 months from the day of Midea Group's listing (2013.09.18-2016.09.18)	There has been no violation of this undertaking.
Undertakings given in time of IPO or refinancing	The Company	Private issue	1. In strict accordance with the rules of the CSRC, the Shenzhen Stock Exchange and the Company regarding the use of raised funds, the Company shall have a special account for its raised funds and use the funds only for the previously set purposes.	2015.06.15	The undertakings shall expire when the raised funds have been	This undertaking has expired.

g			2. The funds raised in this private issue (after the issue expenses) shall all be used as working capital. 3. The Company shall not use the funds raised in this private issue to make any financial investment such as purchasing held-for-trading financial assets and available-for-sale financial assets, lending the funds to others and entrusted investments or to directly or indirectly invest in marketable securities.		used up.	
	Xiaomi Technology	Private issue	Xiaomi Technology has given an undertaking that it shall not transfer the shares that it had subscribed for in this private offering with Midea Group within 36 months from the completion date of this offering (26 June 2015, the listing date for this offering).	2015.06.26	36 months from the listing date of this private offering, i.e. to 26 June 2018	There has been no violation of this undertaking.
Whether the undertaking is fulfilled on time	Yes					
Specific reasons for failing to fulfill any	N/A					

undertaking and plan for the next step	
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XI Engagement and disengagement of the CPAs firm

Has the semi-annual financial report been audited by a CPAs firm?

Yes No

This semi-annual report has not been audited by a CPAs firm.

XII Punishments and rectifications

Applicable N/A

XIII Delisting risk due to violation of laws or regulations

Applicable N/A

XIV Other significant events

Applicable N/A

The proposals for the tender offer to acquire shares of KUKA Aktiengesellschaft have been considered and approved at the 11th and 12th meetings of the Second Board as well as the Third Special General Meeting in 2016. The Company intends to make a cash tender offer of 115 euro/share to acquire KUKA shares via its wholly-owned foreign subsidiary MECCA, with the funds needed sourced from syndicated loans and the Company's own funds.

On 15 June 2016, the Federal Financial Supervisory Authority of Germany reviewed and approved the tender offer documents (in German), which were issued by the Company on the following day.

Regarding the opinions of KUKA's board of supervisors and executive board as to the tender offer, as well as the Investment Agreement signed between the Company and KUKA, the Company disclosed the Indicative Announcement of Midea Group Co., Ltd. on Progress on the Tender Offer to Acquire KUKA Aktiengesellschaft Shares on www.cninfo.com.cn dated 29 June 2016.

As the tender offer period ended on 4 August 2016, holders of 81.04% of KUKA's outstanding shares had decided to accept the tender offer. Adding the 13.51% stake that the Company had held in KUKA before the tender offer, the Company would hold 94.55% in total of KUKA's outstanding shares provided the acquisition is successfully completed.

On 10 August 2016, the Company received the Notice of No Further Examination (SFLCSH [2016] Document No. 224) from the Anti-monopoly Bureau under the Ministry of Commerce, which gave a

green light to the acquisition as the Bureau reviewed the concentration of undertakings involved.

On 20 August 2016 (19 August 2016 in Frankfurt time), one of the conditions for the acquisition—“The Federal Ministry for Economic Affairs and Energy of Germany raises no objection against the acquisition”—was satisfied.

On 27 August 2016, the condition regarding the U.S. antitrust scrutiny has also been met.

The acquisition is still subject to the antitrust review by the E.U., Russia, Brazil and Mexico, as well as the approval of the Committee on Foreign Investment in the United States and the Directorate of Defense Trade Controls of the U.S.. The long stop date of the transaction is 31 March 2017.

XV Corporate bonds

Applicable N/A

No such corporate bonds that are publicly offered and listed on the stock exchange, and were undue before the approval date of this Report or were due but could not be redeemed in full.

Section VI Changes in Shares and Particulars about Shareholders

I Changes in shares

Unit: share

	Before		Increase/decrease (+, -)					After	
	Number	Proportion (%)	New issue	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion (%)
I Restricted shares	2,026,343,750	47.49%	0	0	1,013,371,875	401,725	1,013,773,600	3,040,117,350	47.32%
1. Shares held by the government	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	2,026,343,750	47.49%	0	0	1,013,371,875	401,725	1,013,773,600	3,040,117,350	47.32%
Among which: Shares held by domestic corporations	1,626,250,000	38.11%	0	0	813,125,000	0	813,125,000	2,439,375,000	37.97%
Shares held by domestic individuals	400,093,750	9.38%	0	0	200,246,875	401,725	200,648,600	600,742,350	9.35%
4. Shares held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Among which: Shares held by foreign corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares	0	0.00%	0	0	0	0	0	0	0.00%

held by foreign individuals									
II Non-restricted shares	2,240,495,699	52.51%	24,399,196	0	1,120,323,739	-401,725	1,144,321,210	3,384,816,909	52.68%
1. RMB ordinary shares	2,240,495,699	52.51%	24,399,196	0	1,120,323,739	-401,725	1,144,321,210	3,384,816,909	52.68%
2. Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III Total shares	4,266,839,449	100.00%	24,399,196	0	2,133,695,614	0	2,158,094,810	6,424,934,259	100.00%

Reasons for the changes in the shares:

Applicable N/A

1. Supervisor Ms. Mai Yufen increased her shareholding by 2,300 shares on 17 May 2016.
2. As the 2015 Annual Plan for Profit Distribution & Converting Capital Reserves into Share Capital has been carried out, and stock option exercise is allowed for the First and Second Stock Option Incentive Plans, the total shares of the Company have increased from 4,266,839,449 to 6,424,934,259.

Approval of changes in the shares:

Applicable N/A

Transfer of share ownership:

Applicable N/A

Effects of the changes in shares on the basic earnings per share, diluted earnings per share, net assets per share attributable to the ordinary shareholders of the Company and other financial indexes for the last year and the last reporting period:

Applicable N/A

In the Reporting Period, the total shares of the Company increased from 4,266,839,449 to 6,424,934,259 as stock option exercise was allowed for the First and Second Stock Option Incentive Plans and the 2015 Annual Plan for Profit Distribution & Converting Capital Reserves into Share Capital

was carried out. And the effects of these changes in the shares on the basic earnings per share, diluted earnings per share, net assets per share attributable to the ordinary shareholders of the Company and other financial indexes for the last year and the last reporting period are as follows:

Unit: RMB/share

Index	2015		First half of 2016
	Calculated on the previous total shares	Calculated on the new total shares	Calculated on the new total shares
Basic earnings per share	2.99	1.98	1.48
Diluted earnings per share	2.99	1.98	1.48
Net assets per share	11.53	7.66	8.61

Other information that the Company considers necessary or is required by the securities regulatory authorities to disclose:

Applicable N/A

Changes in the total shares, the shareholder structure and the asset and liability structure:

Applicable N/A

The total shares of the Company were 4,266,839,449 at the beginning of the Reporting Period. Due to the profit distribution and conversion of capital reserves into share capital for 2015 as well as the 551,779 exercised incentive stock options before that, the total shares increased to 6,401,086,842. After that, another 23,847,417 incentive stock options were exercised before the end of the Reporting Period. As such, the total shares rose to 6,424,934,259 at the end of the Reporting Period.

II Total number of shareholders and their shareholdings

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period	91,660	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0
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Shareholdings of the ordinary shareholders with a stake of over 5% or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total ordinary shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Pledged or frozen shares	
							Status of shares	Number of shares
Midea Holding Co., Ltd.	Domestic corporation	34.93%	2,244,375,000		2,244,375,000		Pledged	854,955,000
China Securities Finance Corporation Limited	Domestic corporation	2.87%	184,076,580			184,076,580		
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	Domestic corporation	2.63%	168,900,000			168,900,000		
Fang Hongbo	Domestic individual	2.13%	136,990,492		135,000,000	1,990,492		
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Domestic corporation	1.82%	117,000,000			117,000,000		
Huang Jian	Domestic individual	1.75%	112,500,000		112,500,000			
Ningbo Maysun Equity Investment Partnership (limited partnership)	Domestic corporation	1.75%	112,500,000		112,500,000			
Yuan Liqun	Domestic individual	1.41%	90,750,000		90,000,000	750,000		
CDH M-Tech (HK) Co., Ltd.	Foreign corporation	1.40%	90,000,000			90,000,000		
CDH Spark (HK) Co., Ltd.	Foreign corporation	1.34%	86,250,000			86,250,000		
Strategic investors or ordinary corporations becoming top-10 ordinary shareholders due to placing of new shares (if any) (see		N/A						

note 3)			
Related-parties or acting-in-concert parties among the shareholders above	CDH Jiatai, CDH M-Tech and CDH Spark, which hold a total of 4.56% shares in Midea Group, are related parties.		
Shareholdings of the top 10 non-restricted ordinary shareholders			
Name of shareholder	Number of non-restricted ordinary shares held at the period-end	Type of shares	
		Type	Number
China Securities Finance Corporation Limited	184,076,580	RMB ordinary share	184,076,580
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	168,900,000	Ditto	168,900,000
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	117,000,000	Ditto	117,000,000
CDH M-Tech (HK) Co., Ltd.	90,000,000	Ditto	90,000,000
CDH Spark (HK) Co., Ltd.	86,250,000	Ditto	86,250,000
Central Huijin Asset Management Co., Ltd.	78,474,900	Ditto	78,474,900
He Xiangjian	77,334,548	Ditto	77,334,548
Hillhouse Capital Management Limited	69,891,138	Ditto	69,891,138
Merrill Lynch International	58,604,495	Ditto	58,604,495
UBS AG	52,663,841	Ditto	52,663,841
Related-parties or acting-in-concert parties among the top ten non-restricted ordinary shareholders and between the top ten non-restricted ordinary shareholders and the top ten ordinary shareholders	CDH Jiatai, CDH M-Tech and CDH Spark are related parties. Meanwhile, Mr. He Xiangjian and Midea Holding Co., Ltd. are acting-in-concert parties as Mr. He is the controlling shareholder of the latter. Apart from that, the Company does not know whether there are other related parties among other shareholders of tradable shares and whether other shareholders of tradable shares belong to parties acting in concert as prescribed in the Administrative Measures for Information Disclosure for Shareholding Alteration in a Listed Company.		
Explanation on the top 10 ordinary shareholders participating in securities margin trading (if any) (see note 4)	N/A		

Whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period:

Yes No

No such cases in the Reporting Period.

III Change of the controlling shareholder and the actual controller

Change of the controlling shareholder in the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Change of the actual controller in the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

IV Shareholding increase schemes proposed or implemented by the shareholders and their acting-in-concert parties during the Reporting Period

Applicable N/A

No such cases in the Reporting Period to the best knowledge of the Company.

Section VII Preference Shares

Applicable N/A

No preference shares in the Reporting Period.

Section VIII Information about Directors, Supervisors and Senior Management

I Changes in the shareholdings of the directors, supervisors and senior management

√ Applicable □ N/A

Name	Office title	Incumbent/ Former	Shares held at the period-beginning (share)	Shares increased in the Reporting Period (share)	Shares decreased in the Reporting Period (share)	Shares held at the period-end (share)	Restricted shares held at the period-beginning (share)	Restricted shares granted in the Reporting Period (share)	Restricted shares held at the period-end (share)
Jiang Peng	Company Secretary	Incumbent	125,000	0	31,250	140,625	0	0	0
Mai Yufen	Director	Incumbent	0	2,300	0	2,300	0	0	0

Note: Company Secretary Mr. Jiang Peng held 125,000 shares in the Company at the beginning of the Reporting Period, which were later reduced by 31,250 shares on 3 May 2016. As the ex-dividend and ex-right date for the 2015 Annual Plan for Profit Distribution & Conversion of Capital Reserves into Share Capital was 6 May 2016, the shares that Mr. Jiang held at the end of the Reporting Period were 140,625.

II Changes in the directors, supervisors and senior management

√ Applicable □ N/A

Name	Office title	Type of change	Date	Reason
Xu Hai	Director	Left	2016-04-26	Personal reason
Yuan Liqun	Director, Vice President and CFO	Left	2016-07-15	Personal reason
Xiao Mingguang	CFO	Elected	2016-07-15	Hired as a senior executive

Section IX Financial Report

I Audit report

Has the semi-annual report 2016 been audited by a CPAs firm?

Yes No

The 2016 Semi-annual Financial Report of the Company has not been audited by a CPAs firm.

II Financial Report

MIDEA GROUP CO., LTD.
CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	30 June 2016	31 December 2015	30 June 2016	31 December 2015
		Consolidated	Consolidated	Company	Company
Current assets:					
Cash at bank and on hand	4(1)	15,053,792	11,861,977	28,646,017	14,213,747
Deposits with central bank	4(2)	1,645,422	1,048,045	-	-
Deposits with banks and other financial institutions	4(3)	10,088,472	4,062,807	-	-
Derivative financial assets		7,366	158,822	-	-
Notes receivable	4(4)	14,987,218	12,889,151	1,952,867	727,218
Accounts receivable	4(5)	13,293,123	10,371,718	-	-
Advances to suppliers	4(6)	1,610,332	988,625	14,670	8,915
Loans and advances	4(7)	11,106,777	6,608,705	-	-
Dividends receivable		4,993	-	1,469,769	290,245
Other receivables	4(5), 18(1)	971,743	1,101,339	12,168,410	7,461,039
Inventories	4(8)	9,559,232	10,448,937	-	-
Other current assets	4(9)	38,505,777	33,827,580	22,440,285	21,059,789
Total current assets		116,834,247	93,367,706	66,692,018	43,760,953
Non-current assets:					
Available-for-sale financial assets	4(10)	5,761,718	3,289,954	18,118	9,000
Long-term receivables		38,307	-	-	-
Long-term equity investments	4(11), 18(2)	3,108,646	2,888,274	23,188,174	23,126,546
Investment properties		146,657	150,803	278,603	286,272
Fixed assets	4(12)	21,000,004	18,729,881	1,069,814	1,107,082
Construction in progress	4(13)	1,041,482	954,761	741,595	543,588
Intangible assets	4(14)	6,071,589	3,392,402	243,590	248,482
Goodwill	4(15)	4,862,150	2,393,066	-	-
Long-term prepaid expenses		673,381	781,359	49,030	57,393
Deferred income tax assets	4(16)	2,723,079	2,223,999	74	7,961
Other non-current assets	4(9)	5,241,487	669,730	4,382,900	-
Total non-current assets		50,668,500	35,474,229	29,971,898	25,386,324
TOTAL ASSETS		167,502,747	128,841,935	96,663,916	69,147,277

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2016	31 December 2015	30 June 2016	31 December 2015
		Consolidated	Consolidated	Company	Company
Current liabilities:					
Short-term borrowings	4(19)	14,445,419	3,920,933	1,800,000	1,290,000
Borrowings from central bank		45,740	-	-	-
Customer deposits and deposits from banks and other financial institutions		72,521	52,000	-	-
Derivative financial liabilities		463,180	33,377	-	22,671
Financial assets sold under repurchase agreements		662,915	651,784	-	-
Notes payable	4(20)	19,451,346	17,078,520	-	-
Accounts payable	4(21)	21,679,892	17,448,684	9,163	9,403
Advances from customers	4(22)	4,089,800	5,616,361	-	-
Employee benefits payable	4(23)	1,903,728	2,229,332	1,924	13,411
Taxes payable	4(24)	2,710,469	1,607,181	39,758	52,656
Interest payable		54,969	9,343	168,706	200,090
Dividends payable		316,140	118,851	-	-
Other payables	4(25)	1,638,785	1,139,306	67,414,909	45,166,453
Current portion of non-current liabilities		103,594	-	-	-
Other non-current liabilities	4(26)	25,328,073	22,098,177	2,128,726	5,106
Total current liabilities		92,966,571	72,003,849	71,563,186	46,759,790
Non-current liabilities:					
Long-term borrowings	4(27)	2,084,043	90,061	-	-
Debentures payable	4(28)	4,599,303	-	-	-
Long-term payables		531,882	-	-	-
Payables for specific projects		500	500	-	-
Provisions		219,222	38,893	-	3,800
Deferred revenue		440,253	479,352	-	-
Long-term employee benefits payable	4(29)	1,491,094	-	-	-
Deferred income tax liabilities	4(16)	1,687,545	40,464	-	-
Other non-current liabilities		823,206	157,194	-	-
Total non-current liabilities		11,877,048	806,464	-	3,800
Total liabilities		104,843,619	72,810,313	71,563,186	46,763,590
Shareholders' equity:					
Share capital	4(30)	6,424,934	4,266,839	6,424,934	4,266,839
Capital surplus	4(31)	12,832,003	14,511,190	4,685,903	6,370,934
Other comprehensive income	4(32)	205,563	(1,071,151)	10,429	21,006
General reserve		118,624	118,624	-	-
Surplus reserve	4(33)	1,846,523	1,846,523	1,846,523	1,846,523
Undistributed profits	4(34)	33,905,451	29,529,827	12,132,941	9,878,385
Total equity attributable to shareholders of the parent company		55,333,098	49,201,852	25,100,730	22,383,687
Minority interests		7,326,030	6,829,770	-	-
Total shareholders' equity		62,659,128	56,031,622	25,100,730	22,383,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		167,502,747	128,841,935	96,663,916	69,147,277

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	For the six months ended 30 June			
		2016	2015	2016	2015
		Consolidated	Consolidated	Company	Company
1. Total revenue		78,007,516	82,875,070	588,251	469,983
Including: Operating revenue	4(35), 18(3)	77,522,287	82,509,144	588,251	469,983
Interest income	4(36)	479,576	363,832	-	-
Fee and commission income		5,653	2,094	-	-
2. Total cost of sales		(66,818,413)	(73,632,411)	(759,589)	(669,306)
Including: Cost of sales	4(35)	(54,866,160)	(59,878,906)	(13,648)	(14,341)
Interest expenses	4(36)	(261,318)	(317,071)	-	-
Fee and commission expenses		(1,387)	(888)	-	-
Taxes and surcharges	4(37)	(467,762)	(568,636)	(3,335)	(938)
Selling and distribution expenses	4(38)	(8,185,178)	(8,986,099)	-	-
General and administrative expenses	4(39)	(3,690,059)	(3,604,757)	(338,538)	(265,620)
Financial expenses	4(40)	905,261	778	(404,035)	(388,213)
Asset impairment loss	4(41)	(251,810)	(276,832)	(33)	(194)
Add: (Losses)/gains on changes in fair value	4(42)	(525,089)	(217,464)	22,673	6,626
Investment income	4(43), 18(4)	714,082	1,181,205	7,558,711	4,808,389
Including: Share of profit of associates and joint ventures		200,742	43,127	131,111	6,062
3. Operating profit		11,378,096	10,206,400	7,410,046	4,615,692
Add: Non-operating income	4(44)	903,272	650,591	1,837	50,144
Including: Gains on disposal of non-current assets		3,548	38,173	-	18,814
Less: Non-operating expenses	4(45)	(103,799)	(100,416)	(1,557)	(4,459)
Including: Losses on disposal of non-current assets		(32,149)	(77,445)	(1,547)	(3,734)
4. Total profit		12,177,569	10,756,575	7,410,326	4,661,377
Less: Income tax expenses	4(46)	(1,946,671)	(1,808,007)	(34,901)	(117,035)
5. Net profit		10,230,898	8,948,568	7,375,425	4,544,342
Including: Net profit of the investee before the combination date		-	-	-	-
Attributable to shareholders of the parent company		9,496,493	8,324,123	7,375,425	4,544,342
Minority interests		734,405	624,445	-	-
6. Other comprehensive income net of tax		1,347,262	123,525	(10,577)	-
Attributable to shareholders of the parent company		1,276,714	214,758	(10,577)	-
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		-	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		1,276,714	214,758	(10,577)	-
1) Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		(65,706)	(5,421)	(10,577)	-
2) Changes in fair value of available-for-sale financial assets		1,082,507	10,918	-	-
3) Losses or profits arising from the reclassification of held-to-maturity investments into available-for-sale financial assets		-	-	-	-
4) Effective portion of cash flow hedging gains or losses		145,603	360,415	-	-
5) Translation of foreign currency financial statements		114,310	(151,154)	-	-
Attributable to minority shareholders		70,548	(91,233)	-	-
7. Total comprehensive income		11,578,160	9,072,093	7,364,848	4,544,342
Attributable to shareholders of the parent company		10,773,207	8,538,881	7,364,848	4,544,342
Attributable to minority shareholders		804,953	533,212	-	-
8. Earnings per share:			(Restated)		
(1) Basic earnings per share	4(47)	1.48	1.32	NA	NA
(2) Diluted earnings per share	4(47)	1.48	1.31	NA	NA

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

(English translation for reference only)

Item	Note	For the six months ended 30 June			
		2016	2015	2016	2015
		Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities:					
Cash received from sales of goods or rendering of services		67,859,148	60,039,035	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		-	-	-	-
Net increase in deposits with central bank and deposits with banks and other financial institutions		20,521	13,707	-	-
Net increase in borrowings from central bank		45,740	-	-	-
Cash received from interest, fee and commission		493,143	365,927	-	-
Refund of taxes and surcharges		2,797,186	2,127,730	-	-
Cash received relating to other operating activities	4(48)(a)	1,537,990	1,746,301	21,775,704	14,694,988
Sub-total of cash inflows		72,753,728	64,292,700	21,775,704	14,694,988
Cash paid for goods and services		(39,448,768)	(32,721,673)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		-	-	-	-
Net decrease in loans and advances		(4,588,457)	(2,923,618)	-	-
Net decrease in deposits with central bank and deposits with banks and other financial institutions		(454,933)	(349,941)	-	-
Cash paid for interest, fee and commission		(262,705)	(317,960)	-	-
Cash paid to and on behalf of employees		(5,660,543)	(6,130,766)	(97,184)	(145,199)
Payments of taxes and surcharges		(4,743,106)	(5,135,146)	(42,490)	(12,465)
Cash paid relating to other operating activities	4(48)(b)	(9,466,053)	(7,897,923)	(4,533,614)	(1,786,333)
Sub-total of cash outflows		(64,624,565)	(55,477,027)	(4,673,288)	(1,943,997)
Net cash flows from operating activities	4(48)(c)	8,129,163	8,815,673	17,102,416	12,750,991
2. Cash flows from investing activities:					
Cash received from disposal of investments		28,775,253	6,737	17,722,372	12,000
Cash received from returns on investments		824,805	1,042,100	6,531,603	4,004,819
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,919	205,285	110	354
Net cash received from disposal of subsidiaries and other business units		272,899	-	-	-
Cash received relating to other investing activities		-	-	-	-
Sub-total of cash inflows		29,889,876	1,254,122	24,254,085	4,017,173
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,076,411)	(1,166,631)	(217,976)	(239,059)
Cash paid to acquire investments		(43,293,409)	(8,915,487)	(21,275,146)	(6,049,973)
Net cash paid to acquire subsidiaries and other business units		(1,856,787)	2,895	-	-
Cash paid relating to other investing activities		-	-	-	-
Sub-total of cash outflows		(46,226,607)	(10,079,223)	(21,493,122)	(6,289,032)
Net cash flows from investing activities		(16,336,731)	(8,825,101)	2,760,963	(2,271,859)
3. Cash flows from financing activities:					
Cash received from capital contributions		45,552	1,493,431	29,742	1,479,971
Including: Cash received from capital contributions by minority shareholders of subsidiaries		15,810	13,460	-	-
Cash received from borrowings		27,806,076	12,782,285	1,800,000	-
Cash received from issuance of short-term financing bonds		1,999,500	-	1,999,500	-
Cash received relating to other financing activities		-	-	-	-
Sub-total of cash inflows		29,851,128	14,275,716	3,829,242	1,479,971
Cash repayments of borrowings		(11,044,612)	(9,388,064)	(1,290,000)	(500,000)
Cash repayments of short-term financing bonds		-	-	-	-
Cash payments for interest expenses and distribution of dividends or profits		(5,560,069)	(4,614,944)	(5,782,143)	(4,965,193)
Including: Cash payments for dividends or profits to minority shareholders of subsidiaries		(297,841)	(378,347)	-	-
Cash payments relating to other financing activities		-	-	-	-
Sub-total of cash outflows		(16,604,681)	(14,003,008)	(7,072,143)	(5,465,193)
Net cash flows from financing activities		13,246,447	272,708	(3,242,901)	(3,985,222)
4. Effect of foreign exchange rate changes on cash and cash equivalents		70,620	(28,373)	-	-
5. Net increase in cash and cash equivalents		5,109,499	234,907	16,620,478	6,493,910
Add: Cash and cash equivalents at beginning of period		5,187,317	5,272,238	6,245,008	6,879,717
6. Cash and cash equivalents at end of period		10,296,816	5,507,145	22,865,486	13,373,627

MIDEA GROUP CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Current figure							
	Attributable to shareholders of the parent company						Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits		
1. Balance at end of last year	4,266,839	14,511,190	(1,071,151)	1,846,523	118,624	29,529,827	6,829,770	56,031,622
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at beginning of current year	4,266,839	14,511,190	(1,071,151)	1,846,523	118,624	29,529,827	6,829,770	56,031,622
3. Movements for current year	2,158,095	(1,679,187)	1,276,714	-	-	4,375,624	496,260	6,627,506
(1) Total comprehensive income	-	-	1,276,714	-	-	9,496,493	804,953	11,578,160
(2) Capital contribution and withdrawal by shareholders	24,399	455,587	-	-	-	-	238,620	718,606
1) Capital contribution by shareholders	24,399	330,897	-	-	-	-	15,810	371,106
2) Business combinations	-	-	-	-	-	-	192,263	192,263
3) Share-based payment included in shareholders' equity	-	124,690	-	-	-	-	30,547	155,237
4) Others	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	(5,120,869)	(548,703)	(5,669,572)
1) Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2) Appropriation to general reserve	-	-	-	-	-	-	-	-
3) Profit distribution to shareholders	-	-	-	-	-	(5,120,869)	(548,703)	(5,669,572)
4) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	2,133,696	(2,133,696)	-	-	-	-	-	-
1) Transfer from capital surplus to share capital	2,133,696	(2,133,696)	-	-	-	-	-	-
2) Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-
3) Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-
1) Increase in current period	-	-	-	-	-	-	-	-
2) Usage in current period	-	-	-	-	-	-	-	-
(6) Others	-	(1,078)	-	-	-	-	1,390	312
4. Balance at end of current period	6,424,934	12,832,003	205,563	1,846,523	118,624	33,905,451	7,326,030	62,659,128

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Comparative figure							
	Attributable to shareholders of the parent company						Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits		
1. Balance at end of last year	4,215,808	13,024,883	(774,299)	1,189,791	-	21,814,316	6,260,955	45,731,454
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at beginning of current year	4,215,808	13,024,883	(774,299)	1,189,791	-	21,814,316	6,260,955	45,731,454
3. Movements for current year	51,031	1,486,307	(296,852)	656,732	118,624	7,715,511	568,815	10,300,168
(1) Total comprehensive income			(296,852)	-	-	12,706,725	745,319	13,155,192
(2) Capital contribution and withdrawal by shareholders	51,031	934,455	-	-	-	-	400,768	1,386,254
1) Capital contribution by shareholders	80,623	1,667,248	-	-	-	-	244,910	1,992,781
2) Business combinations	-	-	-	-	-	-	106,106	106,106
3) Share-based payment included in shareholders' equity	-	237,613	-	-	-	-	49,752	287,365
4) Others	(29,592)	(970,406)	-	-	-	-	-	(999,998)
(3) Profit distribution	-	-	-	656,732	118,624	(4,991,164)	(577,272)	(4,793,080)
1) Appropriation to surplus reserve	-	-	-	656,732	-	(656,732)	-	-
2) Appropriation to general reserve	-	-	-	-	118,624	(118,624)	-	-
3) Profit distribution to shareholders	-	-	-	-	-	(4,215,808)	(577,272)	(4,793,080)
4) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2) Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-
3) Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-
1) Increase in current period	-	-	-	-	-	-	-	-
2) Usage in current period	-	-	-	-	-	-	-	-
(6) Others	-	551,852	-	-	-	(50)	-	551,802
4. Balance at end of current period	4,266,839	14,511,190	(1,071,151)	1,846,523	118,624	29,529,827	6,829,770	56,031,622

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Current figure						Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
1. Balance at end of last year	4,266,839	6,370,934	21,006	-	1,846,523	9,878,385	22,383,687
Add: Changes in accounting policies	-	-	-	-	-	-	-
2. Balance at beginning of current year	4,266,839	6,370,934	21,006	-	1,846,523	9,878,385	22,383,687
3. Movements for current year	2,158,095	(1,685,031)	(10,577)	-	-	2,254,556	2,717,043
(1) Total comprehensive income	-	-	(10,577)	-	-	7,375,425	7,364,848
(2) Capital contribution and withdrawal by shareholders	24,399	259,248	-	-	-	-	283,647
1) Capital contribution by shareholders	24,399	330,897	-	-	-	-	355,296
2) Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-
3) Share-based payment included in shareholders' equity	-	(71,649)	-	-	-	-	(71,649)
4) Others	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	(5,120,869)	(5,120,869)
1) Appropriation to surplus reserve	-	-	-	-	-	-	-
2) Profit distribution to shareholders	-	-	-	-	-	(5,120,869)	(5,120,869)
3) Others	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	2,133,696	(2,133,696)	-	-	-	-	-
1) Transfer from capital surplus to share capital	2,133,696	(2,133,696)	-	-	-	-	-
2) Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-
3) Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-
1) Increase in current year	-	-	-	-	-	-	-
2) Utilisation in current year	-	-	-	-	-	-	-
(6) Others	-	189,417	-	-	-	-	189,417
4. Balance at end of current year	6,424,934	4,685,903	10,429	-	1,846,523	12,132,941	25,100,730

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Comparative figure						Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
1. Balance at end of last year	4,215,808	5,356,080	-	-	1,189,791	7,282,924	18,044,603
Add: Changes in accounting policies	-	-	-	-	-	-	-
2. Balance at beginning of current year	4,215,808	5,356,080	-	-	1,189,791	7,282,924	18,044,603
3. Movements for current year	51,031	1,014,854	21,006	-	656,732	2,595,461	4,339,084
(1) Total comprehensive income	-	-	21,006	-	-	6,567,314	6,588,320
(2) Capital contribution and withdrawal by shareholders	51,031	1,017,698	-	-	-	-	1,068,729
1) Capital contribution by shareholders	80,623	1,667,248	-	-	-	-	1,747,871
2) Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-
3) Share-based payment included in shareholders' equity	-	320,856	-	-	-	-	320,856
4) Others	(29,592)	(970,406)	-	-	-	-	(999,998)
(3) Profit distribution	-	-	-	-	656,732	(4,872,540)	(4,215,808)
1) Appropriation to surplus reserve	-	-	-	-	656,732	(656,732)	-
2) Profit distribution to shareholders	-	-	-	-	-	(4,215,808)	(4,215,808)
3) Others	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-
2) Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-
3) Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-
1) Increase in current year	-	-	-	-	-	-	-
2) Utilisation in current year	-	-	-	-	-	-	-
(6) Others	-	(2,844)	-	-	-	900,687	897,843
4. Balance at end of current year	4,266,839	6,370,934	21,006	-	1,846,523	9,878,385	22,383,687

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Xiao Mingguang

Head of accounting department:
Chen Lihong

1 General information

The operational activities of Midea Group Co. Ltd. (hereinafter referred to as "the Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sale of household electrical appliances, motors and related components and rendering of logistics services. Other operations includes sale, wholesale and processing of raw materials of household electrical appliances and financial business, which includes customer deposits, interbank lending, consumption credit, buyer's credit and finance lease.

The Company was promoted and set up by the Council of Trade Unions of GD Midea Group Co. Ltd., and was registered in Market Safety Supervision Bureau of Shunde District, Foshan on 7 April 2000, with its headquarters located in Shunde District, Foshan. On 31 December 2011, the Company was transformed into a limited liability company. On 29 July 2013, the Company was approved to acquire additional interests in Guangdong Midea Electric Co., Ltd. (广东美的电器股份有限公司), a subsidiary listed on Shenzhen Stock Exchange. On 18 September 2013, the Company's shares became listed on Shenzhen Stock Exchange through share issuance and share exchange.

As at 30 June 2016, the Company's registered capital is RMB6,424,934,259 and the total number of shares in issue is 6,424,934,259, of which 3,040,117,350 shares are restricted tradable shares and 3,384,816,909 shares are unrestricted tradable shares.

The detailed information of major subsidiaries included in the consolidation scope in current year is set out in Note 5 and 6. Entities newly included in the consolidation scope in current year include Guangdong Midea Kucheng Electric Appliance Manufacturing Co., Ltd., Guangdong Midea Commercial Factoring Co., Ltd., Toshiba Lifestyle Products & Services Corporation (hereinafter referred to as "TLSC") (please refer to Note 5(1) and (2)(a) for details). The detailed information of subsidiaries no longer included in the consolidation scope in current year is set out in Note 5(2) (b).

These financial statements were authorised for issue by the Company's Board of Directors on 29 August 2016.

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and accounting estimates based on the features of production and operation, mainly including the recognition method of provision for bad debts of accounts receivable (Note 2(10)), valuation method of inventory (Note 2(12)), depreciation of fixed assets and amortisation of intangible assets (Note 2(15) and (18)), and recognition time of revenue (Note 2(27)).

Critical judgements applied by the Group in determining significant accounting policies are set out in Note 2(32).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"). The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises No.32 - Interim financial standards* issued by the Ministry of Finance, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2016 are in compliance with the *Accounting Standards for Business Enterprises*, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2016 and their financial performance, cash flows and other information for the period then ended.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency of the Company is the Renminbi ("RMB") and the financial statements are presented in RMB. The Company and its subsidiaries determine their recording currency based on the valuation and settlement currency of their main operating revenues and expenses. As the recording currency of some of the Company's subsidiaries is not RMB, the Company translates the foreign currency financial statements of such subsidiaries in the preparation of financial statements (Note 2(8) (b)).

(5) Business combinations**(a) Business combinations involving enterprises under common control**

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition dates. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates, and the difference between its fair value and carrying amount is included in investment income for the current period in consolidated financial statements. Where the previously-held equity in the acquiree involves other comprehensive income under equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into income for the current period to which the acquisition dates belongs, excluding those arising from changes in the investee's remeasurement of net liability or net asset related to the defined benefit plan. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition dates over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition dates.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

(7) Recognition criteria of cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instrument

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including cash at bank and on hand, deposits with central bank, deposits with banks and other financial institutions, loans and advances, interest receivable, dividends receivable, accounts receivable and structural deposits with banks

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(ii) Derivative financial instruments

The derivative financial instruments held or issued by the Group are mainly used in controlling risk exposures. Derivative financial instruments are initially recognised at fair value on the day when derivatives transaction contract was signed, and subsequently measured at fair value. The derivative financial instruments are recorded as assets when they have a positive fair value and as liabilities when they have a negative fair value.

The recognition of changes in fair value of derivative financial instruments depends on whether such derivative financial instruments are designated as hedging instruments and meet requirements for hedging instruments, and depends on the nature of hedged items in this case. For derivative financial instruments that are not designated as hedging instruments and fail to meet requirements on hedging instruments, including those held for the purpose of providing hedging against specific risks in interest rate and foreign exchange but not conforming with requirements of hedge accounting, the changes in fair value are recorded in gains or losses arising from changes in fair value in the consolidated income statement.

At the inception of the transaction, the Group officially designates the hedging relations between hedging instruments and hedged items and documents the hedging relations, risk management objectives and hedging strategies. The Group also makes written assessment of the effectiveness of hedging instruments in offsetting changes in the fair value or cash flow of hedged items. These criteria should be met before hedging accounting is determined as applicable to such hedges.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "capital reserve". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

(iii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(iv) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for...

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured.

Objective evidence indicating impairment of available-for-sale investments in equity instruments includes a significant or prolonged decline in the fair value of an investment in an equity instrument. The Group reviews available-for-sale investments in equity instruments on an individual basis at the balance sheet date. If the fair value of an equity instrument investment at the balance sheet date is lower than 50% (inclusive) of its initial cost for more than 12 months (inclusive), it indicates that the impairment has occurred. If the fair value at the balance sheet date is lower than 20% (inclusive) but no more than 50%, the Group considers other relevant factors, such as price fluctuation rate, to determine whether an impairment of equity instrument investment occurs. The Group calculates the initial investment cost of available-for-sale equity instruments by using weighted average method.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related

objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If an impairment loss on available-for-sale financial assets measured at fair value incurs, the cumulative losses arising from the decline in fair value that had been recognised directly in shareholders' equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

If an impairment loss on an available-for-sale financial asset measured at cost incurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The previously recognised impairment loss will not be reversed in subsequent periods. The previously recognised impairment loss will not be reversed in subsequent periods.

Please refer to Note 2(10) for accounting policies related to impairment of receivables.

(v) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities include derivative financial liabilities, accounts payable, notes payable, borrowings, customer deposits and deposits from banks and other financial institutions, financial assets sold under repurchase agreements and interest payable.

Payables comprise accounts payable, other payables and other current liabilities, and are recognised at fair value at initial recognition. Payables are subsequently measured at amortised cost using the effective interest method.

Borrowings and debentures payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year (inclusive) are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year (inclusive) since the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is extinguished. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group uses a valuation technique that is applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant trade of assets or liabilities by market participants, and maximises the use of relevant observable inputs. The Group uses unobservable inputs when relevant observable inputs are not available or feasible.

(10) Provision for bad debts of receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The judgement standard for individually significant amount is an individual amount exceeding RMB5,000,000 for accounts receivable and RMB500,000 for other receivables.

The Group makes provision for bad debts for those individually significant amounts based on the amount by which the present value of the future cash flows expected to be derived from the receivable is below its carrying amount

(b) Accounts receivable and other receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

The Group assesses the recovery risk of receivables based on the characteristics of different regions.

The Company's subsidiaries in Mainland China classify the credit risk groupings by taking the ageing of receivables as the risk characteristics and determine different provision ratios based on business features.

	Within 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years
Air-conditioner motors and related components	5%	5%	10%	30%	50%	100%
Refrigerator motors and related components	5%	5%	10%	30%	50%	100%
Washing machine motors and related components	5%	5%	10%	30%	50%	100%
Small household appliances	5%	5%	10%	30%	50%	100%
Logistics and transport	0%	5%	10%	30%	50%	100%
Motor	0%	5%	10%	30%	50%	100%
Others	5%	5%	10%	30%	50%	100%

The Company's subsidiaries in Hong Kong, Macau, Singapore and Japan make bad debts provision for receivables on an individual basis.

The Company's subsidiaries in Brazil make no bad debts provision for receivables with the ageing within 1 year and adopt 100% provision ratio for those with the ageing over 1 year.

- (c) Accounts receivable and other receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount by which the present value of the future cash flows expected to be derived from the receivable is below its carrying amount.

- (d) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(11) Provision for bad debts of loans and advances

The provision for bad debts of loans and advances is provided by five classes of ending balances of loans and advances

(12) Inventories

- (a) Classification of inventories

Inventories, including raw materials, consigned processing materials, low value consumables, work in progress, finished goods, etc., are measured at the lower of cost and net realisable value.

- (b) Costing of inventories

Cost is determined using the first-in first-out method when issued. The cost of finished goods and work in progress comprises raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

- (c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Inventories are initially measured at cost. The cost of inventories comprises purchase cost, processing cost and other expenditures to bring the inventories to current site and condition.

On the balance sheet date, inventories are measured at the lower of cost and net realisable value.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

Provision for decline in the value of inventories is determined at the excess amount of the cost as calculated based on the classification of inventories over their net realisable value, and are recognised in profit or loss for the current period.

- (d) Inventory system

The Group adopts the perpetual inventory system.

- (e) Amortisation methods of low value consumables and packaging materials

Low value consumables are expensed in full when issued and recognised in cost of related assets or in profit or loss for the current period.

(13) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its associates and joint venture.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in a joint venture and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of shareholders' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost. For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. Including:

For previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Shareholders' equity, which is recognised due to changes in investee's shareholders' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss in the period in which the investment is disposed.

For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. The difference between the fair value and carrying amount of investment in previously-held equity and accumulated fair value changes previously recognised into other comprehensive income are all transferred into current investment income when accounted for using the cost method.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes in the shareholders' equity of the investee other than those arising from the net profit or

loss, other comprehensive income and profit distribution, are recognised in the Group's equity and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee and obtain variable returns from participating the investee's activities, and the ability to utilise the power of an investee to affect its returns.

Joint control is the contractually agreed sharing of control over an arrangement, and relevant economic activity can be arranged upon the unanimous approval of the Group and other participants sharing of control rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint venture and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(20)).

(14) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation (amortisation) rates
Buildings	20 to 40 years	5%	2.38% to 4.75%
Land use rights	40 to 50 years	-	2% to 2.5%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. At the time of transfer, the property is recognised based on the carrying amount before transfer.

The investment properties' estimated useful lives, the estimated net residual values and the depreciation (amortisation) methods applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount

of proceeds from sale, transfer, retirement or damage of an investment property after deducting its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, lands with permanent ownership, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. The initial cost of purchased fixed assets include purchase price, related taxes and expenditures that are attributable to the assets incurred before the assets are ready for their intended use. The initial cost of self-constructed fixed assets is determined based on Note 2(15).

Subsequent expenditures incurred for fixed assets are included in the cost of fixed assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of the Group's fixed assets are as follows:

Classes	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	20 to 40 years	0% or 5%	5% to 2.38%
Machinery and equipment	8 to 18 years	0% or 5%	12.5% to 5.28%
Motor vehicles	2 to 20 years	0% or 10%	50% to 5%
Electronic equipment and other equipment	2 to 13 years	0% or 10%	50% to 7.69%

The estimated useful lives and the estimated net residual values of the Group's fixed assets and the depreciation methods applied to the assets are reviewed, and adjusted as appropriate at each year-end.

(c) Basis for identification and measurement of fixed assets held under finance leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. Fixed asset under finance leases is recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge.

Fixed assets under finance leases are subject to the same depreciation policy as for fixed assets that are self-owned. If it can be reasonably assured that the ownership of the leased asset will be transferred to the Group when the lease expires, the asset is depreciated over its estimated useful life. Otherwise, the asset is depreciated over the shorter of the lease period and the expected useful life.

(d) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(20)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(16) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(20)).

(17) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(18) Intangible assets

Intangible assets include land use rights, patents and others, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 40 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Patents and non-patent technologies

Patents are amortised on a straight-line basis over the statutory period of validity, the period as stipulated by contracts or the beneficial period.

(c) Trademarks

Purchased trademarks are measured at cost upon acquisition. Trademarks obtained from business combinations involving enterprises not under common control are recognised at fair value upon evaluation. Trademarks are amortised on the straight-line basis over the expected useful life of 40 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Research and development ("R&D")

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the planned investigation, evaluation and selection for the R&D of production processes or products is expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of the R&D of production processes or products before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- The R&D of production processes or products has been fully justified by technical team;
- The budget on the R&D of production processes or products has been approved by the management;
- It's been proved by previous market research analysis that the products produced by the production processes have marketing capabilities;
- There are sufficient technical and financial resources to support the R&D of production processes or products and subsequent mass production; and
- Expenditure attributable to the R&D of production processes or products can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(20)).

(19) Long-term deferred expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(20) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount

of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(21) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

Employees of the Group participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

(d) **Defined benefit plans**

TLSC, a subsidiary of the Group, provides supplementary retirement benefit to the staff in addition to the insurance system required by the countries it operates. Such benefit belongs to defined benefit plans. The defined benefit liability recognised in the balance sheet is the present value of the defined benefit obligation less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the similar interest rates of state bonds with similar obligation term and currency. Service cost relating to supplementary retirement benefit (including current service costs, past service costs and gains or losses upon settlement) and net interest are recognised in profit or loss in the current period or related asset cost, and the changes arising from the recalculation of net liability or net assets of the defined benefit plan are recognised in other comprehensive income.

(22) Financial assets sold under repurchase agreements

Assets sold under agreements to repurchase at a specific future date are not derecognised from the balance sheet. The corresponding proceeds are recognised on the balance sheet under "Repurchase agreements". The difference between the sale price and the repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

(23) General reserve

General reserve is the reserve appropriated from net profits to cover part of unidentified potential losses, on the basis of the estimated potential risk value of risk assets assessed by the standardised approach, which is deducted from recognised provision for impairment losses on loans. Risk assets include loans and advances, available-for-sale financial assets, long-term equity investments, deposits with banks and other financial institutions and other receivables of subsidiary engaged in financial business.

(24) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

(25) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the

related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(26) Share-based payment

(a) Type of share-based payment

Share-based payment is a transaction in which the entity acquires services from employees as consideration for equity instruments of the entity or by incurring liabilities for amounts based on the equity instruments. Equity instruments include equity instruments of the Company, its parent company or other accounting entities of the Group. Share-based payments are divided into equity-settled and cash-settled payments. The Group's share-based payments are equity-settled payments.

Equity-settled share-based payment

The Group's share option plan is the equity-settled share-based payment in exchange of employees' services and is measured at the fair value of the equity instruments at grant date. The equity instruments are exercisable after services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal the number of actual vested equity instruments. On the exercise date, the recognised amount calculated based on the number of exercised equity instruments is transferred into share capital.

(b) Determination of the fair value of equity instruments

The Group determines the fair value of share options using option pricing model, which is Black - Scholes option pricing model.

(c) Basis for determining best estimate of exercisable equity instruments

At the end of each balance sheet date in the vesting period, the Group revises its estimates of the number of options that are expected to vest based on the **best estimate** taking into consideration of subsequent information newly acquired, such as change in number of exercisable employees. On the exercise date, the final number of estimated exercisable equity instruments is consistent with the number of exercised equity instruments.

(d) Accounting treatment related to the exercise of share options

On the exercise date, the Group recognises share capital and share premium based on the actual exercise. At the same time, capital surplus recognised in the vesting period are carried forward.

(27) Revenue

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts, rebates and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sales of goods

The Group are principally engaged in the manufacturing and sales of home appliances and mechanical and electrical products (namely large household appliances, small household appliances and motors).

Revenue from domestic sales is recognised when 1) the goods are delivered to buyers by the Group pursuant to contracts; 2) the amount of revenue is confirmed; 3) payments for goods are collected or receipts are acquired; and 4) the related economic benefits will flow to the Group; and the related costs can be measured reliably. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales is recognised when 1) the goods have left the port and obtain the bill of lading pursuant to contracts; 2) the amount of revenue is confirmed; 3) payments for goods are collected or obtain related receipts; and 4) the related economic benefits will flow to the Group and the related costs can be measured reliably.

(b) Rendering of services

Revenue from transportation service, storage service and distribution service as provided by the Group is recognised when the services are completed.

(c) Interest income

Interest income from financial instruments is calculated by effective interest method and recognised in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortisation based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and the interest income or expense based on effective rates. Actual interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g. early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

(d) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(e) Rental income

Rental income from investment prosperities is recognised in the income statement on a straight-line basis over the lease period.

(f) Fee and commission income

Fee and commission income is recognised in profit or loss for the current period when the service is provided. The Group defers the initial charge income or commitment fee income arising from the forming or acquisition of financial assets as the adjustment to effective interest rate. If the loans are not lent when the loan commitment period is expired, related charges are recognised as fee and commission income.

(28) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are grants that are acquired by an enterprise and used for acquisition, construction or forming long-term assets in other ways. Government grants related to income are government grants other than government grants related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

(29) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognised for the tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible tax loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible tax losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, tax losses and tax credits can be utilised.

Deferred income tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and a joint venture, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and a joint venture will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred income tax assets are recognised.

Deferred income tax assets and liabilities are offset when:

- The deferred income taxes are related to the same tax payer within the Group and the same taxation authority; and,
- That tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(30) Leases

(a) Operating leases

Rental expenses for assets held under operating leases are recognised as the cost of relevant assets or expenses on a straight-line basis over the lease period. Contingent rentals are recognised as profit and loss for the current period when incurred.

Fixed assets leased out under operating leases, other than investment prosperities (Note 2(14)), are depreciated in accordance with the depreciation policy stated in Note 2(15)(b) and provided for impairment loss in accordance with the policy stated in Note 2(20). Rental income from operating leases is recognised as revenue on a straight-line basis over the lease period. Initial direct costs in large amount arising from assets leased out under operating leases are capitalised when incurred and recognised as profit and loss for the current period over the lease period on a same basis with revenue recognition; initial direct costs in small amount are directly recognised as profit and loss for the current period. Contingent rentals are recognised as profit and loss for the current period when incurred.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recognised amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(31) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(32) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(ii) Provision for impairment of goodwill

The Group tests annually goodwill for impairment. The recoverable amount of asset groups inclusive of goodwill is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(iii) Provisions for sales rebates, installation expenses and maintenance expenses.

The relevant expenditures, including sales rebates to the buyers, product installation expenses and maintenance expenses during the warranty period, are accrued when the Group recognises revenue from sales of products. The provisions for such expenditures involve management's judgements and estimates, the key factors mainly include the buyers' completion of agreed performance indicators, the unit historical and expected installation costs of products, the expected claim rate for maintenance, market conditions and the stock level kept in sale channel. The estimation basis is reviewed on an on-going basis and revised where appropriate. When the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amount of the provisions and the provision amount charged/reversed in the period in which such estimate has been changed.

(iv) Fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include discounted cash flow model analysis, etc. The Group makes estimates in terms of future cash flow, credit risk, market volatility and correlation for valuation. These estimates are uncertain and changes in them will impact the fair value of financial instruments.

(v) Supplementary retirement benefit for retired staff

The Group assumes supplementary retirement benefit for retired staff, i.e. the liability of defined benefit plans, the present value of which is depended on multiple actuarial assumptions, including discount rate. Any changes in such assumptions will affect the carrying amount of liability of defined benefit plans.

The Group will re-evaluate the discount rate adopt for calculating the present value of liability of defined benefit plans each year. When re-evaluating, the Group refers to interest rates of state bonds with similar currency and payment term used for the payment of supplementary benefit for retired staff in the future.

3 Taxation**(1) Main tax category and rate**

Category	Tax base	Tax rate
Corporate income tax (a)	Levied based on taxable income	5%, 12.5%, 15%, 16.5%, 17%, 20%, 25%, 31.5% or 34%
Value-added tax (VAT)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	3%, 5%, 6%, 11% or 17%
City maintenance and construction tax	The amount of VAT paid	5% or 7%
Educational surcharge	The amount of VAT paid	3% or 5%
Local education surcharge	The amount of VAT paid	2%
Property tax	Price-based property is subject to a 1.2% tax rate after a 30% cut in the original price of property. Rental-based is subject to 12% tax rate for the rental income.	1.2% or 12%

(a) Notes to the corporate income tax rate of the principal tax payers with different tax rates

(a-1) The following subsidiaries of the Company are subject to a corporate income tax rate of 15% in 2016 as they have qualified as high-tech enterprises and obtained the High-tech Enterprise Certificate.

Name of tax payer	No. of the Certificate of the High-tech Enterprise	Dates of issuance	Effective period
Guangdong GMCC Refrigeration Equipment Co., Ltd.	GR201444000397	10 October 2014	3 years
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	GF201544000292	20 October 2015	3 years
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	GR201544001470	10 October 2015	3 years
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	GR201544000202	30 September 2015	3 years
Guangdong Midea Refrigeration Equipment Co., Ltd.	GR201444000965	10 October 2014	3 years

Hefei Midea Refrigerator Co., Ltd.	GR201434001001	21 October 2014	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GF201451100044	14 October 2014	3 years
Hefei Hualing Co., Ltd.	GR201434000715	21 October 2014	3 years
Hubei Midea Refrigerator Co., Ltd.	GF201442000015	14 October 2014	3 years
Wuxi Little Swan Company Limited	GR201532000606	6 July 2015	3 years
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	GR201444001324	10 October 2014	3 years
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	GR201444000159	10 October 2014	3 years
Jiangxi Midea Guiya lighting Co., Ltd.	GR201436000009	9 April 2014	3 years
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	GF201434000129	2 July 2014	3 years
Annto Logistics Company Limited	GF201534000356	19 June 2015	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR201444000608	10 October 2014	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR201444000268	10 October 2014	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR201434000371	2 July 2014	3 years
Jiangsu Midea Cleaning Appliance Company Limited	GF201432000806	5 August 2014	3 years
Hefei Midea Washing Machine Co., Ltd.	GR201434000147	2 July 2014	3 years
Wuxi Filin Electronics Co., Ltd.	GR201532000917	6 July 2015	3 years
Wuxi Little Swan General Appliance Co., Ltd.	GR201532000557	6 July 2015	3 years
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	GR201444000463	10 October 2014	3 years
Handan Midea Refrigeration Equipment Co., Ltd.	GR201413000242	19 September 2014	3 years
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR201442000091	14 October 2014	3 years
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	GR201434001064	21 October 2014	3 years

The Certificate of the High-tech Enterprise of following are due in 2016: Anhui GMCC Refrigeration Equipment Co., Ltd., Anhui GMCC Precision Manufacturing Co., Ltd., Huaiian Weiling Motor Manufacturing Co., Ltd. and Hefei Midea Heating & Ventilation Equipment Co., Ltd. These subsidiaries are still in the progress of extending the certificates and are expected to be entitled to preferential tax treatment for High-tech Enterprise.

- (a-2) The application for corporate income tax preferential treatment of Chongqing Midea Refrigeration Equipment Co., Ltd., the Company's subsidiary, was approved by the State Administration of Taxation of Chongqing Economical and Technological Development Zone on 3 June 2014. The subsidiary is subject to corporate income tax at the rate of 15% in 2016.
- (a-3) The Company's subsidiaries in Mainland China other than those mentioned in (a-1), (a-2) and (a-3) are subject to corporate income tax rate of 25%.
- (a-4) Calpore Macao Commercial Offshore Limited, the Company's subsidiary in Macau, is exempted from income supplement tax for profits gained from its offshore business pursuant to Article 12 in Chapter 2 of Decree-Law No. 58/99/M issued by Macao Special Administrative Region on 13 October 1999.
- (a-5) In August 2008, Midea Electric Appliance (Singapore) Co., Ltd., the Company's subsidiary, was awarded with the Certificate of Honor for Development and Expansion (NO.587) by the Singapore Economic Development Board, which approves that qualified income exceeding a certain amount is subject to corporate income tax of 5% while the unqualified income is subject to the corporate income tax rate of 17%. Midea Electric Appliance (Singapore) Co., Ltd., the Company's subsidiary, is subject to corporate income of 17%.
- (a-6) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax of 16.5%. Such subsidiaries include Midea International Trade Co., Ltd., Midea International Corporation Limited, Midea Appliance Investment (Hong Kong) Ltd., Gold Emperor Enterprises Ltd., Chairing Holding Ltd., Shi Ji Kaili household air-conditioning Co., Ltd., Midea Refrigeration (Hong Kong) Ltd., Welling Holding Limited (Hong Kong) and Welling International Hong Kong Ltd (HK).

- (a-7) The Company's subsidiaries in BVI and Cayman Islands are exempted from corporate income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Holdings (BVI) Ltd., Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd. and Midea Holding (Cayman Islands) Ltd.
- (a-8) Springer Carrier Ltda., the Company's subsidiaries in Brazil, is subject to Brazil corporate income tax of 34%.
- (a-9) TLSC, a Japan-located subsidiary of the Company, is subject to Japan corporate income tax of 31.5%.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

Item	Ending balance	Opening balance
Cash on hand	2,930	2,915
Cash at bank (a)	14,575,149	11,437,417
Other cash balances (b)	475,713	421,645
Total	15,053,792	11,861,977
Including: Cash abroad (including Hong Kong, Macau, Singapore, Japan, Brazil, etc.)	6,832,506	2,204,425

- (a) As at 30 June 2016, cash at bank includes fixed deposits with the term of over three months, amounting to RMB9,405,237,000 (31 December 2015: RMB9,001,934,000).
- (b) Other cash balances mainly include deposits for bank acceptance note and letter of credit

(2) Cash due from central bank

Item	Ending balance	Opening balance
Statutory reserve with central bank (a)	1,418,859	963,926
Surplus reserve with central bank	226,563	84,119
Total	1,645,422	1,048,045

- (a) Statutory reserve with central bank represents the statutory reserve deposited in People's Bank of China by the financial enterprise in accordance with relevant regulations, which are calculated at 7.5% and 5% for eligible RMB deposits and foreign currency deposits, respectively, and are not available for use in the Group's daily operations.

(3) Deposits with banks and other financial institutions

Item	Ending balance	Opening balance
Financial enterprises' deposits with domestic banks	10,088,472	4,062,807

As at 30 June 2016, deposits with banks and other financial institutions include time deposits with the term of over three months, amounting to RMB5,330,000,000 (31 December 2015: RMB1,400,000,000).

(4) Notes receivable

Item	Ending balance	Opening balance
Bank acceptance notes	14,987,218	12,889,151

(a) As at 30 June 2016, the Group's pledged notes receivable are as follows:

Item	Notes receivable pledged
Bank acceptance notes	2,401,373

(b) As at 30 June 2016, the Group's notes receivable that are not mature but have been endorsed to other parties, or that have been discounted are as follows:

Item	Derecognised	Recognised
Bank acceptance notes	29,337,720	-

(5) Receivables

(a) Accounts receivable

Item	Ending balance	Opening balance
Accounts receivable	14,074,911	10,978,218
Less: Provision for bad debts	(781,788)	(606,500)
Total	13,293,123	10,371,718

The ageing analysis of accounts receivable is as follows:

Ageing	Ending balance	Opening balance
Within 1 year	13,787,321	10,728,566
1 to 2 years	188,256	104,495
2 to 3 years	47,395	88,558
3 to 5 years	32,032	49,487
Over 5 years	19,907	7,112
Subtotal	14,074,911	10,978,218

As at 30 June 2016, the Group has no overdue accounts receivable with significant amount.

Accounts receivable are analysed by categories as follows:

Category	Ending balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	7,170	0.05%	7,170	100.00%	-	-	-	-
That the related provision for bad debts is provided on the age grouping basis	14,059,301	99.89%	766,226	5.45%	10,961,426	99.85%	593,762	5.42%
With amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	8,440	0.06%	8,392	99.43%	16,792	0.15%	12,738	75.86%
Total	14,074,911	100.00%	781,788	5.55%	10,978,218	100.00%	606,500	5.52%

Accounts receivable that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

Ageing	Ending balance			Opening balance		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	13,785,660	570,984	4.14%	10,718,211	403,660	3.77%
1 to 2 years	174,375	113,183	64.91%	102,186	76,371	74.74%
2 to 3 years	47,378	35,256	74.41%	84,473	63,191	74.81%
3 to 5 years	31,981	26,896	84.10%	49,444	43,428	87.83%
Over 5 years	19,907	19,907	100.00%	7,112	7,112	100.00%
Total	14,059,301	766,226	5.45%	10,961,426	593,762	5.42%

The provision for bad debts reversed for the first-half year is RMB35,423,000.

The accounts receivable as written off by the Group for the first-half year are arising from transactions with third parties and there's no written-off accounts receivable with amounts that are individually significant.

As at 30 June 2016, the top 5 accounts receivable assembled by debtors are analysed as follows:

Item	Amount	% of total balance
Total balance of top 5 accounts receivable	2,198,262	15.62%

The Group has no accounts receivable derecognised due to transfer of financial assets in current year.

(b) Other receivables

Item	Ending balance	Opening balance
Other receivables	996,032	1,161,880
Less: Provision for bad debts	(24,289)	(60,541)
Total	971,743	1,101,339

Other receivables mainly include current accounts, petty cash to staff and deposits. The ageing of other receivables is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	969,391	1,123,870
1 to 2 years	15,181	7,723
2 to 3 years	3,362	8,912
3 to 5 years	8,098	21,375
Subtotal	996,032	1,161,880

Other receivables are analysed by category as follows:

Category	Ending balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	261,646	26.27%	950	0.36%	13,486	1.16%	1,329	9.85%
That the related provision for bad debts is provided on the age grouping basis	733,564	73.65%	22,517	3.07%	1,148,394	98.84%	59,212	5.16%
With amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	822	0.08%	822	100.00%	-	-	-	-
Total	996,032	100.00%	24,289	2.44%	1,161,880	100.00%	60,541	5.21%

As at 30 June 2016, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

Name of unit	Ending balance	Provision for bad debts	Ratio	Reason
China Securities Depository and Clearing Corporation Limited Shenzhen Branch	260,696	-	0%	Receivables related to share options collected by the Company without bad debt risks
Bureau of Finance of Hefei High-Tech Industrial Development Zone	950	950	100%	
Subtotal	261,646	950		

The provision for bad debts reversed in current year is RMB40,544,000.

Other receivables as written off by the Group in current year are arising from transactions with third parties and there's no written-off other receivables with amounts that are individually significant.

As at 30 June 2016, the top 5 other receivables assembled by debtors are analysed as follows:

Name of unit	Amount	% of total balance
Total balance of top 5 other receivables	520,503	52.26%

As at 30 June 2016, the Group' has no significant government grants recognised at amounts receivable.

(6) Advances to suppliers

Item	Ending balance	Opening balance
Advances paid for raw materials and others	1,610,332	988,625

(a) The ageing of advances to suppliers is analysed below:

Ageing	Ending balance		Opening balance	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,572,833	97.67%	937,986	94.88%
1 to 2 years	31,855	1.98%	29,852	3.02%
2 to 3 years	2,901	0.18%	7,739	0.78%
Over 3 years	2,743	0.17%	13,048	1.32%
Total	1,610,332	100.00%	988,625	100.00%

As at 30 June 2016, advances to suppliers over 1 year with a carrying amount of RMB37,499,000 (31 December 2015: RMB50,639,000) are mainly unsettled advances paid for raw materials.

As at 30 June 2016, the top five balances of advances to suppliers assembled by debtors are summarised as follows:

Item	Amount	% of total balance
Total balance of top 5 advances to suppliers	524,472	32.57%

(7) Loans and advances

(a) Financial enterprises' loans and advances analysed to individual and corporation are as follows:

Item	Ending balance	Opening balance
Loans and advances to individuals	400,819	304,230
Loans and advances to corporations	10,863,098	6,323,429
Including: Loans	4,429,753	3,689,104
Discounted bills	6,433,345	2,634,325
Total loans and advances	11,263,917	6,627,659
Less: Loan impairment provision	(157,140)	(18,954)
Total	11,106,777	6,608,705

(b) Financial enterprises' loans and advances analysed by type of collateral held or other credit enhancements are as follows:

Item	Ending balance	Opening balance
Unsecured loans	1,365,126	134,280
Guaranteed loans	1,388,573	2,306,902
Secured loans by monetary assets	8,510,218	4,186,477
Subtotal	11,263,917	6,627,659
Less: Loan impairment provision	(157,140)	(18,954)
Total	11,106,777	6,608,705

(8) Inventories

(a) Inventories are classified as follows:

Item	Ending balance			Opening balance		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount

Finished goods	6,921,589	(143,588)	6,778,001	8,233,608	(116,047)	8,117,561
Raw materials	2,217,677	(14,003)	2,203,674	1,648,630	(15,030)	1,633,600
Work in progress	390,523	-	390,523	504,454	(742)	503,712
Consigned processing materials	155,345	-	155,345	194,009	(149)	193,860
Low value consumables	31,689	-	31,689	204	-	204
Total	9,716,823	(157,591)	9,559,232	10,580,905	(131,968)	10,448,937

(b) Provision for decline in the value of inventories is analysed as follows:

Item	Opening balance	Increase in current period	Decrease, reversal or write-off in current period	Ending balance
Finished goods	116,047	87,426	(59,885)	143,588
Raw materials	15,030	6,336	(7,363)	14,003
Consigned processing materials	149	-	(149)	-
Work in progress	742	-	(742)	-
Total	131,968	93,762	(68,139)	157,591

(c) Provision for decline in the value of inventories are as follows:

Item	Basis for provision for decline in the value of inventories	Reason for the write-off of provision for decline in the value of inventories in current period
Finished goods	Stated at the lower of cost and net realisable value	Sales
Raw materials	Stated at the lower of cost and net realisable value	Requisition for production

(9) Other current assets

Item	Ending balance	Opening balance
Prepaid expenses	504,714	740,354
Deductible input VAT	2,185,779	1,818,591
Structural deposits purchased from banks	8,408,212	12,436,000
Wealth management products purchased from financial institutions(a)	26,786,165	18,236,831
Others	620,907	595,804
Total	38,505,777	33,827,580

(a) As at 30 June 2016, all wealth management products listed under other current assets are due within one year, mainly including principal non-guaranteed products of RMB26,786,165,000 (31 December 2015: principal non-guaranteed products of RMB18,136,831,000 and principal guaranteed products of RMB100,000,000) (Note 15(1)).

(b) Wealth management products due over one year purchased by the Company is listed under other non-current assets, with ending balance of RMB4,432,900,000 (31 December 2015: Nil).

(10) Available-for-sale financial assets

Item	Ending balance	Opening balance
Measured at fair value		
- Available-for-sale equity instruments (a)	4,254,812	1,862,444
Measured at cost		

- Available-for-sale equity instruments (b)	1,506,906	1,427,510
Total	5,761,718	3,289,954

- (a) As at 30 June 2016, the cost of available-for-sale financial assets measured at fair value is RMB2,992,837,000 and the accumulative amount recorded in other comprehensive income is RMB1,261,975,000.
- (b) The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the range of the reasonable estimated fair value is wide and probabilities of these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

As at 30 June 2016, the available-for-sale financial assets measured at cost are mainly the investments in Xiaomi Corporation with the amount of RMB1,325,080,000.

- (c) The increase in available-for-sale financial assets measured at fair value in current period mainly refers to the purchasing of shares of KUKA Aktiengesellschaft (hereinafter referred to as "KUKA") and floating profits of shares of KUKA on the market.

(11) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Investment in associates	2,734,672	2,510,138
Investments in a joint venture	373,974	378,136
Less: Provision for impairment of long-term equity investments	-	-
Total	3,108,646	2,888,274

(Continued table)

Name of investee	Opening balance	Movements for current period								Ending balance	Ending balance of provision for impairment
		Increase in Investment	Decrease in investment	Share of net profit using the equity method	Adjustment in other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Associates -											
Foshan Shunde Rural Commercial Bank Co., Ltd.	1,515,228	-	-	134,315	(14,749)	-	(104,464)	-	-	1,530,330	-
Misr Refrigeration And Air Conditioning Manufacturing Co.	316,506	-	-	18,248	(51,274)	-	(15,837)	-	12,481	280,124	-
Shanxi Huaxiang Group Co., Ltd	280,274	-	-	16,250	-	-	-	-	-	296,524	-
Shenzhou Tongfu Technology Co., Ltd.	-	158,325	-	-	-	-	-	-	-	158,325	-
Others	398,130	2,700	-	3,691	317	40	(2,000)	-	66,491	469,369	-
Joint venture -											
Wanjiang Financial Leasing Co., Ltd.	378,136	-	-	28,238	-	-	(32,400)	-	-	373,974	-
Total	2,888,274	161,025	-	200,742	(65,706)	40	(154,701)	-	78,972	3,108,646	-

(12) Fixed assets

Item	Buildings	Land	Machinery and equipment	Motor vehicles	Electronic equipment and other equipment	Total
Cost						
Opening balance	14,807,945	-	13,987,827	461,966	2,355,860	31,613,598
Increase in current period	635,839	748,540	2,138,342	17,449	194,703	3,734,873
1) Purchase	80,492	-	450,364	13,131	158,288	702,275
2) Transfers from construction in progress	70,576	-	156,113	1,106	6,272	234,067
3) Increase in business combinations	471,083	748,540	1,531,865	1,170	12,529	2,765,187
4) Transfer from investment prosperities and others	13,688	-	-	2,042	17,614	33,344
Decrease in current period	(239,307)	-	(162,139)	(24,806)	(71,213)	(497,465)
1) Disposal or retirement	(233,553)	-	(143,115)	(24,806)	(71,213)	(472,687)
2) Transfer to investment properties	(300)	-	-	-	-	(300)
3) Others	(5,454)	-	(19,024)	-	-	(24,478)
Differences on translation of foreign currency financial statements	29,412	-	56,121	576	8,697	94,806
Ending balance	15,233,889	748,540	16,020,151	455,185	2,488,047	34,945,812
Accumulated depreciation						
Opening balance	4,150,347	-	6,691,015	324,228	1,702,719	12,868,309
Increase in current period	361,216	-	682,042	28,696	200,282	1,272,236
1) Provision	347,529	-	682,042	28,423	190,910	1,248,904
2) Transfer from investment prosperities and others	13,687	-	-	273	9,372	23,332
Decrease in current period	(16,830)	-	(149,572)	(22,200)	(75,838)	(264,440)
1) Disposal or retirement	(14,946)	-	(138,272)	(22,200)	(75,838)	(251,256)
2) Others	(1,884)	-	(11,300)	-	-	(13,184)
Differences on translation of foreign currency financial statements	13,674	-	32,799	425	5,201	52,099
Ending balance	4,508,407	-	7,256,284	331,149	1,832,364	13,928,204
Provision for impairment loss						
Opening balance	3,918	-	11,165	65	260	15,408
Increase in current period	-	-	2,338	11	-	2,349
1) Provision	-	-	2,338	11	-	2,349
Decrease in current period	-	-	(108)	(9)	(36)	(153)
1) Disposal or retirement	-	-	(108)	(9)	(36)	(153)
Ending balance	3,918	-	13,395	67	224	17,604
Carrying amount at end of period	10,721,564	748,540	8,750,472	123,969	655,459	21,000,004
Carrying amount at beginning of period	10,653,680	-	7,285,647	137,673	652,881	18,729,881

- (a) For the half year of 2016, the depreciation of fixed assets amounts to RMB1,248,904,000 (for the half year of 2015: RMB1,110,996,000) and is fully included in income statement.
- (b) As at 30 June 2016, the Company is still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB482,182,000.
- (c) The increase in the ending balance of fixed assets compared with the opening balance is mainly due to the Company's consolidation of TLSC, which includes fixed assets rented by TLSC under finance leases arrangement.

(13) Construction in progress**(a) Movement of significant projects of construction in progress**

Name of project	Opening balance	Increase in current period	Transfer to fixed assets	Other decrease	Ending balance	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in current year	Capitalisation rate	Source of funds
Meizhi Compressor Project	100,377	9,790	(106,030)	-	4,137	-	-		Internal resource
Compressor (Anhui) Project	32,811	562	(5,892)	-	27,481	-	-		Internal resource
Guiyang Meian Project	37,689	21,758	(59,447)	-	0	3,859	618	6%	Loans
Guangdong Welling construction in progress	18,708	12,512	(24)	(33)	31,163	-	-		Internal resource
Midea 5th Industrial Zone Dormitory Project	120,276	25,569	-	-	145,845	-	-		Internal resource
Innovation project	311,160	54,349	-	-	365,509	-	-		Internal resource
Other projects	333,740	199,356	(62,674)	(3,075)	467,347	1,799	-	6%	Loans/Internal resource
Total	954,761	323,896	(234,067)	(3,108)	1,041,482	5,658.00	618.00		

As at 30 June 2016, there's no provision for impairment of construction in progress with the ending balance consistent with the carrying amount; and the cost of construction in progress matches the budget amount. The projects are carried out on schedule.

(14) Intangible assets

Item	Land use rights	Non-patents	Patents	Trademarks	Others	Total
Cost						
Opening balance	3,845,232	169,867	-	-	60,086	4,075,185
Increase in current period	3,846	48,792	159,725	2,560,385	4,944	2,777,692
1) Purchase	-	1,314	-	-	-	1,314
2) Increase in business combinations	2,590	29,553	159,725	2,560,385	-	2,752,253
3) Transfer from investment prosperities and others	1,256	17,925	-	-	4,944	24,125
Decrease in current period	(30,656)	(5,251)	-	-	(20,280)	(56,187)
1) Disposal	(30,055)	(1,076)	-	-	-	(31,131)
2) Others	(601)	(4,175)	-	-	(20,280)	(25,056)
Differences on translation of foreign currency financial statements	990	12,101	-	-	2	13,093
Ending balance	3,819,412	225,509	159,725	2,560,385	44,752	6,809,783
Accumulated amortisation						
Opening balance	544,852	115,412	-	-	22,519	682,783
Increase in current period	39,785	6,912	-	-	1,633	48,330
1) Provision	39,425	5,567	-	-	1,163	46,155
2) Transfer from investment prosperities and others	360	1,345	-	-	470	2,175
Decrease in current period	(465)	-	-	-	(1,344)	(1,809)
1) Disposal	(465)	-	-	-	-	(465)
2) Others	-	-	-	-	(1,344)	(1,344)
Differences on translation of foreign currency financial statements	-	8,889	-	-	1	8,890
Ending balance	584,172	131,213	-	-	22,809	738,194
Provision for impairment loss						
Opening balance	-	-	-	-	-	-
Increase in current period	-	-	-	-	-	-
1) Provision	-	-	-	-	-	-
Decrease in current period	-	-	-	-	-	-
1) Disposal	-	-	-	-	-	-
Ending balance	-	-	-	-	-	-
Carrying amount at end of period	3,235,240	94,296	159,725	2,560,385	21,943	6,071,589
Carrying amount at beginning of period	3,300,380	54,455	-	-	37,567	3,392,402

- (a) For the half year of 2016, the amortisation of intangible assets amounts to RMB46,155,000 (for the half year of 2015: RMB45,663,000).
- (b) As at 30 June 2016, the Company is still in course of obtaining the title certificates for land use rights with a carrying amount of about RMB20,478,000.
- (c) The increase in the ending balance of intangible assets compared with the opening balance is mainly due to the consolidation of TLSC.
- (d) As at 30 June 2016, there's no provision for impairment of intangible assets.

(15) Goodwill

Name of investee	Opening balance	Increase	Difference on translation of foreign currency financial statements	Others	Ending balance
Wuhu Lok Cheung Electric Co., Ltd.	4,817	-	-	-	4,817
Guangdong GMCC Refrigeration Equipment Co., Ltd.	13,732	-	-	-	13,732
Guangdong Midea Wuhu Refrigeration Equipment Co., Ltd.	46,788	-	-	-	46,788
Guangdong Midea Refrigeration Equipment Co., Ltd.	11,436	-	-	-	11,436
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	10,161	-	-	-	10,161
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	4,107	-	-	-	4,107
Chongqing Midea General Refrigeration Equipment Co., Ltd.	8,210	-	-	-	8,210
Midea Carrier Corporation	472,813	-	-	-	472,813
PT Midea Planet Indonesia	25,828	-	-	-	25,828
Midea Electric Trading Thailand Co Ltd	788	-	-	-	788
Hefei Midea Royalstar Refrigerator Co., Ltd.	14,269	-	-	-	14,269
Hefei Midea Washing Machine Co., Ltd.	34,374	-	-	-	34,374
Wuxi Little Swan Company Limited	1,326,932	-	-	-	1,326,932
Jiangxi Midea Guiya lighting Co., Ltd.	54,427	-	-	-	54,427
Changzhou Honglu Huate Electric Co., Ltd.	4,639	-	-	-	4,639
Calpore Macao Commercial Offshore Limited	329,957	-	-	-	329,957
Gold Emperor Enterprises Ltd.	29,467	-	-	-	29,467
Ningbo Meimei Jiayuan Electric Service Co., Ltd.	321	-	-	-	321
TLSC	-	2,469,084	-	-	2,469,084
Total	2,393,066	2,469,084	-	-	4,862,150

The increase in the ending balance compared with the opening balance is mainly due to the Company's consolidation of TLSC.

(16) Deferred income tax assets and deferred income tax liabilities**(a) Deferred income tax assets without taking into consideration the offsetting of balances**

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deductible losses	765,332	218,324	632,957	173,145
Provision for asset impairments	921,504	184,013	637,300	107,608
Employee benefits payable	191,733	33,876	177,487	30,015
Other non-current liabilities	11,310,697	2,029,406	9,996,930	1,711,198
Others	1,203,316	257,460	1,194,030	202,033
Total	14,392,582	2,723,079	12,638,704	2,223,999

(b) Deferred income tax liabilities without taking into consideration the offsetting of balances

Deferred income tax	Ending balance	Opening balance
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liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value	4,850,702	1,547,652	221,255	33,329
Others	441,203	139,893	44,102	7,135
Total	5,291,905	1,687,545	265,357	40,464

The increase in the ending balance of deferred income liabilities compared with the opening balance is mainly due to the evaluation appreciation in the consolidation of TLSC.

- (c) As at 30 June 2016, there's no significant offset item in deferred income tax assets and liabilities.

(17) Details of provision for asset impairments

Item	Opening balance	Increase in current period	Decrease in current period		Ending balance
			Reversal	Write-off	
Provision for bad debts	685,995	405,596	(76,533)	(51,841)	963,217
Including: Provision for bad debts of accounts receivable	606,500	261,170	(35,423)	(50,459)	781,788
Loan impairment provision	18,954	138,752	(566)	-	157,140
Provision for bad debts of other receivables	60,541	5,674	(40,544)	(1,382)	24,289
Provision for decline in the value of inventories	131,968	93,762	(51,096)	(17,043)	157,591
Provision for impairment of available-for-sale financial assets	100	-	-	-	100
Provision for impairment of fixed assets	15,408	2,349	-	(153)	17,604
Provision for impairment of investment properties	12,576	-	-	-	12,576
Total	846,047	501,707	(127,629)	(69,037)	1,151,088

(18) Assets with ownership or use right restricted

As at 30 June 2016, details of assets with restricted ownership are as follows:

Item	Ending balance	Opening balance
Cash at bank and on hand	9,742,011	9,421,586
Deposits with central bank	1,418,859	963,926
Deposits with banks and other financial institutions	5,330,000	1,400,000
Notes receivable	2,401,373	4,889,884
Total	18,892,243	16,675,396

(19) Short-term borrowings

Item	Ending balance	Opening balance
Unsecured borrowings	889,454	977,793
Trade financing	11,242,463	1,818,174
Pledged borrowings	-	-
Guaranteed borrowings	2,313,502	1,124,966

Total	14,445,419	3,920,933
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- (a) As at 30 June 2016, the annual interest rate range of short-term borrowings is from 1% to 8% (31 December 2015: from 1% to 8%).

(20) Notes payable

Item	Ending balance	Opening balance
Bank acceptance notes	19,451,346	17,078,520

(21) Accounts payable

Item	Ending balance	Opening balance
Accounts payable for materials	18,748,749	15,521,933
Others	2,931,143	1,926,751
Total	21,679,892	17,448,684

- (a) As at 30 June 2016, accounts payable with ageing over 1 year with a carrying amount of RMB480,373,000 (31 December 2015: RMB821,705,000) are mainly unsettled accounts payable for materials.

(22) Advances from customers

Item	Ending balance	Opening balance
Advances on sales	4,089,800	5,616,361

- (a) As at 30 June 2016, accounts payable with ageing over 1 year with a carrying amount of RMB49,969,000 (31 December 2015: RMB64,267,000) are mainly unsettled advances on sales.

(23) Employee benefits payable

Item	Ending balance	Opening balance
Short-term employee benefits (a)	1,799,715	2,114,196
Others	104,013	115,136
Total	1,903,728	2,229,332

(a) Short-term employee benefits

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Wages and salaries, bonus, allowances and subsidies	1,951,015	4,077,982	(4,604,310)	1,424,687
Staff welfare	87,873	393,052	(252,963)	227,962
Social security contributions	13,989	168,580	(167,403)	15,166
Including: Medical insurance	12,725	138,173	(142,533)	8,365
Work injury insurance	1,039	20,536	(15,145)	6,430
Maternity insurance	225	9,871	(9,725)	371
Housing funds	15,284	104,537	(103,459)	16,362
Labour union funds and employee education funds	17,918	29,955	(28,976)	18,897
Other employee expenses	28,117	298,617	(230,093)	96,641
Subtotal	2,114,196	5,072,723	(5,387,204)	1,799,715

(24) Taxes payable

Item	Ending balance	Opening balance
VAT payable	674,541	140,083
Corporate income tax payable	1,746,749	1,188,759
Others	289,179	278,339
Total	2,710,469	1,607,181

(25) Other payables

Item	Ending balance	Opening balance
Deposit and security deposit	705,871	521,495
Payables and temporary receipts	297,745	215,747
Refund for energy-saving and beneficial to people	163,240	138,160
Others	471,929	263,904
Total	1,638,785	1,139,306

- (a) As at 30 June 2016, other payables with ageing over 1 year with a carrying amount of RMB70,536,000 (31 December 2015: RMB244,788,000) are mainly deposit and security deposit payable, which are unsettled for related projects that are uncompleted.
- (b) The increase in the ending balance of other payables compared with the opening balance is mainly due to the consolidation of TLSC.

(26) Other current liabilities

Item	Ending balance	Opening balance
Accrued sales promotion expenses	1,355,981	828,535
Accrued sales rebate	14,532,683	13,765,370
Accrued installation and maintenance expenses	4,500,368	4,587,651
Accrued transportation expenses	562,784	487,859
Short-term commercial paper (a)	1,999,500	-
American commercial paper	-	355,460
Others	2,376,757	2,073,302
Total	25,328,073	22,098,177

- (a) On 16 June 2016, the Company issued super & short-term commercial paper, with annual interest of 2.92%.

(27) Long-term borrowings

Item	Ending balance	Opening balance
Guaranteed borrowings	81,194	83,778
Unsecured borrowings	2,002,849	6,283
Total	2,084,043	90,061

- (a) As at 30 June 2016, the annual interest rate range of long-term borrowings is from 0.4% to 4.5% (31 December 2015: from 2.09% to 4.5%).

(28) Debentures Payable

Name of debentures	Opening balance	Issuance during current period	Interest accrued at par value	Amortisation of premium and discount	Repayment during current period	Ending balance
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Debentures payable	-	4,641,840	9,187	42,537	-	4,599,303
Total	-	4,641,840	9,187	42,537	-	4,599,303

The related information of debentures is outlined as follows:

Name of debentures	Par value	Issuing date	Maturity date	Issuing amount
Debentures payable	4,641,840	03 June 2016	03 June 2019	4,641,840
Total	4,641,840			4,641,840

- (a) Midea Investment and Development Co., Ltd., a wholly-owned subsidiary of the Company, issued three-year corporate debentures amounting to USD700 million on 3 June 2016, which was calculated at a yearly simple interest with a fixed yearly rate of 2.375. Interest was payable every half year, and was guaranteed by Midea Group Co., Ltd.

(29) Long-term employee benefits payable

Item	Ending balance	Opening balance
Defined benefit plans	1,491,094	-

- (a) Defined benefit plans arise from the TLSC, and refer to the staffs in TLSC appointed by Toshiba Group.

(30) Share capital

Item	Opening balance	Movements for the year ended 31 December 2014				Ending balance
		Transfer from capital surplus to paid-in capital	Exercise of share options	Desterilisation	Subtotal	
RMB-denominated ordinary shares -		(a)	(b)			
RMB-denominated ordinary shares subject to trading restriction (a)	2,026,343	1,013,172		602	1,013,774	3,040,117
RMB-denominated ordinary shares not subject to trading restriction (b)	2,240,496	1,120,524	24,399	(602)	1,144,321	3,384,817
	4,266,839	2,133,696	24,399	-	2,158,095	6,424,934

- (a) Pursuant to the *Plan for Profit Distribution and Transfer from Capital Surplus to Share Capital for 2015* approved by the general meeting for 2015 dated 26 April 2016, capital surplus of RMB2,133,695,614 is transferred to share capital.
- (b) Pursuant to the first share option incentive plan as approved at the first extraordinary general meeting for 2014 dated 17 February 2014 (the "First Options Incentive Programme"), the Company grants 99,863,000 share options with an exercise price of RMB17.72 to 691 employees. Under the circumstance that specified performance conditions are met, one third of the total share options granted will become effective after 1 year, 2 years and 3 years, respectively, since 18 February 2014. For the half year of 2016, the total number of shares exercised by the granted employees is 23,388,146 and RMB23,388,146 is recognised as share capital, RMB305,526,000 is recognised as capital surplus (share premium) and RMB67,708,000 is transferred from capital surplus (others) to capital surplus (share premium).

Pursuant to the second share option incentive plan as approved at the first extraordinary general meeting for 2015 dated 25 May 2015 (the "Second Options Incentive Programme"), the Company grants 83,790,000 share options with an exercise price of RMB30.54 to 733 employees. Under the circumstance that specified performance conditions are met, one third of the total share options granted will become effective after 1 year, 2 years and 3 years, respectively, since 27 May 2015. For the half year of 2016, the total number of shares exercised by the granted employees is 1,011,050 and

RMB1,011,050 is recognised as share capital, RMB25,371,000 is recognised as capital surplus (share premium) and RMB6,606,000 is transferred from capital surplus (others) to capital surplus (share premium).

(31) Capital surplus

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Share premium (a)	11,088,036	330,897	2,133,696	9,285,237
Share option incentive plan (b)	388,604	199,004	74,314	513,294
Others	3,034,550	308	1,386	3,033,472
Total	14,511,190	530,209	2,209,396	12,832,003

- (a) The increase in share premium arises from the exercise of share options with the amount of RMB330,897,000. The decrease in share premium arises from the share capital transferred from capital surplus with the amount of RMB2,133,696,000.
- (b) The increase in share option incentive plan arises from the share option expenses attributable to shareholders' equity of the parent company with the amount of RMB199,004,000. The decrease in share option incentive programme arises from the transfer of RMB74,314,000 share options to share premium due to exercise of share option.

(32) Other comprehensive income

Item	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement				
	Opening balance	Attributable to the parent company after tax	Ending balance	Amount before income tax for current period	Less: Reclassifications of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income which will be reclassified subsequently to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(1,242)	(65,706)	(66,948)	(65,706)	-	-	(65,706)	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	160,706	1,082,507	1,243,213	1,133,617	28,819	6,399	1,082,507	15,892
Effective portion of cash flow hedging gains or losses	(194,762)	145,603	(49,159)	(52,701)	(202,106)	5,803	145,603	(2,001)
Exchange differences arising from translating foreign operations	(1,035,853)	114,310	(921,543)	170,967	-	-	114,310	56,657
Total	(1,071,151)	1,276,714	205,563	1,186,177	(173,287)	12,202	1,276,714	70,548

(33) Surplus reserve

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserve	1,846,523	-	-	1,846,523

(34) Undistributed profits

Item	Current figure	Comparative figure
Undistributed profits at beginning of year	29,529,827	21,814,316
Add: Net profit attributable to the parent company for current period	9,496,493	8,324,123
Less: Ordinary share dividends payable	5,120,869	4,215,808
Appropriation to general reserve	-	40,517
Undistributed profits at end of year	33,905,451	25,882,114

(a) Ordinary share dividends distributed in current year

Pursuant to the *Plan for Profit Distribution and Transfer from Capital Surplus to Share Capital for 2015* approved by the general meeting for 2015 dated 26 April 2016, the Company distributes a cash dividend to the shareholders at RMB1.2 per share, amounting to RMB5,120,869,000 calculated by 4,267,391,228 issued shares (2015: RMB1.00 per share, amounting to RMB4,215,808,000).

(35) Operating revenue and cost of sales

Item	Current figure	Comparative figure
Revenue from main operations	71,567,026	76,704,912
Revenue from other operations	5,955,261	5,804,232
Subtotal	77,522,287	82,509,144

Item	Current figure	Comparative figure
Cost of sales from main operations	49,721,730	55,194,611
Cost of sales from other operations	5,144,430	4,684,295
Subtotal	54,866,160	59,878,906

(a) Revenue and cost of sales from main operations

Products or business category	Current figure		Comparative figure	
	Revenue	Cost of sales	Revenue	Cost of sales
Large household appliances	48,282,097	33,090,488	54,499,204	38,401,894
Air-conditioner motors and related components	34,199,997	22,894,273	42,816,687	29,866,999
Refrigerator motors and related components	6,701,367	4,955,414	6,027,599	4,505,284
Washing machine motors and related components	7,380,733	5,240,801	5,654,918	4,029,611
Small household appliances	20,368,484	14,182,924	19,327,756	14,344,267
Motor	2,011,351	1,612,042	2,039,514	1,719,216
Logistics	905,094	836,276	838,438	729,234
Subtotal	71,567,026	49,721,730	76,704,912	55,194,611

For the half year of 2016, cost of sales is mainly material costs and labour costs, which accounts for over 80% of total cost of sales from main operations (for the half year of 2015: over 80%).

(b) Revenue and cost of sales from other operations

Item	Current figure		Comparative figure	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of materials	5,506,428	5,024,891	5,287,407	4,560,257
Others	448,833	119,539	516,825	124,038
Subtotal	5,955,261	5,144,430	5,804,232	4,684,295

For the half year of 2016, cost of sales from other operations is mainly material costs, which accounts for over 80% of total cost of sales from other operations (for the half year of 2015: over 80%).

(36) Interest income/(expenses)

Interest income and expenses arising from daily financial business of financial enterprises are presented as follows:

Item	Current figure	Comparative figure
Loans and advances	458,674	339,295
Including: Interest income from loans and advances	210,644	66,327
Interest income from note discounting	248,030	272,968
Interest income from deposits with banks and other financial institutions	20,902	24,537
Interest income	479,576	363,832
Interest expenses	(261,318)	(317,071)

(37) Business tax and surcharges

Item	Current figure	Comparative figure
City maintenance and construction tax	258,806	314,765
Educational surcharge	190,093	229,189
Others	18,863	24,682
Total	467,762	568,636

(38) Selling and distribution expenses

Item	Current figure	Comparative figure
Selling and distribution expenses	8,185,178	8,986,099

For the half year of 2016, selling and distribution expenses are mainly maintenance and installation expenses, advertisement and promotion fee, transportation and storage fee, employee benefits and rental expenses, which account for over 80% of total selling and distribution expenses (for the half year of 2015: over 80%).

(39) General and administrative expenses

Item	Current figure	Comparative figure
General and administrative expenses	3,690,059	3,604,757

For the half year of 2016, general and administrative expenses are mainly employee benefits, R&D expenditures, expenses of depreciation and amortisation, technical

maintenance expenses and administrative office expenses, which account for over 80% of total general and administrative expenses (for the half year of 2015: over 80%).

(40) Financial expenses

The Group's financial expenses, other than those arising from financial business (Note 4(35)), are presented as follows:

Item	Current figure	Comparative figure
Interest expenses	264,840	64,637
Less: Interest income	(570,745)	(133,341)
Add: Exchange losses	(692,672)	5,890
Add: Others	93,316	62,036
Total	(905,261)	(778)

(41) Asset impairment loss

Item	Current figure	Comparative figure
(Reversal)/loss of bad debts (Note 4(5))	130,371	280,419
Loss on decline in the value of inventories (Note 4(8))	25,210	(3,837)
Impairment loss on available-for-sale financial assets (Note 4(10))	-	-
Impairment loss on fixed assets (Note 4(12))	2,349	-
(Reversal)/loss of impairment of loans (Note 4(7))	93,880	250
Total	251,810	276,832

(42) Gains/(losses) on changes in fair value

Item	Current figure	Comparative figure
Financial instruments at fair value through profit or loss - derivative financial instruments	(525,089)	(217,464)

(43) Investment income

Source of investment income	Current figure	Comparative figure
Investment income from wealth management products purchased from financial institutions	493,198	682,954
Investment income from disposal of financial assets at fair value through profit or loss	(14,501)	313,321
Income from long-term equity investment under equity method	200,742	43,127
Others	34,643	141,803
Total	714,082	1,181,205

There is no restriction on recovery of investment income in the Group.

(44) Non-operating income

Item	Current figure	Comparative figure	Amount recognised in current non-recurring profit or loss
Total gains on disposal of non-current assets	3,548	38,173	3,548
Including: Gains on disposal of fixed assets	3,548	29,166	3,548
Gains on disposal of intangible assets	-	9,007	-
Government grants	762,724	509,576	762,724
Other income	137,000	102,842	137,000
Total	903,272	650,591	903,272

(45) Non-operating expenses

Item	Current figure	Comparative figure	Amount recognised in current non-recurring profit or loss
Losses on disposal of non-current assets	32,149	77,445	32,149
Including: Losses on disposal of fixed assets	32,123	77,151	32,123
Losses on disposal of intangible assets	26	294	26
Donations	10,264	10,078	10,264
Other expenses	61,386	12,893	59,589
Total	103,799	100,416	102,002

(46) Income tax expenses

Item	Current figure	Comparative figure
Current income tax expenses	2,233,781	2,262,868
Deferred income tax expenses	(287,110)	(454,861)
Total	1,946,671	1,808,007

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

Item	Current figure	Comparative figure
Total profit	12,177,569	10,756,575
Income tax calculated at tax rate of 25%	3,044,392	2,689,144
Effect of different tax rates applicable to subsidiaries	(1,029,606)	(835,448)
Adjustment of effect of income tax annual filing for prior periods	(55,800)	(47,084)
Income not subject to tax	(53,257)	(64,693)
Costs, expenses and losses not deductible for tax purposes	60,369	49,080
Utilisation of deductible losses for which no deferred income tax asset was recognised in prior period	(6,571)	(46)
Effect of temporary differences or deductible losses for which no deferred income tax asset is recognised in current period	5,894	17,054
Others	(18,750)	-
Income tax expenses	1,946,671	1,808,007

(47) Calculation of basic and diluted earnings per share**(a) Basic earnings per share**

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares

Item	Unit	Current figure	Comparative figure
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	9,496,493	8,324,123
Weighted average number of outstanding ordinary shares	Thousand shares	6,400,970	6,327,186
Basic earnings per share	RMB per share	1.48	1.32

(b) Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the diluted weighted average number of outstanding ordinary shares:

Item	Unit	Current figure	Comparative figure
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	9,496,493	8,324,123
Weighted average number of outstanding ordinary shares of the Company	Thousand shares	6,400,970	6,327,186
Weighted average number of ordinary shares increased due to share options	Thousand shares	18,074	30,946
Weighted average number of diluted outstanding ordinary shares	Thousand shares	6,419,044	6,358,132
Diluted earnings per share	RMB per share	1.48	1.31

As the Company's capital surplus is transferred into share capital in current year, the amount of basic and diluted earnings per share over the same period of last year has been reinstated.

(48) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

Item	Current figure	Comparative figure
Non-operating income	879,790	631,899
Other operating income - others	423,739	574,744
Financial expenses - interest income	116,164	133,682
Others	118,297	405,976
Total	1,537,990	1,746,301

(b) Cash paid relating to other operating activities

Item	Current figure	Comparative figure
General and administrative expenses (excluding employee benefits and taxes and surcharges)	1,872,868	1,552,194
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	6,707,172	6,263,503
Others	886,013	82,226
Total	9,466,053	7,897,923

(c) Supplementary information to the consolidated cash flow statement Reconciliation of net profit to cash flow from operating activities is as follows:

Supplementary information	Current figure	Comparative figure
1) Reconciliation of net profit to cash flow from operating activities is as follows:		
Net profit	10,230,898	8,948,568
Add: Provision for assets impairment	251,810	276,832
Depreciation and amortisation	1,572,255	1,443,934
Net loss on disposal of non-current assets	28,601	39,272
Losses on changes in fair value	525,089	217,464
Financial expenses	(273,692)	43,255
Investment income	(714,082)	(1,181,205)

Share option expenses	229,551	113,453
Decrease in deferred income tax assets	(356,685)	(406,064)
Increase in deferred income tax liabilities	(1,391)	(514)
Decrease in inventories	2,264,446	4,849,751
Decrease in operating receivables	(10,458,499)	(18,439,255)
Increase in operating payables	4,830,862	12,910,182
Net cash flows from operating activities	8,129,163	8,815,673
2) Movements in cash and cash equivalents:		
Cash at end of period	10,296,816	5,507,145
Less: Cash at beginning of period	5,187,317	5,272,238
Add : Cash equivalents at end of period	-	-
Less: Cash equivalents at beginning of period	-	-
Net increase in cash and cash equivalents	5,109,499	234,907

(d) Acquisition of subsidiaries

Item	Current figure
Cash and cash equivalents paid in current year for business combinations occurred in current period	3,314,708
Including: TLSC	3,314,708
Less: Cash and cash equivalents held by the subsidiaries at the acquisition dates	1,457,921
Including: TLSC	1,457,921
Net cash paid for acquisition of the subsidiaries	1,856,787

Net assets of the subsidiaries acquired

Item	As at the acquisition dates in 2016
Current assets	4,744,752
Non-current assets	5,824,985
Current liabilities	(3,710,935)
Non-current liabilities	(5,154,901)

(e) Composition of cash and cash equivalents

Item	Current figure	Comparative figure
Cash on hand	2,930	934
Cash at bank that can be readily drawn on demand	5,169,912	3,193,003
Other cash balances that can be readily drawn on demand	138,939	89,242
Deposits with central bank that can be drawn on demand	226,563	199,535
Deposits with banks and other financial institutions	4,758,472	2,024,431
Cash and cash equivalents at end of period	10,296,816	5,507,145

(49) Monetary items denominated in foreign currencies

Item	Foreign currency balance at end of period	Exchange rates	RMB balance at end of period
Cash at bank and on hand			
USD	401,534	6.6312	2,662,653
HKD	223,320	0.8547	190,865
EUR	35,824	7.3750	264,202
JPY	22,840,960	0.0645	1,473,036
BRL	45,932	2.0641	94,809
Other currencies	NA	NA	191,077
Deposits with central bank			
USD	7,884	6.6312	52,280
Deposits with banks and other financial institutions			
USD	123,203	6.6312	816,984
EUR	7,429	7.3750	54,789
Accounts receivable			
USD	890,877	6.6312	5,907,586
HKD	56,621	0.8547	48,392
EUR	107,931	7.3750	795,991
JPY	16,646,519	0.0645	1,073,551
BRL	329,388	2.0641	679,897
Other currencies	NA	NA	790,959
Other receivables			
USD	7,770	6.6312	51,527
HKD	111,379	0.8547	95,192
EUR	6,246	7.3750	46,064
JPY	1,068,082	0.0645	68,882
BRL	65,560	2.0641	135,324
Other currencies	NA	NA	52,363

(Continued table)

Item	Foreign currency balance at end of period	Exchange rates	RMB balance at end of period
Short-term borrowings			
USD	266,788	6.6312	1,769,125
HKD	86,000	0.8547	73,502
Other currencies	NA	NA	123,338
Accounts payable			
USD	242,399	6.6312	1,607,393
HKD	46,380	0.8547	39,640
EUR	2,004	7.3750	14,780
JPY	25,288,240	0.0645	1,630,864
BRL	36,167	2.0641	74,653
Other currencies	NA	NA	70,557
Other payables			
USD	20,591	6.6312	136,544
HKD	26,178	0.8547	22,374
EUR	899	7.3750	6,630
JPY	5,313,010	0.0645	342,641
BRL	780	2.0641	1,610
Other currencies	NA	NA	60,876
Long-term borrowings			
HKD	95,000	0.8547	81,194
EUR	271,111	7.3750	1,999,444
BRL	1,354	2.0641	2,795
Other currencies	NA	NA	340

5 Changes in consolidation scope

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control incurred in current year.

Acquirees	Nature of business	Time of acquisition	Acquisition cost	% interest acquired	Acquisition method
TLSC	Production and sale of household appliances	30 June 2016	RMB3,314,708,418	80.10%	Cash consideration
Acquisition dates	Recognition basis of acquisition dates	Revenues of acquirees from the acquisition dates to the period-end	Net profit of acquirees from the acquisition dates to the period-end	Cash flows from operating activities of acquirees from the acquisition dates to the period-end	Net cash flows of acquirees from the acquisition dates to the period-end
30 June 2016	Effective acquisition of control right	-	-	-	-

Pursuant to the agreement between the Company and Toshiba Corporation, after 8 years since the transaction date, both parties will have call option and put option at the pre-determined price for the remaining shares(19.9%) respectively. In accordance with this agreement, it is likely that the Company will obtain the remaining 19.9% of shares, so the Company considers that calculation of the goodwill arising from acquisition and corresponding accounting treatment should be at the basis of 100% shares acquisition.

(b) Details of costs of combination and good will are as follows:

Item	TLSC
Costs of combination -	
Cash consideration	3,314,708
Future consideration	666,012
Total cost of combination	3,980,720
Less: Share of fair value of the identifiable net assets obtained	1,511,636
Goodwill	2,469,084

(c) Assets and liabilities of acquirees at acquisition dates are as follows:

TLSC	Fair value at acquisition dates	Carrying amount at acquisition dates and end of period
Current assets	4,744,752	4,744,752
Non-current assets	5,824,985	1,131,515
Current liabilities	(3,710,935)	(5,114,647)
Non-current liabilities	(5,154,901)	(2,237,180)
Net assets obtained	1,703,901	(1,475,560)

The negative net assets of TLSC mainly arises from provision for impairment of long-term assets in prior years.

The fair value of the assets and liabilities of TLSC at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

Land is mainly appraised with market approach, which adjusts the difference between the evaluated assets and similar assets by comparing the current trading price or selling price of similar assets in the open market, to determine the value of evaluated assets.

Buildings and machinery and equipment are mainly appraised with cost approach, which uses the current replacement cost excluding wastage to determine the value of evaluated assets, with basic calculation formula of evaluated equipment value equalling the total price times comprehensive newness rate. Part of calculation results should be reviewed in conjunction with market approach.

Intangible assets (trademarks and patents) are mainly evaluated with license fee saving approach, which uses the appropriate discount rate to discount the saved license fee arising from the right to use related assets each year over the remaining using period of trademarks/patents, to arrive at the present value on base date of assets evaluation.

The main assumptions applied in calculation of discounted future cash flows of trademarks and patents are as follows:

Item	2017	2018	2019 to 2025
Growth rate	10%	16%	1% to 5%
Gross margin	22%	24%	24%
Discount rate	8.5%	8.5%	8.5%

(2) Changes in consolidation scope due to other reasons

(a) Increase of consolidation scope

Name of entity	Acquisition method of the equity	Acquisition time-point of the equity	Contributed amount	Shareholding ratio
Guangdong Midea Kucheng Electric Appliance Manufacturing Co., Ltd.	Establishment	June 2016	23,622	60.00%
Guangdong Midea Commercial Factoring Co., Ltd.	Establishment	January 2016	100,000	100.00%

(b) Decrease of consolidation scope

Decrease of consolidation scope mainly includes deregistration and sales of subsidiaries. Details are as follows:

Name of entity	Disposal method of the equity	Disposal time-point of the equity	Net assets on disposal date	Net profit earned from the beginning of period to the disposal date
Guangdong Midea lighting electric manufacturing Co., Ltd.	Deregistration	April 2016	4,132	(20)
Foshan Shunde Meihui management service Co., Ltd.	Sales	April 2016	261,514	(4,134)

6 Interest in other entities

(1) Interests in subsidiaries

(a) Information of significant subsidiaries

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Guangdong GMCC Refrigeration Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	60%	-	Business combinations involving enterprises not under common control
Guangdong Midea Refrigeration Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Wuhan, PRC	Wuhan, PRC	Manufacture of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Ningbo Midea United Material Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Business combination involving enterprises under common control
Midea Electric Appliance (Singapore) Trade Co., Ltd.	Singapore	Singapore	Export trading	-	100%	Establishment
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuxi Little Swan Company Limited	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	38%	15%	Business combinations involving enterprises not under common control
Welling Holding Limited	Foshan, PRC	Foshan, PRC	Manufacture of motors	-	69%	Business combinations involving enterprises not under common control
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Annto Logistics Company Limited	Wuhu, PRC	Wuhu, PRC	Cargo storage and transportation	55%	25%	Business combination involving enterprises under common control
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	88%	12%	Establishment
Zhejiang GMCC Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Establishment
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	90%	10%	Business combination involving enterprises under common control

(a) Information of significant subsidiaries (Cont'd)

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	

Foshan Shunde District Midea Petty Loan Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	30%	70%	Business combinations involving enterprises not under common control
Midea Petty Loan Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Financial industry	5%	95%	Business combinations involving enterprises not under common control
Hefei Annto Logistics Co., Ltd.	Hefei, PRC	Hefei, PRC	Cargo storage and transportation	-	100%	Business combination involving enterprises under common control
MECCA INTERNATIONAL (BVI) LIMITED	The British Virgin Islands	The British Virgin Islands	Investment	-	100%	Establishment
South American Holding Co.II B.V	Brazil	Netherlands	Manufacture of air conditioner	-	51%	Business combinations involving enterprises not under common control
TLSC	Japan	Japan	Manufacture of household appliances	-	80.1%	Business combinations involving enterprises not under common control

(b) Subsidiaries that have significant minority interests

Name of Subsidiaries	Shareholding of minority shareholders	Total profit or loss attributable to minority shareholders in current period	Dividends distributed to minority interests in current period	Minority interests at end of period
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	20%	12,925	46,626	196,299
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	20%	28,151	46,149	143,515
Guangdong Midea Refrigeration Equipment Co., Ltd.	20%	163,625	143,288	712,191
Wuxi Little Swan Company Limited	47%	276,059	179,601	2,485,083
Guangdong GMCC Refrigeration Equipment Co., Ltd.	40%	50,193	45,328	710,752
South American Holding Co.II B.V	49%	(91,303)	-	128,894
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	40%	63,682	-	256,034
Annto Logistics Company Limited	20%	37,415	5,438	191,571
Welling Holding Limited	31%	121,563	49,886	1,280,301

(2) Information of enterprise group

The major financial information of the subsidiaries that have significant minority interests is listed below:

Name of Subsidiaries	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	10,804,195	623,683	11,427,878	10,484,339	-	10,484,339	11,985,129	642,113	12,627,242	11,548,308	-	11,548,308
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	1,166,705	360,820	1,527,525	809,952	-	809,952	2,068,234	377,247	2,445,481	1,643,602	-	1,643,602
Guangdong Midea Refrigeration Equipment Co., Ltd.	27,583,555	2,291,170	29,874,725	26,283,242	30,527	26,313,769	26,446,641	2,338,070	28,784,711	25,359,562	30,460	25,390,022
Wuxi Little Swan Company Limited	13,907,482	1,575,300	15,482,782	9,120,028	38,979	9,159,007	12,752,480	1,575,176	14,327,656	8,298,112	41,816	8,339,928
Guangdong GMCC Refrigeration Equipment Co., Ltd.	3,974,342	701,697	4,676,039	2,898,816	344	2,899,160	3,223,492	668,582	3,892,074	2,127,737	3,870	2,131,607
South American Holding Co.II B.V	2,294,536	638,057	2,932,593	2,493,107	3,091	2,496,198	2,823,102	462,988	3,286,090	2,704,748	6,137	2,710,885
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	1,399,907	54,670	1,454,577	871,406	-	871,406	846,723	54,389	901,112	452,206	96	452,302
Annto Logistics Company Limited	1,983,538	2,286,498	4,270,036	3,292,494	6,640	3,299,134	1,265,400	2,288,272	3,553,672	2,742,785	8,020	2,750,805
Welling Holding Limited	4,876,654	1,633,695	6,510,349	2,480,193	31,231	2,511,424	4,683,680	1,655,305	6,338,985	2,543,690	35,004	2,578,694
Name of Subsidiaries	Current figure				Comparative figure							
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities				
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	4,744,044	94,724	94,724	853,687	11,528,484	367,049	367,049	(2,332,957)				
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2,637,359	140,753	140,753	873,994	4,497,527	133,754	133,754	2,094,866				
Guangdong Midea Refrigeration Equipment Co., Ltd.	15,100,437	818,125	818,125	(5,107,950)	18,367,648	825,684	825,078	7,713,772				
Wuxi Little Swan Company Limited	7,984,787	664,923	701,188	1,607,097	6,101,904	498,509	498,482	1,365,269				
Guangdong GMCC Refrigeration Equipment Co., Ltd.	3,509,078	125,483	120,769	(72,374)	4,023,165	105,295	107,590	43,552				
South American Holding Co.II B.V	1,237,026	(186,334)	(151,518)	(186,658)	1,979,894	(130,144)	(130,144)	(929,758)				
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	1,102,390	132,696	132,407	43,984	1,020,930	98,008	101,451	(33,029)				
Annto Logistics Company Limited	4,107,019	219,142	219,142	200,668	2,063,887	109,538	109,538	(338,665)				
Welling Holding Limited	3,943,392	386,836	386,836	(344,511)	3,992,399	321,759	321,621	635,840				

(3) Interests in associates and a joint venture

The impact of the Group's associates and joint venture on the Group is not significant. Summarised information is as follows:

Item	Ending balance	Opening balance
Aggregated carrying amount of investments	3,108,646	2,888,274
Aggregate of the following items calculated in proportion to shareholding (i)	200,742	420,744
Other comprehensive income (i)	(65,706)	39,924
Total comprehensive income	135,036	460,668

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

7 Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 6 reportable segments as follows:

- Air conditioning and parts segment
- Refrigerators and parts segment
- Washing machines and parts segment
- Small appliances segment
- Electric machine segment
- Logistics segment

Inter-segment transfer prices are determined by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

Operating expenses include cost of sales, interest expenses, fee and commission expenses, business taxes and surcharges, selling and distribution expenses, general and administrative expenses, financial expenses and asset impairment losses.

8 Segment reporting

(a) Information on the profit or loss, assets and liabilities of reported segment

Segment information for the half year of 2016 and as at 30 June 2016 is as follows:

Item	Current figure								
	Air-conditioner motors and related components	Refrigerator motors and related components	Washing machine motors and related components	Small household appliances	Motor	Logistics	Others	Elimination	Total
Revenue from external customers	38,298,229	7,230,353	8,026,957	20,719,144	2,336,073	905,198	491,562	-	78,007,516
Inter-segment revenue	185,483	13,758	15,229	67,136	1,607,320	1,277,353	627,540	(3,793,819)	-
Operating expenses	(32,456,401)	(6,492,768)	(7,270,836)	(17,584,482)	(3,533,186)	(2,090,926)	(1,179,851)	3,790,037	(66,818,413)
Segment profit	6,027,311	751,343	771,350	3,201,798	410,207	91,625	(60,749)	(3,782)	11,189,103
Other profit or loss									988,466
Total profit									12,177,569
Total assets	86,197,460	14,990,117	20,528,557	62,363,466	7,503,284	3,655,308	69,628,298	(97,363,743)	167,502,747
Total liabilities	65,357,748	9,525,782	11,651,355	48,681,127	2,511,424	2,595,346	68,466,067	(103,945,230)	104,843,619
Long-term equity investments in associates and a joint venture	298,447	-	-	2,700	318,922	-	2,488,577	-	3,108,646
Investment income from investments in associates and a joint venture	16,204	-	-	-	16,135	-	168,403	-	200,742
Increase in non-current assets (excluding available-for-sale financial assets, long-term equity investments and deferred income tax assets)	497,946	2,600,314	2,255,523	3,348,660	120,346	70,071	412,958	-	9,305,818
Asset impairment losses/(reversal)	117,455	13,433	27,934	(13,757)	11,374	(3,423)	97,895	899	251,810
Depreciation and amortisation expenses	716,766	177,538	82,637	377,191	88,910	45,805	83,408	-	1,572,255

(a) Information on the profit or loss, assets and liabilities of reported segment (Cont'd)

Segment information for the half year of 2015 and as at 30 June 2015 is as follows:

Item	Comparative figure								
	Air-conditioner motors and related components	Refrigerator motors and related components	Washing machine motors and related components	Small household appliances	Motor	Logistics	Others	Elimination	Total
Revenue from external customers	46,877,053	6,455,582	6,129,704	19,773,347	2,232,471	838,439	568,474	-	82,875,070
Inter-segment revenue	88,170	5,257	6,289	2,192	1,759,929	1,225,449	311,166	(3,398,452)	-
Operating expenses	(41,336,354)	(5,947,896)	(5,596,301)	(17,577,826)	(3,701,322)	(2,038,908)	(929,979)	3,496,175	(73,632,411)
Segment profit	5,628,869	512,943	539,692	2,197,713	291,078	24,980	(50,339)	97,723	9,242,659
Other profit or loss									1,513,916
Total profit									10,756,575
Total assets	83,840,421	8,748,702	11,288,808	33,692,911	7,464,862	3,620,941	103,220,718	(110,094,676)	141,782,687
Total liabilities	62,952,872	4,615,427	5,882,185	22,166,008	2,938,133	2,356,274	82,665,440	(94,243,077)	89,333,262
Long-term equity investments in associates and a joint venture	274,055	-	2,727	-	296,404	-	332,970	-	906,156
Investment income from investments in associates and a joint venture	11,733	-	(123)	-	23,922	-	7,595	-	43,127
Increase in non-current assets (excluding available-for-sale financial assets, long-term equity investments and deferred income tax assets)	588,278	133,485	43,313	358,850	97,417	84,016	283,779	-	1,589,138
Asset impairment losses/(reversal)	203,574	17,252	(1,325)	28,228	2,870	19,246	54,734	(47,747)	276,832
Depreciation and amortisation expenses	636,499	179,699	72,632	229,650	72,950	61,858	190,646	-	1,443,934

(b) Geographical area information

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than available-for-sale financial assets and deferred income tax assets located domestically and in foreign countries or geographical areas (including Hong Kong, Macau, Singapore, Japan, Brazil, etc.) are as follows:

Revenue from external customers	Current figure	Comparative figure
Domestic	46,668,922	55,556,002
Other countries/geographical areas	31,338,594	27,319,068
Total	78,007,516	82,875,070

Total non-current assets	Current figure	Comparative figure
Domestic	28,960,862	25,595,892
Other countries/geographical areas	8,751,634	2,137,851
Total	37,712,496	27,733,743

9 Related parties and significant related party transactions**(1) Information of the parent company**

(a) General information of the parent company

Name of the parent company	Relationship	Place of registration	Nature of business
Midea Holding Co., Ltd.	Controlling shareholder	Shunde District, Foshan	Commercial

The Company's ultimate controlling person is Mr. He Xiangjian.

(b) Registered capital and changes in registered capital of the parent company

Name of the parent company	Registered capital
Midea Holding Co., Ltd.	330,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

Name of the parent company	30 June 2016			1 January 2016		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	34.93%	-	34.93%	35.07%	-	35.07%

(2) Information of the Company's subsidiaries

Please refer to Note 6(1) for the information of the Company's main subsidiaries.

(3) Information of other related parties

Name of other related parties	Relationship
Guangzhou Wellkey Electrician Material Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Anhui Wellkey Electrician Material Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Infore Investment Holding Group Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Foshan Shunde Midea Development Co., Ltd.	Under common control of the Company's actual controlling persons
Foshan Midea Real Estate Development Co., Ltd.	Under common control of the Company's actual controlling persons
Shanxi Huaxiang Group Co., Ltd	Associates of subsidiaries controlled by the Company
Foshan Micro Midea Filter MFG Co., Ltd.	Associates of the Company
Guangdong Midea Property Co., Ltd.	Under common control of the Company's actual controlling persons
Foshan Shunde Rural Commercial Bank Co., Ltd.	Associates of the Company

(4) Information of related party transactions

The following related party transactions are conducted in accordance with normal commercial terms or relevant agreements.

(a) Purchase of goods:

Related parties	Content of related party transactions	Pricing policies of related party transactions	Current figure	Comparative figure
Hefei Orinko Plastics Group.	Purchase of goods	Agreed price	104,024	-
Guangzhou Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	476,574	394,942
Foshan Micro Midea Filter MFG Co., Ltd.	Purchase of goods	Agreed price	82,158	79,649
Shanxi Huaxiang Group Co., Ltd	Purchase of goods	Agreed price	468,116	80,925
Guangdong Infore Electronics Co., Ltd.	Purchase of goods	Agreed price	-	4,457
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	708,038	163,114
Total			1,838,910	723,087

(b) Guarantee

The Group as the guarantee provider

Related parties	Guaranteed amount	Commencement date	Maturity date	Fully performed or not
Shanxi Huaxiang Group Co., Ltd	183,000	01 January 2016	31 December 2016	No

(c) Investment income

Related parties	Content	Current figure	Comparative figure
Foshan Shunde Rural Commercial Bank Co., Ltd.	Wealth management product	44,400	57,175

(5) Receivables from and payables to related parties

Receivables from related parties:

Project name	Related parties	Ending balance	Opening balance
Advances to suppliers	Guangzhou Wellkey Electrician Material Co., Ltd.	-	756
	Foshan Micro Midea Filter MFG Co., Ltd.	-	8,000
	Hefei Orinko Plastics Group.	23,811	28,756
Subtotal		23,811	37,512

Project name	Related parties	Ending balance	Opening balance
Other current assets	Foshan Shunde Rural Commercial Bank Co., Ltd.	2,200,000	1,100,000

Project name	Related parties	Ending balance	Opening balance
Cash at bank and on hand	Foshan Shunde Rural Commercial Bank Co., Ltd.	1,379,700	2,030,948

Payables to related parties:

Project name	Related parties	Ending balance	Opening balance
Accounts payable	Guangzhou Wellkey Electrician Material Co., Ltd.	103,337	64,330
	Foshan Micro Midea Filter MFG Co., Ltd.	14,501	32,901
	Shanxi Huaxiang Group Co., Ltd	27,939	49,705
	Hefei Orinko Plastics Group.	-	6,153
	Anhui Wellkey Electrician Material Co., Ltd.	24,994	51,755
	Foshan Midea Real Estate Development Co., Ltd.	-	3,677
Subtotal		170,771	208,521

10 Share-based payment

- (1) Pursuant to the third share option incentive plan (the "Third Share Option Incentive Plan") approved at the third extraordinary general meeting for 2016 dated 6 June 2016, the Company grants 127,290,000 share options with exercise price of RMB21.35 to 929 employees. Under the circumstance that the Company meets expected performance, 1/3 of the total share options granted will become effective after 1 year, 2 years and 3 years respectively since 28 June 2016. Determination method for fair value of share options at the grant date

Exercise price of options	RMB21.35
Effective period of options:	5 years
Current price of underlying shares:	RMB23.35
Estimated fluctuation rate of share price:	40.81%
Estimated dividend rate:	3.75%
Risk-free interest rate within effective period of options:	2.37%

The fair value of the Third Share Option Incentive Plan calculated pursuant to the above parameters is: RMB774,462,000.

(2) Movements of share options during the half year

Item	For the half year of (share options in thousands)	For the half year of 2015 (share options in thousands)
Outstanding share options issued at beginning of year	203,595	90,863
Share options granted in current period	127,290	83,790
Share options exercised in current period	(24,675)	(19,314)
Share options lapsed in current period	-	-
Outstanding share options issued at end of period	306,210	155,339

The number of outstanding share options at beginning of year is adjusted based on the transfer of capital surplus into share capital (10 for 5) according to the audited number of last year, and the number after adjustment is 203,595,000.

As at 30 June 2016, the maturity date of the First Option Incentive Plan is 17 February 2019, the maturity date of the Second Option Incentive Plan is 27 May 2020, and the maturity date of the Third Option Incentive Plan is on 28 June 2021.

(3) Impact of share-based payment transactions on financial position and financial performance.

For the half year of 2016, the total share option expenses recognised under share option incentive plan are RMB229,551,000. As at 30 June 2016, the balance relating to the option incentive plan and provided for in capital surplus was RMB513,294,000.

11 Contingencies

The amount in tax disputes in a Brazilian subsidiary with 51% interests held by the Company is about BRL584 million (approximately equivalent to RMB1,205 million) (Some cases have lasted for more than ten years. The above amount includes the principal and related interest). As at 30 June 2016, relevant cases are still at court. With reference to judgements of third-party attorneys, management considers that there is no need to make provisions.

12 Commitments

(1) Operating lease commitments

The Group has no significant operating lease commitments at the balance sheet date.

13 Subsequent events

(a) Acquisition of KUKA

The Company's agreements regarding tender offer of shares of KUKA were approved by the Company's eleventh meeting of the second board of directors on 19 May 2016, twelfth meeting of the second board of directors on 26 May 2016 and the third extraordinary general meeting on 7 June 2016. The Company proposed tender offer by MECCA, a overseas wholly-owned subsidiary of the Company, to acquire the shares of KUKA at a cash consideration of EUR115 per share.

KUKA 's three major business segments are as follows: 1) Kuka robotics segment is mainly engaged in the development, manufacturing and sales of core robots as well as related services and controllers; 2) Kuka system segment is mainly engaged in the design and construction of automated manufacturing system; 3) Swisslog segment is mainly engaged in the provision of solutions for R&D Innovation automation in other fields.

As at 4 August 2016, this tender offer term expired, and KUKA shareholders could not continue to sell shares regarding this tender offer. Upon completion the tender offer, as the Company has previously held 13.51% shares of KUKA, plus the shares acquired through this tender offer, the Group will hold 37,605,732 shares of KUKA in total, namely, 94.55% of KUKA's issued shares.

On 10 August 2016, the Company received *Notice of Not Implementing Further Examination* (SHANGFANLONGCHUSHENHAN[2016] No.224) Issued by Anti-Monopoly Bureau of Ministry of Commerce of China, which passed the review of operators' concentration involved in this tender offer and permitted the implementation of this tender offer.

As at 20 August 2016, Beijing time, "No objection to this acquisition from Federal Ministry for Economic Affairs and Energy of Germany", one of the requirements of the completion of this tender offer, has been satisfied. This tender offer still needs anti-monopoly review by EU, USA, Russia, Brazil and Mexico, as well the review by the Committee on Foreign Investment in the United States ("CFIUS") and Directorate of Defense Trade Controls (DDTC), and the above government approvals need to be completed before 31 March 2017 at the latest.

(b) Acquisition of Clivet

On 21 June 2016, the Company enter into an agreement with Bellò Family to acquire 80% shares of Clivet, a central air-conditioning enterprise in Italy. As at the reporting date, such transaction still needs regular anti-monopoly review, and it is estimated to be completed before end of year.

14 Leases

The Group leases in certain fixed assets under finance leases. The future minimum lease payments of the finance leases are summarised in the following table:

	Ending balance
Within 1 year	113,718
Over 1 year	583,864
	697,582

At end of period, the balance of unrecognised financing charge amounts to RMB62,106,000.

15 Financial risk

The Group is exposed to various financial risks in the ordinary course of business, mainly including

- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

The following mainly relates to the above risk exposures and relevant causes, objectives, policies and process of risk management and method of risk measurement, etc.

The objective of the Group's risk management is to seek balance between risk and income, minimising the adverse impact of financial risks on the Group's financial performance. Pursuant to the risk management objective, the Group has made risk management policies to identify and analyse the risks it is exposed to and set appropriate risk resistant level and design relevant internal control procedures to monitor the Group's risk level. The Group reviews regularly these risk management policies and relevant internal control systems to adapt to changes in market condition or its operating activities.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign

currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group enters into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 30 June 2016, if interest rates on the floating rate borrowings had risen or fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased or increased by approximately RMB11,205,000.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arise from cash at bank, deposits with central bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, interest receivable, loans and advances, other receivables and other structural deposits in current assets.

The Group expects that there is no significant credit risk associated with cash at bank, deposits with central bank and deposits with banks and other financial institutions since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, interest receivable, loans and advances, other receivables and other structural deposits in current assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash follows:

Ending balance	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	14,603,389	-	-	-	14,603,389
Notes payable	19,451,346	-	-	-	19,451,346
Accounts payable	21,638,590	13,067	14,141	14,094	21,679,892
Interest payable	54,969	-	-	-	54,969
Dividends payable	316,140	-	-	-	316,140
Other payables	1,578,669	26,329	25,126	8,661	1,638,785
Borrowings from central bank	45,740	-	-	-	45,740
Customer deposits and deposits from banks and other financial institutions	72,521	-	-	-	72,521
Derivative financial liabilities	463,180	-	-	-	463,180
Financial assets sold under repurchase agreements	662,915	-	-	-	662,915
Current portion of non-current liabilities	103,594	-	-	-	103,594
Other non-current liabilities	25,328,073	-	-	-	25,328,073
External guarantee	183,000	-	-	-	183,000
Long-term borrowings (including interest)	71,322	40,882	2,002,814	-	2,115,018
Debentures payable	110,244	110,244	4,752,084	-	4,972,572
Subtotal	84,683,692	190,522	6,794,165	22,755	91,691,134

16 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2016, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at end of period			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - derivative financial assets	-	7,366	-	7,366
Available-for-sale financial assets - other current assets - wealth management products purchased from financial institutions	-	-	26,786,165	26,786,165
Available-for-sale financial assets - other non-current assets - wealth management products purchased from financial institutions	-	-	4,432,900	4,432,900
Available-for-sale financial assets	4,254,812	-	-	4,254,812
Total assets	4,254,812	7,366	31,219,065	35,481,243
Financial liabilities at fair value through profit or loss - derivative financial liabilities	-	463,180	-	463,180

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. In current year, there was no significant transfer of fair value measurement level of the above financial instruments.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly primarily comprise discounted cash flow model and market comparable corporate model. Inputs of valuation technique mainly comprise risk-free interest rate, estimated interest rate and estimated annual yield.

There is no change in the valuation technique for the fair value of the Group's financial instruments in current year.

Item	-- Available-for-sale equity instruments
Opening balance	18,136,831
Purchases	22,178,900
Sales	(9,632,520)
Total gains of current period	
Investment income recognised in income statement	493,198
Gains recognised in other comprehensive income	42,656
Ending balance	31,219,065

There is no change in the valuation technique for the fair value of the Group's financial instruments in current year.

The changes in Level 3 financial assets are analysed below:

	30 June 2016 Fair value	Valuation technique	Inputs			
			Name	Range	Relationship with fair value	Observable/ unobservable
Available-for-sale financial assets - Other current assets and other non-current assets	<u>31,219,065</u>	Discounted cash flows	Estimated annual yield	3.5% to 6.8%	Positive	Unobservable

Assets and liabilities subject to level 2 fair value measurement are mainly forward exchange contracts and are evaluated by market approach.

(2) Assets and liabilities not measured at fair value but disclosed

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with central bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, loans and advances, other receivables, other current assets (excluding those mentioned in Note 15(1)), accounts payable, notes payable, short-term borrowings, long-term borrowings, customer deposits and deposits from banks and other financial institutions, financial assets sold under repurchase agreements, interest payable and other current liabilities, etc.

Carrying amounts of the Group's financial assets and financial liabilities as at 30 June 2016 and 31 December 2015 approximate their fair value.

17 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements, and monitors capital structure on the basis of gearing ratio (total assets total liabilities).

As at 30 June 2016 and 31 December 2015, the Group's gearing ratio is as follows:

Item	Ending balance	Opening balance
Total liabilities	104,843,619	72,810,313
Total Assets	167,502,747	128,841,935
Gearing ratio	62.59%	56.51%

18 Notes to the parent company's financial statements

(1) Other receivables

Item	Ending balance	Opening balance
Current accounts	12,167,533	7,460,438
Deposits	1,173	864
Subtotal	12,168,706	7,461,302
Less: Provision for bad debts	(296)	(263)
Total	12,168,410	7,461,039

(a) Other receivables are analysed by ageing as follows:

Ageing	Ending balance	Opening balance
Within 1 year (inclusive)	5,314,562	7,461,224
1 to 2 years (inclusive)	6,854,126	60
2 to 3 years (inclusive)	-	18
3 to 5 years (inclusive)	18	-
Subtotal	12,168,706	7,461,302
Less: Provision for bad debts	(296)	(263)
Total	12,168,410	7,461,039

(b) Other receivables are analysed by categories as follows:

Category	Ending balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	Ratio	Amount	Ratio
Provision for bad debts provided on the individual basis	12,162,977	99.95%	-	-	7,456,182	99.93%	-	-
Provision for bad debts provided on the grouping basis	5,729	0.05%	296	5.17%	5,120	0.07%	263	5.14%
Total	12,168,706	100.00%	296	0.002%	7,461,302	100.00%	263	0.004%

(c) Other receivables that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

Ageing	Ending balance			Opening balance		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	5,680	284	5.00%	5,042	252	5.00%
1 to 2 years	31	3	10.00%	60	6	10.00%
2 to 3 years	-	-	-	18	5	30.00%

3 to 5 years	18	9	50.00%	-	-	-
Subtotal	5,729	296	5.17%	5,120	263	5.14%

(d) As at 30 June 2016, other receivables from the top five debtors are analysed as below:

Name of unit	Nature of receivables	Book balance	Ageing	% of total other receivables	Provision for bad debts
First	Temporary payments receivable	6,854,095	1 to 2 years	56.33%	-
Second	Temporary payments receivable	2,200,000	Within 1 year	18.08%	-
Third	Temporary payments receivable	84,012	Within 1 year	0.69%	-
Fourth	Temporary payments receivable	67,489	Within 1 year	0.55%	-
Fifth	Temporary payments receivable	43,220	Within 1 year	0.36%	-
Subtotal		9,248,816		76.00%	-

(2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Subsidiaries (a)	21,517,042	21,466,087
Associates (b)	1,297,158	1,282,323
Joint ventures (b)	373,974	378,136
Subtotal	23,188,174	23,126,546
Less: Provision for impairment	-	-
Total	23,188,174	23,126,546

(2) Long-term equity investments (Cont'd)**(a) Subsidiaries**

Name of investee	Opening balance	Movements for current year					Ending balance	Cash dividends declared in current year
		Increase in Investment	Movements due to share-based payments	Decrease in investment	Merger	Others		
Wuxi Little Swan Company Limited	2,668,161	-	11,855	-	-	-	2,680,016	143,369
Midea Group Finance Co., Ltd.	1,427,988	-	1,416	-	-	-	1,429,404	264,050
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	1,048,377	-	1,944	-	-	-	1,050,321	813,339
Hubei Midea Refrigerator Co., Ltd.	833,204	-	1,353	-	-	-	834,557	229,198
Anhui GMCC Precision Manufacturing Co., Ltd.	803,508	-	1,594	-	-	-	805,102	479,111
Foshan Shunde Midea Home Appliance Industry Co., Ltd.	2,449,000	-	-	-	-	-	2,449,000	-
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	730,244	-	3,069	-	-	-	733,313	798,828
Guangdong Midea Refrigeration Equipment Co., Ltd.	797,083	-	64,580	-	-	-	861,663	523,000
Annto Logistics Company Limited	466,642	-	4,120	-	-	-	470,762	14,955
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	569,430	-	-	-	-	-	569,430	23,431
Ningbo Midea United Material Supply Co., Ltd.	481,635	-	1,269	-	-	-	482,904	349,352
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	487,678	-	4,537	-	-	-	492,215	116,058
Guangzhou Midea Hualing Refrigerator Co., Ltd.	422,082	-	893	-	-	-	422,975	60,220
Hefei Midea Refrigerator Co., Ltd.	436,562	-	6,681	-	-	-	443,243	-
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	345,570	-	3,010	-	-	-	348,580	170,184
Anhui GMCC Refrigeration Equipment Co., Ltd.	312,668	-	2,002	-	-	-	314,670	-
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	309,682	-	14,012	-	-	-	323,694	716,945
Midea Electric Investment (BVI) Limited	236,543	-	-	-	-	-	236,543	-
Midea International Corporation Company Limited	176,974	-	-	-	-	-	176,974	-
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	136,745	-	-	-	-	-	136,745	-
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	124,030	-	1,954	-	-	-	125,984	-
Hefei Midea Material Supplies Co., Ltd.	117,000	-	-	-	-	-	117,000	4,147

(2) Long-term equity investments (Cont'd)**(a) Subsidiaries (Cont'd)**

Name of investee	Opening balance	Movements for current year					Ending balance	Cash dividends declared in current year
		Increase in Investment	Movements due to share-based payments	Decrease in investment	Merger	Others		
Midea Group E-commerce Co., Ltd.	105,722	-	4,443	-	-	-	110,165	-
Anhui GMCC Compressor Sales Co., Ltd.	95,000	-	-	-	-	-	95,000	474,110
Guangdong GMCC Refrigeration Equipment Co., Ltd.	115,946	-	8,966	-	-	-	124,912	67,993
Hefei Hualing Co., Ltd.	96,712	-	4,454	-	-	-	101,166	231,608
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	69,870	-	5,687	-	-	-	75,557	168,445
Foshan City Midea Material Supplies Co., Ltd.	54,000	-	-	-	-	-	54,000	15,988
Zhejiang GMCC Compressor Co., Ltd.	50,817	-	635	-	-	-	51,452	501,624
Chongqing Midea Refrigeration Equipment Co., Ltd.	53,276	-	3,053	-	-	-	56,329	105,579
Wuhu Little Swan Refrigeration Equipment Co., Ltd.	47,500	-	-	-	-	-	47,500	-
Guangdong GMCC Precision Manufacturing Co., Ltd.	38,438	-	-	-	-	-	38,438	35,606
Foshan City Midea Air-conditioners Industrial Investment Co., Ltd.	36,062	-	-	-	-	-	36,062	-
Chongqing Midea General Refrigeration Equipment Co., Ltd.	35,204	-	1,988	-	-	-	37,192	-
Ningbo Meimei Jiayuan Electric Service Co., Ltd.	38,205	-	-	(38,205)	-	-	-	-
Foshan City Shunde District Midea Electronic Technology Co., Ltd.	13,736	-	514	-	-	-	14,250	18,254
Midea Holdings (BVI) Ltd.	82	-	-	-	-	-	82	-
Handan Midea Refrigeration Equipment Co., Ltd.	124,542	-	3,222	-	-	-	127,764	130,876
Midea Group Payment Technology Co., Ltd.	100,000	-	-	-	-	-	100,000	1,330
Media Innovation Investment Co., Ltd.	35,000	-	-	-	-	-	35,000	-
Guangdong Midea Microwave Electric Manufacturing Co., Ltd.	1,880,041	-	-	-	-	-	1,880,041	-
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	20,000	-	-	-	-	-	20,000	5,623
Jiangsu Midea Chunhua Electric Co., Ltd.	93,527	-	1,205	-	-	-	94,732	54,742
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	196,196	-	137	-	-	-	196,333	-

(2) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

Name of investee	Opening balance	Movements for current year					Ending balance	Cash dividends declared in current year
		Increase in Investment	Movements due to share-based payments	Decrease in investment	Merger	Others		
Guangdong Midea Life Electric Appliance Manufacturing Co., Ltd.	985,464	-	7,563	-	-	-	993,027	-

Wuhu Midea Electric Appliance Manufacturing Co., Ltd.	56,223	-	-	-	-	-	56,223	43,738
Foshan Shunde Midea Water machine manufacturing Co., Ltd.	34,468	-	636	-	-	-	35,104	-
Foshan Midea Qinghu purification equipment Co., Ltd.	56,836	-	935	-	-	-	57,771	3,000
Guangdong Midea Boutique Electrical Appliance Manufacturing Co., Ltd.	60,015	-	-	-	-	-	60,015	-
Wuhan Midea Electric Appliance Manufacturing Co., Ltd.	80,000	-	-	-	-	-	80,000	-
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd.	292,317	-	5,819	-	-	-	298,136	-
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	404,716	-	4,908	-	-	-	409,624	-
Guangdong Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	79,551	-	661	-	-	-	80,212	-
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	61,337	-	6,571	-	-	-	67,908	539,274
Guangdong Midea lighting electric manufacturing Co., Ltd.	100,000	-	-	(100,000)	-	-	-	-
Jiangxi Midea Guiya lighting Co., Ltd.	161,270	-	1,097	-	-	-	162,367	-
Guangdong Midea Household Appliances Import and Export Trade Co., Ltd.	53,207	-	-	-	-	-	53,207	-
JV MIDEA-HORIZONT Co., Ltd.	41,357	-	-	-	-	-	41,357	-
Guangdong MIDEA-YASKAWA Service Robotics Ltd.	12,020	-	-	-	-	-	12,020	-
Foshan Shunde District Midea Petty Loan Co., Ltd.	67,635	-	-	-	-	-	67,635	-
Midea Petty Loan Co., Ltd.	55,031	-	-	-	-	-	55,031	1,812
Midea Robotics Industry Development Co., Ltd.	7,000	-	-	-	-	-	7,000	-
Wuhu Midea Household Consultation Service Co., Ltd.	100,759	-	465	-	-	-	101,224	-
Hefei Midea Washing Machine Co., Ltd.	73,769	-	1,912	-	-	-	75,681	-
Chinese Refrigerator Industry Co., Ltd.	2,430	-	-	-	-	-	2,430	-
Total	21,466,087	-	189,160	(138,205)	-	-	21,517,042	7,105,789

(2) Long-term equity investments (Cont'd)**(b) Associates and joint ventures**

Name of investee	Opening balance	Movements for the current period							Ending balance	Ending balance of provision for impairment	
		Increase in investment	Decrease in investment	Share of net profit using the equity method	Adjustment in other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment			Others
Associates -											
Foshan Shunde Rural Commercial Bank Co., Ltd.	926,792	-	-	97,024	(10,654)	-	(75,461)	-	-	937,701	-
Hefei Royalstar Motor Co., Ltd.	100,331	-	-	203	-	-	-	-	-	100,534	-
GE Fund Management Co., Ltd.	34,367	-	-	3,932	77	-	-	-	-	38,376	-
Foshan Micro Midea Filter MFG	31,672	-	-	3,088	-	-	(2,000)	-	-	32,760	-

Co., Ltd.											
Anhui Efort Intelligent Equipment Co., Ltd.	179,391	-	-	(1,180)	-	-	-	-	-	178,211	-
Guangdong YASKAWA-MIDEA Industrial Robotics System Ltd.	9,770	-	-	(194)	-	-	-	-	-	9,576	-
Joint venture -											
Wanjiang Financial Leasing Co., Ltd.	378,136	-	-	28,238	-	-	(32,400)	-	-	373,974	-
Total	1,660,459	-	-	131,111	(10,577)	-	(109,861)	-	-	1,671,132	-

(3) Revenue

Revenue mainly comprises other operating income including the brand royalty income, rental income and management fee income, etc. obtained by the parent company from the subsidiaries.

(4) Investment income

Item	Current figure	Comparative figure
Investment income from long-term equity investment under cost method	7,105,789	4,071,858
Investment income from wealth management products purchased from financial institutions	425,882	611,607
Income from long-term equity investment under equity method	131,111	6,062
Losses on disposal of long-term equity investment	(104,071)	-
Income earned during the holding period of available-for-sale financial assets	-	118,862
Total	7,558,711	4,808,389

There is no significant restriction on repatriation of the Company's investment income.

1 Details of non-recurring profit or loss.

Item	Current figure	Comparative figure
Profit or loss on disposal of non-current assets, including the portion written off in provision for asset impairment	6,042	(45,668)
Government grants recognised in profit or loss for the current period (closely related to the Company's normal course of business and in line with the state's policies and regulations, except continuous government grants based on a certain standard quota)	762,724	485,176
Income arising from investment cost of enterprises' acquisition of subsidiaries, associates and joint ventures which is less than the share of the fair value of the investee's identifiable net assets at the time of acquisition of investment	-	-
Profit or loss on entrusted investments or assets under entrusted management	-	682,954
Provision for impairment of assets due to force majeure, such as natural disaster	-	-
Gains or losses from debt restructuring	-	17
Enterprise restructuring expenses including staff resettlement expenses and integration expenses	-	-
Gains or losses on changes in fair value of financial assets and liabilities held for trading and investment income arising from disposal of financial assets and liabilities held for trading and available-for-sale financial assets other than effective hedging businesses relevant to normal course of business of the company.	(539,590)	95,857
Reversal of impairment provision for receivables individually assessed for impairment	-	341
Other operating income and expenses other than the above mentioned	67,147	82,747
Subtotal	296,323	1,301,424
Less: Income tax effect ("-" to indicate the decrease in income tax)	(30,545)	(287,750)
Minority interests effect (after tax)	130,471	(122,589)
Net non-recurring profit or loss attributable to shareholders of the parent company	396,249	891,085

Basis of preparation of details of non-recurring profit or loss:

Pursuant to the requirements of the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 - Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission ("CSRC"), non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the Company's normal course of business and that are related to the Company's normal course of business but have impact on the right judgement of the Company's operation performance and profitability of users of the financial statements due to special nature and occasional occurrence.

2 Return on net asset and earnings per share

The Group's return on net asset and earnings per share calculated pursuant to the *Compilation Rules for Information Disclosure of Companies Offering Securities to the Public No.9 - Calculation and Disclosure of Return on Net Asset and Earnings per Share* (revised in 2010) issued by CSRC and relevant requirements of accounting standards are as follows:

Item	Return on net asset (%)		Earnings per share (RMB Yuan)			
	Current figure	Comparative figure	Basic earnings per share		Diluted earnings per share	
			Current figure	Comparative figure	Current figure	Comparative figure
Net profit attributable to shareholders of the Company	17.64%	19.62%	1.48	1.32	1.48	1.31
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	16.90%	17.52%	1.42	1.17	1.42	1.17

Section X Documents Available for Reference

1. The original of *the 2016 Semi-Annual Report of Midea Group Co., Ltd.* signed by the legal representative;
2. The financial statements signed and stamped by the legal representative, the financial head and the person-in-charge of the accounting work;
3. The originals of all company documents and announcements that have been disclosed to the public via newspaper designated for information disclosure during the Report Period.
4. The electronic version of the 2016 Semi-Annual Report of Midea Group Co., Ltd. that is released on <http://www.cninfo.com.cn>.

Midea Group Co., Ltd.
Legal Representative: Fang Hongbo
31 August 2016